Rocky Mountain Institute

Consolidated Financial Report
with Supplemental Information
June 30, 2019

Contents

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Independent Auditor's Report

To the Board of Trustees
Rocky Mountain Institute

We have audited the accompanying consolidated financial statements of Rocky Mountain Institute (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain Institute as of June 30, 2019 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 2, the Organization adopted the provisions under Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of July 1, 2018. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Rocky Mountain Institute

Report on Prior Year Consolidated Financial Statements

The consolidated financial statements of Rocky Mountain Institute as of and for the year ended June 30, 2018 were audited by EKS&H LLLP, whose report dated October 24, 2018 expressed an unmodified opinion on those statements.

Plante & Moran, PLLC

December 2, 2019

Consolidated Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 10,219,983	$ 8,186,650
Investments (Notes 4 and 6)	3,864	3,770
Beneficial interest in assets held by The Denver Foundation	142,175	137,715
Accounts receivable	5,025,283	3,666,258
Short-term pledges receivable (Note 7)	12,625,638	6,145,380
Prepaid expenses and other current assets	747,426	440,595
Total current assets	28,764,369	18,580,368
Property and Equipment - Net (Note 8)	15,951,342	16,468,614
Long-term Pledges Receivable - Net (Note 7)	1,567,746	1,344,540
Investments Restricted for the Innovation Center (Notes 4 and 6)	570,580	558,689
Beneficial Interest in Assets Held by The Denver Foundation	406,226	406,523
Deposits and Other Assets	413,268	470,006
Total long-term assets	18,909,162	19,248,372
Total assets	**$ 47,673,531**	**$ 37,828,740**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,873,268	$ 1,114,290
Accrued salaries and benefits	3,011,356	2,990,558
Deferred revenue	791,672	651,553
Line of credit (Note 9)	-	11,056
Current portion of notes payable (Note 10)	145,684	139,139
Current portion of capital lease obligations (Note 11)	21,417	70,024
Other accrued expenses	173,564	505,331
Current portion of deferred rent	308,985	61,118
Total current liabilities	6,325,946	5,543,069
Notes Payable - Net of current portion (Note 10)	7,094,305	6,707,818
Capital Lease Obligations - Net of current portion (Note 11)	-	21,417
Deferred Rent - Net of current portion	120,925	112,862
Accrued Interest	238,075	68,575
Total liabilities	13,779,251	12,453,741
Net Assets		
Without donor restrictions (Note 12)	9,961,447	10,698,993
With donor restrictions (Note 12)	23,932,833	14,676,006
Total net assets	33,894,280	25,374,999
Total liabilities and net assets	**$ 47,673,531**	**$ 37,828,740**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Earned revenue	$ 8,466,272	$ -	$ 8,466,272	$ 8,020,286	$ -	$ 8,020,286
Foundation, individual, and corporate contributions	15,307,428	29,530,377	44,837,805	17,976,493	16,358,436	34,334,929
Event revenue	369,177	-	369,177	539,713	-	539,713
Government and multilateral grants	1,466,696	21,504	1,488,200	507,209	-	507,209
Other revenue	358,495	-	358,495	145,345	-	145,345
Change in beneficial interest in assets held by The Denver Foundation	4,459	13,176	17,635	9,416	28,249	37,665
Investment income	7,202	6,701	13,903	6,013	2,838	8,851
Net realized and unrealized (losses) gains on investments	(36,164)	5,190	(30,974)	37,509	-	37,509
Net assets released from restrictions	20,320,121	(20,320,121)	-	14,020,750	(14,020,750)	-
