

**INSTITUTE FOR ENERGY ECONOMICS
AND
FINANCIAL ANALYSIS, INC.**

**FINANCIAL STATEMENTS
(With Independent Auditors' Report)**

DECEMBER 31, 2020 AND 2019

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

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DECEMBER 31, 2020 AND 2019

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Mark G. Mills
William M. Potoczak

Independent Auditors' Report

To the Board of Directors
Institute for Energy Economics and Financial Analysis, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Institute for Energy Economics and Financial Analysis, Inc. (the "Institute"), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Institute for Energy Economics and Financial Analysis, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Niles, Potoczak; Company

Cleveland, Ohio
May 27, 2021

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,352,729	\$ 3,363,253
Contributions receivable	1,850	-
Accounts receivable	1,800	-
Grants receivable	1,531,128	242,778
Prepaid expenses	631,110	106,455
	<u>6,518,617</u>	<u>3,712,486</u>
Total current assets	6,518,617	3,712,486
Deposits	<u>1,159</u>	<u>-</u>
Total assets	<u>\$ 6,519,776</u>	<u>\$ 3,712,486</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 140,486	\$ 38,684
Accrued expenses	17,816	7,500
Accrued payroll and taxes	58,914	33,705
Deferred revenues	7,500	-
Refundable advances	1,629,846	1,178,664
	<u>1,854,562</u>	<u>1,258,553</u>
Total current liabilities	1,854,562	1,258,553
Commitments and contingencies	-	-
Net assets:		
Without donor restrictions	953,714	484,807
With donor restrictions	<u>3,711,500</u>	<u>1,969,126</u>
Total net assets	<u>4,665,214</u>	<u>2,453,933</u>
Total liabilities and net assets	<u>\$ 6,519,776</u>	<u>\$ 3,712,486</u>

See notes to financial statements.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grants	\$ 3,590,376	\$ 4,028,167	\$ 7,618,543
Program service fees, at a point in time	114,000		114,000
Interest	15,133		15,133
Contributions	3,200		3,200
Other	2,053		2,053
Currency exchange loss	(4,115)		(4,115)
Net assets released from donor restrictions	<u>2,285,793</u>	<u>(2,285,793)</u>	<u>-</u>
Total	<u>6,006,440</u>	<u>(1,742,374)</u>	<u>7,748,814</u>
Expenses:			
Programs:			
Research	3,246,170		3,246,170
Education	1,541,471		1,541,471
Supporting services:			
Administrative	430,127		430,127
Fundraising	<u>319,765</u>		<u>319,765</u>
Total	<u>5,537,533</u>	<u>-</u>	<u>5,537,533</u>
Change in net assets	468,907	1,742,374	2,211,281
Net assets, beginning of period	<u>484,807</u>	<u>1,969,126</u>	<u>2,453,933</u>
Net assets, end of period	<u>\$ 953,714</u>	<u>\$ 3,711,500</u>	<u>\$ 4,665,214</u>

See notes to financial statements.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grants	\$ 1,448,370	\$ 2,107,000	\$ 3,555,370
Program service fees, over time	97,414		97,414
Interest	14,044		14,044
Contributions	750		750
Net assets released from donor restrictions	2,382,431	(2,382,431)	-
Total	<u>3,943,009</u>	<u>(275,431)</u>	<u>3,667,578</u>
Expenses:			
Programs:			
Research	2,051,658		2,051,658
Education	1,114,469		1,114,469
Supporting services:			
Administrative	196,266		196,266
Fundraising	256,483		256,483
Total	<u>3,618,876</u>	<u>-</u>	<u>3,618,876</u>
Change in net assets	324,133	(275,431)	48,702
Net assets, beginning of period	<u>160,674</u>	<u>2,244,557</u>	<u>2,405,231</u>
Net assets, end of period	<u>\$ 484,807</u>	<u>\$ 1,969,126</u>	<u>\$ 2,453,933</u>

See notes to financial statements.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program activities			Supporting activities			Total
	Research	Education	Total Program	Administrative	Fundraising	Total Supporting	
Compensation, taxes, and benefits	\$ 71,358	\$ 248,133	\$ 319,491	\$ 188,356	\$ 180,227	\$ 368,583	\$ 688,074
Professional fees and costs:							
Accounting				17,615		17,615	17,615
Legal				23,502		23,502	23,502
Consulting	2,862,845	1,032,298	3,895,143	144,777	119,599	264,376	4,159,519
Grants awarded	58,750	14,687	73,437				73,437
Education and training		150,864	150,864				150,864
Media communications		35,683	35,683	1,878		1,878	37,561
Insurance	3,167	905	4,072	326	226	552	4,624
Dues and subscriptions	226,573		226,573				226,573
Office	10,753	53,737	64,490	49,806	14,961	64,767	129,257
Rent	1,381	1,934	3,315	3,867	3,867	7,734	11,049
Travel	11,343	3,230	14,573		885	885	15,458
	<u>\$ 3,246,170</u>	<u>\$ 1,541,471</u>	<u>\$ 4,787,641</u>	<u>\$ 430,127</u>	<u>\$ 319,765</u>	<u>\$ 749,892</u>	<u>\$ 5,537,533</u>

