

Audited Financial Statements

**AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT
ECONOMY**

December 31, 2017

American Council for an Energy-Efficient Economy

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Independent Auditor's Report on the Financial Statements

To the Board of Directors
American Council for an Energy-Efficient Economy

Report on the Financial Statements

We have audited the accompanying financial statements of American Council for an Energy-Efficient Economy (ACEEE), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 ACEEE'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 ACEEE'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.

Opinion

In our opinion, the 2017 financial statements referred to above present fairly, in all material respects, the financial position of American Council for an Energy-Efficient Economy as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of ACEEE as of and for the years ended December 31, 2016 and 2015, were audited by other auditors whose report, dated May 26, 2017, expressed an unmodified opinion on those statements.

Washington, DC
March 30, 2018

American Council for an Energy-Efficient Economy

Statements of Financial Position

December 31,	2017	2016	2015
Assets			
Cash and cash equivalents	\$ 417,044	\$ 291,310	\$ 584,344
Investments	7,381,015	7,483,979	6,637,809
Accounts receivable	71,561	108,430	109,536
Grants, contributions, and contracts receivables	592,875	1,378,343	596,992
Prepaid expenses	108,509	82,794	40,840
Security deposit	37,754	37,754	37,754
Property and equipment, net	335,529	383,130	309,071
Total assets	\$ 8,944,287	\$ 9,765,740	\$ 8,316,346
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 357,659	\$ 311,709	\$ 205,015
Deferred revenue	223,185	169,751	100,805
Deferred rent	266,212	353,759	342,733
Total liabilities	847,056	835,219	648,553
Net assets			
Unrestricted			
Available for operations	4,637,137	4,331,478	4,029,926
Board designated	50,276	125,276	175,276
Total unrestricted	4,687,413	4,456,754	4,205,202
Temporarily restricted	3,409,818	4,473,767	3,462,591
Total net assets	8,097,231	8,930,521	7,667,793
Total liabilities and net assets	\$ 8,944,287	\$ 9,765,740	\$ 8,316,346

See notes to the financial statements.

American Council for an Energy-Efficient Economy

Statement of Activities

Year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Grants and contributions	\$ 42,940	\$ 4,651,500	\$ 4,694,440
Conference	1,558,514		1,558,514
Contracts	1,171,878		1,171,878
Ally program	440,857		440,857
Interest and dividends	170,054		170,054
Other income	5,798		5,798
Net assets released from restrictions	5,715,449	(5,715,449)	-
Total revenue and support	9,105,490	(1,063,949)	8,041,541
Expense			
Program services			
Research programs	7,033,188	-	7,033,188
Conference	1,905,822		1,905,822
Lobbying	37,739		37,739
Total program services	8,976,749	-	8,976,749
Supporting services			
Development	383,723		383,723
General and administrative	39,600	-	39,600
Total supporting services	423,323	-	423,323
Total expense	9,400,072	-	9,400,072
Change in net assets from operations	(294,582)	(1,063,949)	(1,358,531)
Realized and unrealized gain on investments	525,241		525,241
Change in net assets	230,659	(1,063,949)	(833,290)
Net assets, beginning of year	4,456,754	4,473,767	8,930,521
Net assets, end of year	\$ 4,687,413	\$ 3,409,818	\$ 8,097,231

American Council for an Energy-Efficient Economy

Statement of Activities

Year ended December 31, 2016 with 2015 totals

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and support				
Grants and contributions	\$ 44,680	\$ 6,327,959	\$ 6,372,639	\$ 5,083,721
Conference	2,069,447	34,378	2,103,825	2,097,554
Contracts	956,077		956,077	703,732
Ally program	581,000		581,000	525,500
Interest and dividends	128,034		128,034	114,298
Other income	4,766		4,766	5,357
Net assets released from restrictions	5,351,161	(5,351,161)	-	-
Total revenue and support	9,135,165	1,011,176	10,146,341	8,530,162
Expense				
Program services				
Research programs	6,613,426		6,613,426	5,814,502
Conference	2,100,350		2,100,350	1,957,021
Lobbying	60,082		60,082	71,043
Publications	-		-	547
Total program services	8,773,858	-	8,773,858	7,843,113
Supporting services				
Development	267,872		267,872	201,143
General and administrative	110,020		110,020	44,867
Total supporting services	377,892	-	377,892	246,010
Total expense	9,151,750	-	9,151,750	8,089,123
Change in net assets from operations	(16,585)	1,011,176	994,591	441,039
Realized and unrealized gain (loss) on investments	268,137		268,137	(127,543)
Change in net assets	251,552	1,011,176	1,262,728	313,496
Net assets, beginning of year	4,205,202	3,462,591	7,667,793	7,354,297
Net assets, end of year	\$ 4,456,754	\$ 4,473,767	\$ 8,930,521	\$ 7,667,793