Total revenue, gains, and other support	46,263,686	9,256,827	55,520,513	41,262,734	2,368,773	43,631,507
Expenses						
Program expenses	37,578,143	-	37,578,143	34,023,915	-	34,023,915
Management and general	7,203,053	-	7,203,053	6,131,217	-	6,131,217
Fundraising	2,220,036	-	2,220,036	2,458,023	-	2,458,023
Total expenses	47,001,232	-	47,001,232	42,613,155	-	42,613,155
(Decrease) Increase in Net Assets	(737,546)	9,256,827	8,519,281	(1,350,421)	2,368,773	1,018,352
Net Assets - Beginning of year	10,698,993	14,676,006	25,374,999	12,049,414	12,307,233	24,356,647
Net Assets - End of year	**$ 9,961,447**	**$ 23,932,833**	**$ 33,894,280**	**$ 10,698,993**	**$ 14,676,006**	**$ 25,374,999**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services					Support Services		
	Rocky Mountain Institute Program Services	Rocky Mountain Institute International	WattTime	Communications	Total	Management and General	Fundraising	Total
Salaries	$ 16,407,271	$ 90,934	$ 701,282	$ 963,828	$ 18,163,315	$ 2,849,280	$ 1,305,597	$ 22,318,192
Benefits	3,564,932	87,284	143,959	210,838	4,007,013	602,418	272,407	4,881,838
Total salaries and related expenses	19,972,203	178,218	845,241	1,174,666	22,170,328	3,451,698	1,578,004	27,200,030
Bad debt expense	109,766	-	17,462	-	127,228	-	-	127,228
Computer expense	40,426	-	-	3,721	44,147	10,104	3,202	57,453
Consultants and contractors	6,465,190	8,754	238,996	162,264	6,875,204	1,557,366	127,835	8,560,405
Depreciation	577,612	7,049	-	53,168	637,829	144,367	45,755	827,951
Equipment leasing	23,865	-	-	2,197	26,062	5,965	1,890	33,917
Event expenses	945,014	-	-	1,983	946,997	53,080	22,368	1,022,445
Foreign currency adjustment	26,479	(2,777)	-	-	23,702	-	-	23,702
Insurance	86,690	9,658	493	7,980	104,821	21,667	6,867	133,355
Interest expense	-	-	170,150	-	170,150	324,217	-	494,367
Loss on disposal of property and equipment	-	-	-	-	-	2,217	-	2,217
Memberships and subscriptions	126,815	-	-	11,673	138,488	31,696	10,046	180,230
Office expenses	44,734	-	-	4,118	48,852	11,181	3,544	63,577
Other operating expenses	658,954	36,630	89,498	62,915	847,997	714,513	133,130	1,695,640
Rent	1,327,542	-	56,396	122,196	1,506,134	331,803	105,160	1,943,097
Repairs and maintenance	149,566	-	-	13,767	163,333	37,382	11,848	212,563
Shipping and postage	7,763	-	-	715	8,478	1,940	615	11,033
Software	266,423	-	-	24,533	290,956	66,614	21,112	378,682
Property tax refund	-	-	-	-	-	(180,489)	-	(180,489)
Telephone	734,091	-	-	67,571	801,662	183,477	58,150	1,043,289
Travel, meals, and meetings	2,554,432	-	27,880	40,581	2,622,893	429,040	88,857	3,140,790
Utilities	20,958	-	-	1,924	22,882	5,215	1,653	29,750
Total functional expenses	**$ 34,138,523**	**$ 237,532**	**$ 1,446,116**	**$ 1,755,972**	**$ 37,578,143**	**$ 7,203,053**	**$ 2,220,036**	**$ 47,001,232**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services					Support Services		
	Rocky Mountain Institute Program Services	Rocky Mountain Institute International	WattTime	Communications	Total	Management and General	Fundraising	Total
Salaries	$ 14,488,753	$ 499,210	$ 605,548	$ 853,567	$ 16,447,078	$ 2,229,124	$ 1,375,956	$ 20,052,158
Benefits	3,086,713	308,796	100,291	178,872	3,674,672	518,083	242,239	4,434,994
Total salaries and related expenses	17,575,466	808,006	705,839	1,032,439	20,121,750	2,747,207	1,618,195	24,487,152
Bad debt expense	11,450	-	-	-	11,450	71,810	25,000	108,260
Computer equipment	18,276	-	-	2,236	20,512	3,829	1,583	25,924
Consultants and contractors	5,366,481	175,682	173,742	119,660	5,835,565	954,453	229,149	7,019,167
Depreciation	568,923	6,635	-	69,472	645,030	118,986	49,150	813,166
Equipment leasing	20,052	-	-	2,450	22,502	4,197	1,735	28,434