See notes to financial statements.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program activities			Supporting activities			Total
	Research	Education	Total Program	Administrative	Fundraising	Total Supporting	
Compensation, taxes, and benefits	\$ 54,132	\$ 204,137	\$ 258,269	\$ 102,075	\$ 149,174	\$ 251,249	\$ 509,518
Professional fees and costs:							
Accounting				16,636		16,636	16,636
Legal				17,177		17,177	17,177
Consulting	1,818,535	647,652	2,466,187	44,425	93,849	138,274	2,604,461
Grants awarded	28,000	7,000	35,000				35,000
Education and training		189,002	189,002				189,002
Media communications		33,905	33,905	1,784		1,784	35,689
Insurance	4,458	1,274	5,732	419	318	737	6,469
Dues and subscriptions	75,123		75,123				75,123
Office	18,976	14,849	33,825	9,221	4,807	14,028	47,853
Rent	1,500	2,100	3,600	4,200	4,200	8,400	12,000
Travel	50,934	14,550	65,484	329	4,135	4,464	69,948
	<u>\$ 2,051,658</u>	<u>\$ 1,114,469</u>	<u>\$ 3,166,127</u>	<u>\$ 196,266</u>	<u>\$ 256,483</u>	<u>\$ 452,749</u>	<u>\$ 3,618,876</u>

See notes to financial statements.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,211,281	\$ 48,702
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in assets and liabilities:		
Grants receivable	(1,288,350)	308,456
Contributions receivable	(1,850)	1,850
Accounts receivable	(1,800)	-
Prepaid expenses and other assets	(524,655)	68,435
Deposits	(1,159)	-
Accounts payable	101,802	(91,894)
Accrued expenses	10,316	-
Accrued payroll and taxes	25,209	15,439
Deferred revenues	7,500	(11,185)
Refundable advances	451,182	1,178,664
	<u>989,476</u>	<u>1,518,467</u>
Net cash provided by operating activities		
Cash and cash equivalents, beginning of period	<u>3,363,253</u>	<u>1,844,786</u>
Cash and cash equivalents, end of period	<u>\$ 4,352,729</u>	<u>\$ 3,363,253</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

1. Purpose, presentation and summary of significant accounting policies:

Purpose

The Institute for Energy Economics and Financial Analysis, Inc.'s ("IEEFA" or the "Institute") mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. In furtherance of the Institute's mission, the Institute's activities include but are not limited to:

Research – conduct analysis and publish and release studies on energy issues; resource planning; power plant economics and financing; the financial and economic risks of energy alternatives; water and energy; and coal reserves, exports and prices;

Education – sponsor at least one major two-to-three day training program each year and hold additional webinars, seminars, and other educational events as needed and requested; and

Testimony – provide expert testimony before state and federal regulatory agencies and in relevant court proceedings regarding the financial and economic risks and viability of energy alternatives and other related issues.

The Institute was incorporated in the Commonwealth of Massachusetts on December 12, 2011 and received its tax exemption as a 501(c)(3) organization from the Internal Revenue Service on February 22, 2013.

Prior to the commencement of the Institute's operations on June 1, 2013, activities were conducted as part of the operations of the Rockefeller Family Fund.

The Institute is primarily funded through grants received from private foundations and non-profit organizations, the renewal of which is uncertain.

Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting. The financial presentation follows FASB Financial Accounting Standards Codification ("ASC") 958, "*Presentation of Financial Statements of Not-for-Profit Entities*". Under ASC 958, IEEFA is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

1. Purpose, presentation and summary of significant accounting policies (continued):

Significant Accounting Policies

Recently issued accounting standard update

In February 2016 the FASB issued ASU No. 2016-02, *Leases* (Topic 842), effective for the Institute's annual reporting periods beginning after December 15, 2021. Management is in the process of evaluating this ASU and its impact on the Institute's reported financial condition, results of operations and cash flows is not yet known.

Cash and cash equivalents

IEEFA considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents." IEEFA had no cash equivalents at December 31, 2020 or 2019.

IEEFA maintains its cash and cash equivalent balances at one financial institution. The Federal Deposit Insurance Corporation ("FDIC") fully insures the balances in IEEFA's accounts up to \$250,000. IEEFA had uninsured cash balances of \$4,101,354 and \$3,113,253 December 31, 2020 and 2019 respectively.