American Council for an Energy-Efficient Economy

Statement of Functional Expenses

Year ended December 31, 2017

	Research Programs	Conference	Lobbying	Total Program Services	Development	General and Administrative	Total Supporting Services	Total
Salaries	\$ 2,854,342	\$ 337,646	\$ 5,470	\$ 3,197,458	\$ 160,614	\$ 974,425	\$ 1,135,039	\$ 4,332,497
Fringe benefits	1,081,992	129,724	2,083	1,213,799	61,962	348,707	410,669	1,624,468
Total personnel expense	3,936,334	467,370	7,553	4,411,257	222,576	1,323,132	1,545,708	5,956,965
Accounting fees				-		27,300	27,300	27,300
Bank charges	18	23,179		23,197	1,774	8,279	10,053	33,250
Conferences and meetings	43,140	809,734		852,874	5,799	16,112	21,911	874,785
Consultants	640,684	162,501	25,950	829,135	11,916	154,996	166,912	996,047
Depreciation and amortization	90,664	10,632	169	101,465	5,112	46,131	51,243	152,708
Dues and subscriptions	6,194			6,194		11,276	11,276	17,470
Insurance				-		17,058	17,058	17,058
Legal services				-		7,439	7,439	7,439
Meals and entertainment	1,002	212		1,214		22,801	22,801	24,015
Miscellaneous				-	600	3,055	3,655	3,655
Postage and shipping	69	9,047		9,116		1,749	1,749	10,865
Printing	15,984	15,777		31,761		45,207	45,207	76,968
Rent	416,411	49,170	800	466,381	23,489	137,689	161,178	627,559
Staff development	665			665		37,843	37,843	38,508
Supplies	4,142	22,713		26,855	135	30,923	31,058	57,913
Taxes				-		6,949	6,949	6,949
Telephone	2,151	83,516		85,667	449	80,951	81,400	167,067
Travel	205,869	56,242	115	262,226	17,925	23,400	41,325	303,551
Final allocation of indirect costs	1,669,861	195,729	3,152	1,868,742	93,948	(1,962,690)	(1,868,742)	-
Total Expenses	\$ 7,033,188	\$ 1,905,822	\$ 37,739	\$ 8,976,749	\$ 383,723	\$ 39,600	\$ 423,323	\$ 9,400,072

See notes to the financial statements.

American Council for an Energy-Efficient Economy

Statement of Functional Expenses

Year ended December 31, 2016 with 2015 Totals

	2016								2015	
	Research Programs	Conference	Lobbying	Total Program Services	Development	General and Administrative	Total Supporting Services	Total	Total	
Salaries	\$ 2,773,852	\$ 361,693	\$ 5,140	\$ 3,140,685	\$ 101,236	\$ 851,025	\$ 952,261	\$ 4,092,946	\$ 3,633,712	
Fringe benefits	1,091,910	142,553	2,078	1,236,541	40,807	348,771	389,578	1,626,119	1,343,146	
Total personnel expense	3,865,762	504,246	7,218	4,377,226	142,043	1,199,796	1,341,839	5,719,065	4,976,858	
Accounting fees				-		26,800	26,800	26,800	34,554	
Bad debt expense				-			-	-	21,080	
Bank charges		56,946		56,946	810	6,382	7,192	64,138	57,660	
Conferences and meetings	29,323	842,629		871,952	1,497	1,504	3,001	874,953	865,163	
Consultants	564,518	257,225	49,250	870,993	36,511	79,081	115,592	986,585	812,489	
Depreciation and amortization	81,850	10,660	152	92,662	2,956	12,808	15,764	108,426	104,245	
Dues and subscriptions	9,130			9,130		12,082	12,082	21,212	10,541	
Equipment rental				-			-	-	2,265	
Insurance				-		19,421	19,421	19,421	26,369	
Legal services				-		6,739	6,739	6,739	5,317	
Meals and entertainment	2,296	10,532		12,828	2,915	19,858	22,773	35,601	18,925	
Miscellaneous				-		14,259	14,259	14,259	12,453	
Postage and shipping	413	46,303		46,716		2,581	2,581	49,297	16,984	
Printing	616	29,930		30,546	974	36,643	37,617	68,163	101,207	
Rent	395,289	51,699	744	447,732	14,462	117,347	131,809	579,541	586,580	
Staff development	703	299		1,002		43,544	43,544	44,546	19,156	
Supplies	7,860	39,209		47,069		52,021	52,021	99,090	63,097	
Telephone	1,624	3,274		4,898		78,283	78,283	83,181	87,764	
Travel	259,734	63,708	206	323,648	12,903	14,182	27,085	350,733	266,416	
Final allocation of indirect costs	1,394,308	183,690	2,512	1,580,510	52,801	(1,633,311)	(1,580,510)	-	-	
Total Expenses	\$ 6,613,426	\$ 2,100,350	\$ 60,082	\$ 8,773,858	\$ 267,872	\$ 110,020	\$ 377,892	\$ 9,151,750	\$ 8,089,123	