Event expenses	795,463	-	-	-	795,463	12,661	80,042	888,166
Foreign currency adjustment	75,553	18,580	-	-	94,133	-	-	94,133
Insurance	76,566	54,964	1,204	9,216	141,950	15,785	6,520	164,255
Interest expense	-	-	68,738	-	68,738	443,620	-	512,358
Loss on disposal of property and equipment	-	-	-	-	-	10,671	-	10,671
Memberships and subscriptions	93,088	-	-	11,389	104,477	19,506	8,058	132,041
Office expenses	57,044	-	-	7,095	64,139	12,151	5,019	81,309
Other operating expenses	423,065	41,075	42,086	80,533	586,759	662,587	141,915	1,391,261
Rent	1,086,164	183,855	46,146	125,954	1,442,119	271,371	89,111	1,802,601
Repairs and maintenance	128,705	886	-	15,309	144,900	26,221	10,831	181,952
Shipping and postage	8,316	-	608	937	9,861	1,604	664	12,129
Software	294,118	-	-	35,985	330,103	61,632	25,459	417,194
Property tax expense	-	-	-	-	-	204,480	-	204,480
Telephone	574,781	-	1,706	70,324	646,811	120,445	49,753	817,009
Travel, meals, and meetings	2,733,215	122,942	17,430	36,615	2,910,202	363,079	113,806	3,387,087
Utilities	23,923	654	-	2,874	27,451	4,922	2,033	34,406
Total functional expenses	**$ 29,930,649**	**$ 1,413,279**	**$ 1,057,499**	**$ 1,622,488**	**$ 34,023,915**	**$ 6,131,217**	**$ 2,458,023**	**$ 42,613,155**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 8,519,281	$ 1,018,352
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation expense	827,951	813,167
Amortization of loan fees	7,821	142,420
Net realized and unrealized loss (gain) on investment	30,974	(37,509)
Gain on sale of property and equipment	(2,217)	(10,671)
Interest accrued on loans payable	169,500	68,575
Contribution recorded for WattTime acquisition	-	(16,939)
Contributions restricted for endowment	(5,950)	(14,575)
Net change in beneficial interest in assets held by The Denver Foundation	(17,635)	(37,665)
Bad debt expense	127,228	108,260
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(1,486,253)	(1,878,078)
Pledges receivable	(6,703,464)	1,677,151
Other current receivables, prepaid expenses and other assets, and deposits	(250,093)	(270,373)
Accounts payable	758,978	97,155
Accrued salaries and benefits and other accrued expenses	(310,969)	844,077
Deferred revenue	140,119	(599,851)
Deferred rent	255,930	68,002
Net cash and cash equivalents provided by operating activities	2,061,201	1,971,498
Cash Flows from Investing Activities		
Cash received in conjunction with WattTime acquisition	-	66,402
Net (purchases) sales of investments	(48,909)	12,227
Net transfers from The Denver Foundation	19,422	7,413
Purchases of property and equipment	(308,462)	(524,453)
Net cash and cash equivalents used in investing activities	(337,949)	(438,411)
Cash Flows from Financing Activities		
Net payments on line of credit	(11,056)	(1,406)
Proceeds from issuance of long-term debt	550,000	2,115,443
Payments on long-term debt	(164,789)	(99,739)
Payments on debt issuance costs	-	(58,200)
Contributions restricted for endowment	5,950	14,575
Payments on capital lease obligations	(70,024)	(109,513)
Net cash and cash equivalents provided by financing activities	310,081	1,861,160
Net Increase in Cash and Cash Equivalents	2,033,333	3,394,247
Cash and Cash Equivalents - Beginning of year	8,186,650	4,792,403
Cash and Cash Equivalents - End of year	**$ 10,219,983**	**$ 8,186,650**
Supplemental Cash Flow Information		
Cash paid for interest - Net of capitalized amount	$ 291,960	$ 276,434
Cash from WattTime combination relating to cash, accounts payable, and deferred revenue	-	115,865
Significant Noncash Transactions - Capital lease obligations for equipment	$ -	$ 135,493