Support recognition

Unconditional promises to give

Grants and contributions are recorded as made and are classified as either with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Grants and contributions with donor restrictions including contributions that were initially reported as conditional promises to give are reported as increases in net assets without donor restrictions if the donor condition and / or restriction is satisfied in the same reporting period in which the support is recognized. When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from donor restrictions.

The Institute received 58% and 48% of its grant funding from three sources in 2020 and 2019, respectively. During 2020 and 2019 the Institute received approximately 17% and 21%, respectively, of its grant funding from international foundations. At December 31, 2020 and 2019 grants receivable from these funding sources accounted for approximately 100% and 0%, respectively, of total grants receivable.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

1. Purpose, presentation and summary of significant accounting policies (continued):

Significant Accounting Policies (continued)

Support recognition (continued)

Unconditional promises to give (continued)

Unconditional promises to give are stated at the amount promised less an allowance for uncollectible promises, which management estimates based on current and historical experiences. This net amount approximates fair value. Management has determined that no allowance for uncollectible promises was required at December 31, 2020 or 2019. The Institute incurred no losses from uncollected promises during the year ended December 31, 2020 or 2019.

Conditional promises to give

Conditional promises to give represent promises for the transfer of funds in which the Institute must overcome a barrier(s), such as (1) the occurrence of an identified event, (2) achieving a specific performance metric, or (3) complying with discretionary limits imposed in the agreement, before the Institute becomes entitled to the promise to transfer funds or funds already transferred. Conditional promises for which funds have been transferred to the Institute prior to the Institute overcoming the barrier are recognized in the statement of financial position as refundable advances. Conditional promises to give for which the Institute has overcome the imposed barrier are recognized as unconditional promises to give with or without donor restrictions dependent on the terms of the agreement.

Revenue recognition

The Institute is at times engaged to provide specific research and / or services principally under fixed priced or not to exceed contracts with varying lengths, but typically under six months at initial contract acceptance. The Institute does not incur any significant incremental costs to obtain a contract nor does it offer contracts which include any significant financing component or provide for discounts. The Institute recognizes revenue from its contracts (program service fees) over time or at a point in time dependent upon the terms of the contract, generally as time is incurred or upon report issuance. Costs to fulfill a contract generally include subcontract costs such as consulting and other professional fees which are incurred and expensed at the time services are performed or at report completion. The Institute's indirect and administrative costs such as compensation and benefits are expensed as incurred. Liabilities relating to the Institute's contracts with customers are reported as deferred revenues in the statement of financial position. The Institute had no contract assets at December 31, 2020 or 2019.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

1. Purpose, presentation and summary of significant accounting policies (continued):

Significant Accounting Policies (continued)

Functional allocation of expenses

For purposes of the Statement of Functional Expenses, those expenses directly attributable to a specific program or supporting activity are charged directly to that activity. Expenses that are attributable to more than one program or supporting activity are allocated as follows:

Compensation, taxes, and benefits – estimated percentage of time and effort spent by each employee

Rent and office expense – average estimated percentage of time spent by all employees

Consulting fees and travel – estimated percentage time and effort spent by consultants or employees

Media communications and insurance – estimated percentage of attributable benefit

Income taxes

IEEFA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is considered a charitable corporation.

IEEFA records interest and penalties assessed by taxing authorities as incurred in the statement of activities and changes in net assets. There were no assessments of penalties or interest made by tax authorities against IEEFA for the year ended December 31, 2020 or 2019. The Institute's tax return from December 31, 2017 onward is subject to examination by major tax jurisdictions.

Reclassifications

Certain 2019 amounts have been reclassified to conform with the 2020 presentation.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets (principally the classification and estimated collections of promises to give) and liabilities at the date of the financial statements and the reported amounts of revenues and expenses (allocation of expenses to program and supporting activities) during the reporting period. Actual results could differ significantly from those estimates.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

2. Refundable advances:

Refundable advances and unfunded conditional promises to give as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Refundable advances, beginning of year	\$ 1,178,664	\$ -
Funding received	2,951,375	1,841,747
Total conditions met	(1,633,975)	(665,861)
Amendment to conditional promise	(894,568)	-
Increase in conditions met in excess of funding received	<u>28,350</u>	<u>2,778</u>
Refundable advances, end of year	<u>\$ 1,629,846</u>	<u>\$ 1,178,664</u>
	<u>2020</u>	<u>2019</u>
Unfunded conditional promises, beginning of year	\$ 542,722	\$ -
Conditional promises received	4,156,060	2,384,469
Conditional promises funded	<u>(2,951,375)</u>	<u>(1,841,747)</u>
Unfunded conditional promises, end of year	<u>\$ 1,747,407</u>	<u>\$ 542,722</u>