See notes to the financial statements.

American Council for an Energy-Efficient Economy

Statements of Cash Flows

<i>Year ended December 31,</i>	2017	2016	2015
Cash flows from operating activities			
Change in net assets	\$ (833,290)	\$ 1,262,728	\$ 313,496
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation and amortization	152,708	108,426	104,245
Net realized and unrealized (gain) loss on investments	(525,241)	(268,137)	127,543
Bad debt expense	-	-	21,080
Deferred rent	(87,547)	11,026	(53,020)
Change in assets and liabilities:			
Accounts receivable, net	36,869	1,106	(43,287)
Grants, contributions, and contracts receivable	785,468	(781,351)	(81,932)
Prepaid expenses	(25,715)	(41,954)	56,604
Accounts payable and accrued expenses	45,950	106,694	(94,667)
Deferred revenue	53,434	68,946	(10,195)
Total adjustments	435,926	(795,244)	26,371
Net cash (used in) provided by operating activities	(397,364)	467,484	339,867
Cash flows from investing activities			
Purchases of property and equipment	(105,107)	(182,485)	(69,230)
Purchases of investments	(1,471,800)	(1,378,033)	(619,851)
Proceeds from sales of investments	2,100,005	800,000	800,000
Net cash provided by (used in) investing activities	523,098	(760,518)	110,919
Net increase (decrease) in cash and cash equivalents	125,734	(293,034)	450,786
Cash and cash equivalents, beginning of year	291,310	584,344	133,558
Cash and cash equivalents, end of year	\$ 417,044	\$ 291,310	\$ 584,344

See notes to the consolidated financial statements.

American Council for an Energy-Efficient Economy

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The American Council for an Energy-Efficient Economy (ACEEE) is a not-for-profit organization incorporated under the laws of California during February 1980. The objectives of ACEEE are to gather, evaluate and disseminate information to stimulate greater efficiency of energy use. ACEEE focuses on program areas including energy policy, research, and outreach. It offers conferences, publications, and other forums for professionals and other organizations within the field.

ACEEE carries out its mission by conducting technical and policy analyses; advising policy makers and program managers; working with businesses, government officials, public interest groups, and other organizations; assisting traditional and new media to cover energy efficiency policy and technical issues; and educating consumers and businesses through ACEEE's conferences, press activities, and websites.

Income tax status: ACEEE is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation by the Internal Revenue code.

Basis of accounting: ACEEE prepares its financial statements on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expense when the obligation is incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: For purposes of the financial statements, ACEEE considers currency on hand, demand deposits, and highly liquid investments purchased from financial institutions with an original maturity of three months or less to be cash and cash equivalents.

Accounts, grants, contributions, and contracts receivable: Contracts receivable are stated at the amount that management expects to collect from services provided under federal grants, and nonfederal contracts. Accounts, grants, and contributions receivable are stated at net realizable value and are expected to be collected within the next year. Management periodically reviews the collectability of all receivables based on management's knowledge of and relationship with the vendors, grantors, and donors, age of the receivable balance, and existing economic conditions. As a result of these reviews, it is ACEEE's policy to write off uncollectible receivable balances when management determines that the receivable will not be collected. As of December 31, 2017, 2016, and 2015, management believes that all receivables are fully collectible within one year; therefore, no allowance for doubtful accounts was recorded.