See notes to consolidated financial statements.

Note 1 - Nature of Business

Rocky Mountain Institute (RMI) - an independent nonprofit founded in 1982 - transforms global energy use to create a clean, prosperous, and secure low-carbon future. It engages businesses, communities, institutions, and entrepreneurs to accelerate the adoption of market-based solutions that cost-effectively shift from fossil fuels to efficiency and renewables. RMI has offices in Basalt and Boulder, Colorado; New York City; the San Francisco Bay Area; Washington, D.C.; and Beijing.

In September 2014, RMI Innovation Center, LLC (RMIIC) was formed as a 100 percent owned subsidiary of Rocky Mountain Institute. RMIIC was formed to construct and own Rocky Mountain Institute's Innovation Center, which is a beyond-state-of-the-art office and convening center of 15,610 square feet along the banks of the Roaring Fork River in Basalt, Colorado.

On April 21, 2015, Rocky Mountain Institute International (RMII) was formed as a 100 percent owned subsidiary of Rocky Mountain Institute. RMII was created to facilitate the execution of Rocky Mountain Institute's mission in China and elsewhere in Asia. Effective January 1, 2018, Rocky Mountain Institute established a representative office (the "RO") in response to laws recently instituted in China, which require foreign nongovernmental organizations with a permanent physical office in China to be registered and approved by the Ministry of Public Security. The RO is treated as a division within Rocky Mountain Institute, as the U.S. sponsor not as a separate legal entity. ROs are not allowed to directly engage in operational activities, including receiving payments from clients or donors; accordingly, all revenue activity associated with the RO was processed and recorded by Rocky Mountain Institute's U.S. headquarters subsequent to January 1, 2018.

Effective July 1, 2017, Rocky Mountain Institute entered into a parent-subsidiary relationship with WattTime, a California 501(c)3 nonprofit organization with a mission to raise awareness about the potential to reduce environmental harm by shifting electricity use to particular times and to encourage the development and spread of common protocols for this practice. Under the agreement, Rocky Mountain Institute as the parent is the "designator," as that term is used in California Corporations Code Section 5220(d), with the power to appoint WattTime's entire board of directors. Accordingly, WattTime is consolidated in Rocky Mountain Institute's financial statements for the years ended June 30, 2019 and 2018. While no consideration was exchanged in the transaction, Rocky Mountain Institute agreed to certain fundraising obligations and administrative assistance to WattTime. At the discretion of WattTime's board of directors, WattTime may grant excess revenue to Rocky Mountain Institute to use for Rocky Mountain Institute's charitable purposes.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of RMI, RMIIC, RMII, and WattTime (collectively, the "Organization"). All material intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities.* This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Organization, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended June 30, 2018 has been restated as follows: net assets of $13,781,211 previously reported as temporarily restricted net assets and net assets of $894,795 previously reported as permanently restricted net assets have been combined into net assets with donor restrictions. This standard has been adopted retrospectively with the exception of the liquidity and availability of resources disclosure, as allowed by the standard.

Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents. As of June 30, 2019 and 2018, and periodically throughout the year, the Organization maintained balances in various operating accounts in excess of federally insured limits.

Accounts Receivable

Accounts receivable are stated at net invoice amounts. Based on management's review of outstanding receivable balances and historical collection information, management's best estimate is that all balances will be collected. Accordingly, the Organization has not established an allowance for doubtful accounts.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with realized and unrealized gains and losses included in the consolidated statement of activities and changes in net assets.