Conditional promises to give are not recognized in the financial statements as an asset (accounts receivable), reduction in liabilities (refundable advances), or support until the condition or barrier entitling the Institute to the funds already received or to be received have been met. Conditions included in the Institute's conditional promises at December 31, 2020 and 2019 include (1) program funding, (2) employee retention, (3) consultant retention, (4) minimum number of reports, briefings, and presentations, and (5) acceptable performance as determined by the applicable donor. A total of \$859,352 of unfunded conditional promises to give at December 31, 2020 are identified for 2022 (\$609,352), 2023 (\$150,000), and 2024 (\$100,000). Included in grants receivable are conditional promise conditions met in excess of funding received in the amount of \$31,128 and \$2,778 at December 31, 2020 and 2019, respectively.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

3. Net assets with donor restrictions:

Net assets with donor restrictions as of December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Program activities:		
Subject to expenditures for research and education, within one-year	\$ 784,375	\$ 798,335
Supporting activities:		
Subject to the passage of time, within one-year	2,927,125	1,081,833
Subject to the passage of time, within two years	<u>-</u>	<u>88,958</u>
	<u>\$ 3,711,500</u>	<u>\$ 1,969,126</u>

Net assets with donor restrictions released by incurring research and education expenditures and or through the passage of time is as follows for the year ended December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Program activities	\$ 1,073,960	\$ 1,299,138
Supporting activities	<u>1,161,833</u>	<u>1,083,293</u>
	<u>\$ 2,235,793</u>	<u>\$ 2,382,431</u>

4. Commitments:

Office space

In April 2020 IEEFA executed a three-year non-cancelable operating lease for office space effective July 1, 2020 that requires minimum monthly payments of \$1,100. Future minimum lease payments due under this lease are \$13,200 in 2021; \$13,200 in 2022, and \$6,600 in 2023.

Rent expense was \$11,049 and \$12,000 in 2020 and 2019, respectively.

Consulting

The Institute has one-year agreements with various professionals in program supporting disciplines that expire at various times in 2021 and provide for aggregate monthly fees of approximately \$274,844 at December 31, 2020. Each agreement can be terminated in 30 days or less by written notice from either party to the agreement.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

4. Commitments (continued):

Subscription

During September 2020 the Institute executed a three-year non-cancellable subscription to a chemical and energy data base for a total of \$1,864,805. At December 31, 2020 future payments due for this subscription are \$622,948 in 2021 and \$693,484 in 2022. Amortization expense recognized for the Institute's 2020 payment of \$548,373 was \$137,093 and is included in dues and subscriptions in the statement of functional expenses.

5. Retirement plan:

The Institute sponsors the IEEFA 401(k) Retirement Savings Plan (the "Plan") under the safe harbor plan provisions. Under the provisions of the Plan, the Institute matches 100% of the first 3% of each eligible employee's compensation deferred and 50% of each eligible employee's compensation voluntarily deferred in excess of 3% up to 5%. Matching contributions for the year ended December 31, 2020 and 2019 were \$16,449 and \$10,161, respectively.

6. Related party transactions:

The Institute received grants in 2020 and 2019 totaling \$605,000 and \$728,500, respectively, from organizations affiliated with certain members of the Institute's Board of Directors (the "Board"). The Institute (via variance authority provided by the donor) awarded a \$35,000 grant in 2019 to an organization affiliated with a member of the Board.

7. Resource management:

The following summarizes the Institute's financial assets as of December 31, 2020, reduced by amounts not available for general use within the following year because of donor-imposed restrictions.

Cash	\$ 4,352,729
Contributions and accounts receivable	3,650
Grants receivable	<u>1,531,128</u>
	5,887,507
Less assets unavailable for general expenditures	
Donor imposed restrictions to be satisfied in 2021	784,375
Donor conditions not yet met (refundable advances)	<u>1,629,846</u>
Assets available to meet cash needs for general use in 2021	<u>\$ 3,473,286</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

7. Resource management (continued):

The Institute is substantially supported by donor restricted contributions. Because a donor's restriction requires resources to be used in a particular manner and or in a future period, the Institute must maintain sufficient resources to meet donor requirements.

The Institute, based on its investment policy of principal preservation, deposits excess cash in an interest-bearing money market account. The balance of these invested funds was \$2,001,896 at December 31, 2020. Financial assets are not subject to either non-donor external or internal (Board of Directors) restrictions.

The Institute has no other available sources of liquidity.

8. Subsequent events:

Management has undertaken a review of events occurring subsequent to December 31, 2020 through the date the financial statements were available to be issued, May 27, 2021. Management has determined that no events occurring subsequent to December 31, 2020 required adjustment to amounts originally recorded or disclosure in the financial statements.