American Council for an Energy-Efficient Economy

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net assets: Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, ACEEE's net assets are classified as follows:

Unrestricted net assets: Unrestricted net assets include those net assets whose use is not restricted by donors or internally designated for other uses. ACEEE's Board of Directors has designated amounts raised by ACEEE's 25th Anniversary campaign for certain future projects. These amounts are recorded as Board designated on the statements of financial position.

Temporarily restricted net assets: Net assets subject to donor-imposed restrictions that are met either by actions of ACEEE or by the passage of time. Net assets released from restrictions of \$5,715,449, \$5,351,161, and \$5,093,494 for the years ended December 31, 2017, 2016, and 2015, respectively, relate to the passage of time and/or ACEEE's usage of the restricted net assets for the purpose stipulated by the donor.

Revenue recognition: Contributions, including grants, are recorded when unconditionally committed as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conference revenue is recognized as revenue once the event takes place. Contract revenue is recognized on a cost-reimbursement basis to the extent allowable direct and indirect costs are incurred. Revenue from all other sources is recognized when earned.

Program services: The following is a brief description of the significant program services of ACEEE:

Research programs: ACEEE's research programs seek to improve energy efficiency through lowering energy costs, improving economic productivity, and decreasing environmental pollution.

Conference: ACEEE's conferences disseminate information to stimulate the efficiency of energy use in the economy.

Lobbying: ACEEE lobbies Congress on behalf of appliance energy efficiency standards, Federal appropriations for energy efficiency research and development, and new Federal programs to promote energy efficiency.

Functional allocation of expenses: Costs of ACEEE's various programs and activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Measure of operations: ACEEE does not include realized and unrealized gain (loss) on investments in the change in net assets from operations.

Comparative information: The statements of activities and functional expenses include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ACEEE's financial statements for the year ended December 31, 2015 from which the summarized information was derived.

American Council for an Energy-Efficient Economy

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reclassifications: Certain amounts relating to the prior years' statements of activities have been reclassified to conform to the current year presentation with no effect on the previously reported change in net income.

Amounts previously reported for the year ended December 31, 2016 were reclassified as follows:

	Previously Reported	2017 Reclassification	Currently Reported
Research programs	\$ 5,219,118	\$ 1,394,308	\$ 6,613,426
Conference	1,916,660	183,690	2,100,350
Lobbying	57,570	2,512	60,082
Development	215,071	52,801	267,872
General and administrative	1,743,331	(1,633,311)	110,020
	<u>\$ 9,151,750</u>	<u>\$ -</u>	<u>\$ 9,151,750</u>

Amounts previously reported for the year ended December 31, 2015 were reclassified as follows:

	Previously Reported	2017 Reclassification	Currently Reported
Research programs	\$ 4,475,179	\$ 1,339,323	\$ 5,814,502
Conference	1,764,529	192,492	1,957,021
Lobbying	68,263	2,780	71,043
Publications	547	-	547
Development	162,526	38,617	201,143
General and administrative	1,618,079	(1,573,212)	44,867
	<u>\$ 8,089,123</u>	<u>\$ -</u>	<u>\$ 8,089,123</u>

Subsequent events: Subsequent events have been evaluated through March 30, 2018, which is the date the financial statements were available to be issued.

B. CONCENTRATIONS

Credit risk: ACEEE maintains demand deposits with various financial institutions which, at times, may exceed federally-insured limits. The uninsured positions of these accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss. ACEEE has not experienced any such losses in the past, and does not believe it is exposed to any significant financial risk on these balances.

Market value risk: ACEEE also invests in various equity and fixed income securities. Such investments are exposed to market and credit risks, such as fluctuations in market value and credit risk. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

American Council for an Energy-Efficient Economy

Notes to the Financial Statements

C. INVESTMENTS

In accordance with current accounting standards, ACEEE uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes;

Level 2 – Inputs other than Level 1 that are directly or indirectly observable in the marketplace, such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments recorded at fair value include mutual funds, consisting of equity, fixed income, and blended funds, and equities. The values of these investments were determined on a recurring basis using Level 1 inputs based on quoted prices for identical assets in active markets. Management believes the estimated fair values to be a reasonable approximation of the exit price for these investments.