Concentration of Risk

The Organization's consolidated financial instruments that are exposed to credit risk consist primarily of pledges receivable and accounts receivable. Contributions are predominately from foundation and corporate or individuals. Five major donors accounted for approximately 46 percent and 72 percent of the pledges receivable balance as of June 30, 2019 and 2018, respectively, and 34 percent and 35 percent of total revenue, gains, and other support for the years ended June 30, 2019 and 2018, respectively.

One major customer accounted for approximately 50 percent of the accounts receivable balance as of June 30, 2019 and 2018 and 1 percent and 5 percent of total revenue, gains, and other support for the years ended June 30, 2019 and 2018, respectively.

Property and Equipment

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives, which range from 3 to 40 years. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Amortization of computer equipment under capital lease is computed using the straight-line method over three years and is included in depreciation expense. Costs of maintenance and repairs are charged to expense when incurred. Property and equipment having a unit cost of $5,000 or more are capitalized by the Organization.

Note 2 - Significant Accounting Policies (Continued)

Impairment or Disposal of Long-lived Assets

The Organization reviews the recoverability of long-lived assets, including buildings and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations. For the years ended June 30, 2019 and 2018, there was no impairment of long-lived assets.

Deferred Revenue

Revenue from the sale of certain types of membership dues and event registration fees is deferred and recognized as income over the period of the membership or after the event.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and certain contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as contributions without donor restrictions.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible pledges is provided when evidence indicates amounts promised by donors may not be collectible. As of June 30, 2019 and 2018, management believes all pledges are fully collectible, and, accordingly, no allowance is recorded.

Note 2 - Significant Accounting Policies (Continued)

Grant Revenue

Research grant awards are accounted for as either contributions or exchange transactions based on the provisions of the award document. To the extent that grants are contributions, they are recognized as donor-restricted support until all material restrictions placed on the award by the granting agency have been satisfied. The related revenue is reclassified to net assets without donor restrictions as the required restrictions are satisfied and is reported as such on the consolidated statement of activities and changes in net assets.

To the extent grants received by the Organization are exchange transactions, they are recognized on the milestone method, where revenue is recognized as milestones defined in the grant agreements are completed.

Earned Revenue

The Organization collaborates with individuals, corporations, and governments to produce research and education programs to advance its mission. Fees related to these programs are recorded as revenue as the collaboration projects are completed.

Functional Allocation of Expenses

Costs of providing program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Expenses incurred directly for program services are charged to such service. Salary costs and fringe benefits are allocated to all services based on an estimate of time and effort. Certain overhead costs are allocated to services based on head count. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

Rocky Mountain Institute and WattTime are not-for-profit organizations exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). RMIIC is a limited liability company, and RMII is a limited partnership with no significant taxable activity during the period. Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

Rocky Mountain Institute applies a more likely than not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2019 and 2018. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. No interest or penalties have been assessed as of June 30, 2019 and 2018.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Organization has not yet determined which application method it will use.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Organization is still evaluating which method it will apply. The new lease standard is expected to have a significant effect on the Organization’s financial statements as a result of the Organization's operating leases, as disclosed in Note 15, that will be reported on the consolidated statement of financial position at adoption. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Organization’s year ending June 30, 2020 and will be applied on a modified prospective basis. The Organization has not yet determined the impact on the timing of recognition of government grants, foundation and individual grants, and contributions.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including December 2, 2019, which is the date the consolidated financial statements were available to be issued.

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

Note 3 - Liquidity and Availability of Resources

The Organization has $28,016,943 of financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general expenditure consisting of cash and cash equivalents of $10,219,983, pledges receivable of $12,625,638, accounts receivable of $5,025,283, and short-term investments of $146,039 at June 30, 2019. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date. The pledges receivable are subject to implied time restrictions but are expected to be collected within one year.

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of $3,000,000, upon which it could draw.

Note 4 - Investments

The following is a summary of investments at estimated fair value:

	2019	2018
Without donor restriction - Cash and money market funds	$ 3,864	$ 3,770
With donor restriction:		
Cash and money market funds	124,362	45,187
Mutual funds:		
Fixed income	296,021	277,698
Equities	150,197	235,804
Total with donor restriction	570,580	558,689
Total	$ 574,444	$ 562,459

The following schedule summarizes the investment return and its classification on the consolidated statement of activities and changes in net assets:

	2019	2018
Investment income:		
Interest and dividend income	$ 18,678	$ 13,579
Investment management and custodian fees	(4,775)	(4,728)
Total investment income	13,903	8,851
Net (loss) gain on investments:		
Realized (loss) gain on investments	(36,164)	19,412
Unrealized gain on investments	5,190	18,097
Total net (loss) gain on investments	(30,974)	37,509
Total	$ (17,071)	$ 46,360

Note 5 - Beneficial Interest in Assets Held by The Denver Foundation

Funds

The Rocky Mountain Institute Fund

The Organization established a nonprofit organization advised fund, known as The Rocky Mountain Institute Fund (the "RMI Fund"), to be held by The Denver Foundation (the "Foundation"). The RMI Fund is held and invested by the Foundation for the benefit of RMI. All or any part of the income and principal of the RMI Fund can be distributed to the Organization or used or distributed for the benefit of, or to carry out the purpose of, the Organization as the board of trustees of the Foundation shall determine from time to time. All distribution considerations must be made by the Organization in accordance with the Foundation's guidelines for advised funds. As of June 30, 2019 and 2018, the fair value of the assets of the RMI Fund was $142,175 and $137,715, respectively. Distributions from the RMI Fund are available to the Rocky Mountain Institute for its general use. During 2019 and 2018, all income from the RMI Fund was reinvested.

The Phillip Austin Semmer Memorial Internship Fund

The Organization established an endowment fund to be held in perpetuity, known as the Phillip Austin Semmer Memorial Internship Fund (the "Semmer Fund"), to be held by the Foundation. The Semmer Fund is held and invested by the Foundation for the benefit of the Organization. The Organization is eligible to receive annual distributions up to 6 percent of the market value of the Semmer Fund. Excess earnings, if any, are reinvested in the Semmer Fund. As of June 30, 2019 and 2018, the fair value of the assets of the Semmer Fund was $121,036 and $123,149, respectively. Distributions from the Semmer Fund are available to the Organization for the funding of a research intern. During the years ended June 30, 2019 and 2018, $6,056 and $6,044, respectively, was distributed.

The Eric Konheim Memorial Internship Fund

The Organization established an endowment fund to be held in perpetuity, known as the Eric Konheim Memorial Internship Fund (the "Konheim Fund"), to be held by the Foundation. The Konheim Fund is held and invested by the Foundation for the benefit of the Organization. The Organization is eligible to receive annual distributions up to 6 percent of the market value of the Konheim Fund. Excess earnings, if any, are reinvested in the Konheim Fund. As of June 30, 2019 and 2018, the fair value of the assets of the Konheim Fund was $171,368 and $167,565, respectively. Distributions from the Konheim Fund are available to the Organization for the funding of a research intern. During the years ended June 30, 2019 and 2018, $7,669 and $7,660, respectively, was distributed.

The RMI Endowment Fund

The Organization established an endowment fund to be held in perpetuity, known as The RMI Endowment Fund (the "RMI Endowment"), to be held by the Foundation. The RMI Endowment is held and invested by the Foundation for the benefit of the Organization. The Organization is eligible to receive annual distributions up to 6 percent of the market value of the RMI Endowment. Excess earnings, if any, are reinvested in the RMI Endowment. As of June 30, 2019 and 2018, the fair value of the assets of the RMI Endowment was $113,822 and $115,809, respectively. Distributions from the RMI Endowment are available to the Organization for its general use. During the years ended June 30, 2019 and 2018, $5,697 and $5,684, respectively, was distributed.