Investments recorded at cost include money market funds and a certificate of deposit. Investments recorded at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments consist of the following at December 31,:

	2017	2016	2015
Investments, at fair value			
Mutual funds - equity funds	\$ 3,493,745	\$ 2,079,768	\$ 1,625,685
Mutual funds - bond funds	2,095,884	2,791,091	3,212,911
Mutual funds - blended funds	607,215	579,720	535,235
Equities	<u>1,015</u>	<u>-</u>	<u>-</u>
Total investments, at fair value	6,197,859	5,450,579	5,373,831
Money market funds	1,060,613	1,910,918	1,141,617
Certificates of deposit	<u>122,543</u>	<u>122,482</u>	<u>122,361</u>
	<u>\$ 7,381,015</u>	<u>\$ 7,483,979</u>	<u>\$ 6,637,809</u>

American Council for an Energy-Efficient Economy

Notes to the Financial Statements

D. GRANTS, CONTRIBUTIONS, AND ACCOUNTS RECEIVABLE

Grants, contributions, and contracts receivable consist of the following at December 31,:

	2017	2016	2015
Contracts	\$ 402,875	\$ 228,343	\$ 196,992
Grants and contributions	<u>190,000</u>	<u>1,150,000</u>	<u>400,000</u>
	<u>\$ 592,875</u>	<u>\$ 1,378,343</u>	<u>\$ 596,992</u>

E. PROPERTY AND EQUIPMENT

Property and equipment acquisitions with a cost greater than \$1,000 and a projected useful life exceeding one year are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining life of the lease or the useful life of the asset.

Property and equipment consists of the following at December 31,:

	2017	2016	2015
Furniture and equipment	\$ 188,374	\$ 208,285	\$ 46,994
Software	251,873	241,781	328,675
Leasehold improvements	<u>325,700</u>	<u>349,822</u>	<u>241,734</u>
	765,947	799,888	617,403
Less: accumulated depreciation and amortization	<u>(430,418)</u>	<u>(416,758)</u>	<u>(308,332)</u>
	<u>\$ 335,529</u>	<u>\$ 383,130</u>	<u>\$ 309,071</u>

Depreciation and amortization expense for the years ended December 31, 2017, 2016, and 2015 was \$152,708, \$108,426, \$104,245, respectively.

F. RETIREMENT PLAN

A qualified 403(b) retirement plan (the "Plan") has been established for which all eligible employees are eligible to participate and make salary deferral contributions up to the federal limits annually. Under the Plan, ACEEE makes a 2% contribution and will match up to 3% of eligible employee compensation. Total employer contributions to the Plan were \$237,629, \$223,714, and \$192,769 for the years ended December 31, 2017, 2016, and 2015, respectively.

American Council for an Energy-Efficient Economy

Notes to the Financial Statements

G. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes as of December 31,:

	2017	2016	2015
Policy	\$ 798,590	\$ 1,597,719	\$ 1,354,883
Promoting energy efficiency	773,816	725,980	844,045
Transportation	407,367	262,448	216,524
Others	378,434	547,035	5,838
Buildings	333,638	321,948	256,247
General research	268,500	417,360	215,197
Industrial	155,096	63,269	183,326
Conferences	151,204	225,524	191,146
Utilities	72,807	204,447	133,322
Linda Latham Scholarship Fund	65,192	65,904	57,692
Behavior	5,174	42,133	4,371
	<u>\$ 3,409,818</u>	<u>\$ 4,473,767</u>	<u>\$ 3,462,591</u>

H. COMMITMENTS AND CONTINGENCIES

Operating lease: In March 2008, ACEEE entered into an operating lease agreement for office space which was originally scheduled to expire in July 2018 with an option to renew for an additional five years. The lease was amended effective May 2014 to expand the original office space and extend the expiration to July 31, 2021, with an option to renew for an additional five years, and was further amended effective July 2016 with an additional office space expansion. The original agreement and each amendment contain tenant allowances for improvements, escalation clauses, and charges for other costs related to the leased office space.

In accordance with the original lease agreement, ACEEE obtained an irrevocable letter of credit in the amount of \$113,262 as a security deposit, secured by a certificate of deposit, which were both reduced to \$48,915 per the May 2014 amendment. Per the July 2016 amendment, both were increased to \$53,392. The certificate of deposit is included in investments in the accompanying statements of financial position.

In accordance with accounting principles generally accepted in the United States of America, operating lease expenses should be recorded based on the straight-line method over the life of the lease, with the accumulated difference between rent paid and straight-line expense recorded as deferred rent expense in the statement of financial position. Also included in deferred rent expense is the unamortized portion of tenant improvement allowances, which are being amortized using the straight-line method over the shorter of the remaining life of the lease or the useful life of the asset. Total deferred rent is \$266,212, \$353,759, and \$342,733 at December 31, 2017, 2016, and 2015, respectively.