Note 5 - Beneficial Interest in Assets Held by The Denver Foundation (Continued)

The Organization granted variance power to the Foundation for the funds described above, which allows the Foundation to terminate the agreements and transfer the funds to the general funds of the Foundation if the board of trustees of the Foundation determines, in its sole judgment, that the purposes that had been pursued by the Organization have become unnecessary, undesirable, impractical, incapable of fulfillment, or inconsistent with the charitable needs of the community. As the Organization has named itself the beneficiary of the funds, the transfers were accounted for as reciprocal transfers between the Organization and the Foundation. Therefore, the Organization reflects the value of the funds held by the Foundation on the accompanying consolidated statement of financial position as beneficial interest in assets held by the Foundation.

Management Fees

The assets held with the Foundation, as described above, are subject to a management fee percentage ranging from 0.75 percent to 2.00 percent of the asset balances, with a minimum fee of $1,000 to be charged annually. Total management fees paid to the Foundation for the years ended June 30, 2019 and 2018 were approximately $9,800 and $10,000, respectively.

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization’s assets measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 6 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Assets				
Money market funds	$ 128,226	$ -	$ -	$ 128,226
Mutual funds	446,218	-	-	446,218
Beneficial interest in assets held by the Foundation	-	-	548,401	548,401
Total	$ 574,444	$ -	$ 548,401	$ 1,122,845

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Assets				
Money market funds	$ 48,957	$ -	$ -	$ 48,957
Mutual funds	513,502	-	-	513,502
Beneficial interest in assets held by the Foundation	-	-	544,238	544,238
Total	$ 562,459	$ -	$ 544,238	$ 1,106,697

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2019 and 2018 are as follows:

	Beneficial Interest in Assets Held by the Foundation
Balance at June 30, 2018	$ 544,238
Change in beneficial interest	17,635
Contributions	5,950
Distributions	(19,422)
Balance at June 30, 2019	$ 548,401

	Beneficial Interest in Assets Held by the Foundation
Balance at June 30, 2017	$ 513,986
Change in beneficial interest	37,665
Contributions	11,975
Distributions	(19,388)
Balance at June 30, 2018	$ 544,238

Note 6 - Fair Value Measurements (Continued)

Realized and unrealized gains of $18,061 and $38,323 for the years ended June 30, 2019 and 2018, respectively, are reported in change in beneficial interest in assets held by The Denver Foundation in the consolidated statement of activities and changes in net assets.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Note 7 - Pledges Receivable

Pledges consist of the following:

	2019	2018
Capital campaign	$ 385,548	$ 550,000
Operations/annual giving	13,837,639	6,965,192
Total	$ 14,223,187	$ 7,515,192

Pledges are expected to be received as follows:

	2019	2018
Due in less than one year	$ 12,625,638	$ 6,145,380
Due in one to five years	1,597,549	1,369,812
Subtotal	14,223,187	7,515,192
Less unamortized discount on pledges	(29,803)	(25,272)
Subtotal	14,193,384	7,489,920
Less current portion	(12,625,638)	(6,145,380)
Total	$ 1,567,746	$ 1,344,540

Pledges that are due in less than one year but are related to long-term purposes are classified as noncurrent assets on the accompanying consolidated statement of financial position due to the long-term nature of the underlying purpose. The rates used to calculate the discount on pledges receivable range from 1.71 percent to 1.92 percent.

Note 8 - Property and Equipment

Property and equipment are summarized as follows:

	2019	2018
Buildings and improvements	$ 16,452,503	$ 16,479,177
Equipment	1,632,200	1,911,573
Furniture	1,173,469	1,107,405
Intellectual property	101,107	101,122
Total cost	19,359,279	19,599,277
Accumulated depreciation	3,407,937	3,130,663
Net property and equipment	$ 15,951,342	$ 16,468,614

Depreciation expense for 2019 and 2018 was $827,951 and $813,167, respectively.