American Council for an Energy-Efficient Economy

Notes to the Financial Statements

H. COMMITMENTS AND CONTINGENCIES – CONTINUED

Future minimum lease payments, subject to annual operating expense increases, under the terms of the office lease are as follows:

Year Ending December 31,	Amount
2018	\$ 667,447
2019	648,103
2020	664,278
2021	<u>393,433</u>
	<u>\$ 2,373,261</u>

Rent expense for the years ended December 31, 2017, 2016, and 2015 was \$627,559, \$579,541, and \$586,580, respectively.

T A T E



TRYON

A Professional Corporation

Certified Public

Accountants

and Consultants

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
American Council for an Energy-Efficient Economy

We have audited the financial statements of American Council for an Energy-Efficient Economy (ACEEE) as of and for the year ended December 31, 2017, and our report thereon dated March 30, 2018, which contained an unmodified opinion on those financial statements, appears on page one. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on the following pages is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Washington, DC
March 30, 2018

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American Council for an Energy-Efficient Economy

Schedule of Fringe Benefits Expense

Year ended December 31, 2017

Holiday, sick, and vacation	\$	706,532
Payroll taxes		361,542
Health, life and disability insurance, and metro allowance		317,185
Retirement, tuition, and memberships		237,629
Other benefits		1,580
<hr/>		
Total Fringe Benefits	\$	1,624,468

American Council for an Energy-Efficient Economy

Schedule of Indirect Costs

Year ended December 31, 2017

Salaries	\$	974,425
Fringe benefits		348,707
Consultants		154,996
Rent		137,689
Telephone		80,951
Depreciation and amortization		46,131
Printing		45,207
Staff development		37,843
Supplies		30,923
Accounting fees		27,300
Travel		23,400
Meals and entertainment		22,801
Insurance		17,058
Conferences and meetings		16,112
Dues and subscriptions		11,276
Bank charges		8,279
Legal services		7,439
Taxes		6,949
Miscellaneous		3,055
Postage and shipping		1,749
Total Indirect Costs		2,002,290
Less unallowable costs:		
Amounts subsidized by the Council		(27,157)
Meals and entertainment		(22,252)
Total unallowable costs		(49,409)
Total Allowable Indirect Costs		\$ 1,952,881

American Council for an Energy-Efficient Economy

Schedule Determination of Indirect Cost Rates

Year ended December 31, 2017

FRINGE BENEFITS RATE

<u>Numerator</u>	
Total fringe benefits	\$ 1,624,468
<u>Denominator</u>	
Total salaries	\$ 4,332,497
Fringe benefits rate	37.49%

DEPRECIATION AND AMORTIZATION RATE

<u>Numerator</u>	
Total depreciation and amortization	\$ 152,708
<u>Denominator</u>	
Total salaries	\$ 4,332,497
Total fringe benefits	1,624,468
Total	\$ 5,956,965
Depreciation and amortization rate	2.56%

RENT RATE

<u>Numerator</u>	
Total Rent	\$ 627,559
<u>Denominator</u>	
Total salaries	\$ 4,332,497
Total fringe benefits	1,624,468
Total	\$ 5,956,965
Rent rate	10.53%

American Council for an Energy-Efficient Economy

Schedule of Determination of Other Rates

Year ended December 31, 2017

GENERAL AND ADMINISTRATIVE COST RATE

<u>Numerator</u>		
Total allowable general and administrative costs	\$	1,069,006
<u>Denominator</u>		
Direct salaries	\$	3,358,073
Applied fringe benefits		1,275,761
Total	\$	4,633,834
General and administrative cost rate		23.07%

HUMAN RESOURCES RATE

<u>Numerator</u>		
Total human resources expense	\$	191,264
<u>Denominator</u>		
Total salaries	\$	4,332,497
Total fringe benefits		1,624,468
Total	\$	5,956,965
Human resources rate		3.21%

IT, WEBSITE, AND DATABASE RATE

<u>Numerator</u>		
Total IT, website, and database expense	\$	582,690
<u>Denominator</u>		
Total salaries	\$	4,332,497
Total fringe benefits		1,624,468
Total	\$	5,956,965
IT, website, and database rate		9.78%

SUPPLIES AND COMMUNICATIONS RATE

<u>Numerator</u>		
Total supplies and communications	\$	109,921
<u>Denominator</u>		
Total salaries	\$	4,332,497
Total fringe benefits		1,624,468
Total	\$	5,956,965
Supplies and communications rate		1.85%