Note 8 - Property and Equipment (Continued)

Innovation Center

RMI completed construction on the Innovation Center (IC) in Basalt, Colorado in December 2015, which now serves as an office for a portion of RMI's staff and a convening space. It is expected to be one of the most energy-efficient buildings in North America and demonstrates many of the design and technical features that RMI advocates in its buildings program work. Elements of the IC or its construction, operation, and maintenance are expected to impact the techniques used in other buildings, thereby lowering the energy consumption of buildings more broadly. While those benefits associated with the IC are not capitalizable, they are important and consistent with the overall mission of RMI.

The costs of the IC include the cost of land and construction, including soft costs associated with consultants and others engaged to assist in the project. Given the nature and purpose of the IC, it is entirely possible that the market value of the property, when compared to other similarly sized and situated real estate, will be less than the capitalized costs associated with its construction (given the IC's dual purpose to both house RMI operations and to inform building construction, ownership, and operation techniques more broadly). Management believes no impairment is necessary at this time.

Note 9 - Line of Credit

RMI amended its line of credit agreement on October 22, 2018 to increase the available borrowings from $2,000,000 to $3,000,000. Interest is payable monthly at a rate of the lender's prime rate (an effective rate of 5.00 percent at June 30, 2019 and 2018). The line of credit is collateralized by substantially all assets of RMI and a deed of trust and is subject to certain covenants. The line of credit matured on October 22, 2019. In November 2019, RMI amended its line of credit agreement to increase the available borrowings to $4,000,000 with a maturity date of December 22, 2020. There was no balance outstanding on the line of credit as of June 30, 2019.

Note 10 - Notes Payable

	2019	2018
RMI holds a note payable with a bank with interest of 5 percent, monthly payments of $36,612, and that matures in September 2024. The loan is collateralized by the IC and substantially all assets of RMI	$ 6,011,122	$ 6,150,261
WattTime holds four notes payable with various lenders totaling $550,000 with interest ranging from 5 percent to 6 percent. Principal and interest are due at maturity between May 2022 and July 2023	550,000	550,000
WattTime holds give notes payable with various lenders totaling $750,000. If the notes are paid in full on our before the second anniversary date of the loan, the repayment amount is 1.25 times the initial loan amount; if paid after the second anniversary date of the loan, the repayment amount is 1.40 times the initial loan amount and is due on the fifth anniversary date of the loan. Payments are due annually based on a percentage of WattTime's gross revenue, as defined, ranging from 1.125 percent to 2.25 percent.	723,359	198,847
Total notes payable	7,284,481	6,899,108
Less unamortized debt issuance costs	(44,492)	(52,151)
Less current portion	(145,684)	(139,139)
Long-term portion	$ 7,094,305	$ 6,707,818

Note 10 - Notes Payable (Continued)

Notes payable mature as follows:

Year Ending June 30	Amount
2020	$ 145,684
2021	153,980
2022	361,274
2023	654,191
2024	766,112
Thereafter	5,203,240
Total	$ 7,284,481

Note 11 - Capital Leases

The Organization has acquired assets under the provisions of long-term leases. For financial reporting purposes, minimum lease payments relating to the assets have been capitalized. The leases expire from October 2019 to April 2020. Amortization of the leased property is included in depreciation expense.

The assets under capital leases have cost and accumulated amortization as follows:

	2019	2018
Capital lease assets	$ 410,756	$ 410,756
Less accumulated amortization	(359,455)	(257,083)
Long-term obligations under capital leases	$ 51,301	$ 153,673

The future minimum lease payment under capital leases for the year ending June 30, 2020 is $21,417.

Note 12 - Net Assets

Net assets with donor restrictions are subject to time or purpose restrictions for the following purposes:

	2019	2018
SEED	$ 3,667,281	$ 891,397
CRC	2,643,736	-
Breakthrough	2,478,297	188,000
Buildings	2,342,521	1,780,459
Electricity	2,127,343	2,539,568
China	1,981,447	2,080,293
Islands	1,825,849	1,643,495
Pledges receivable (time restricted)	1,793,750	2,204,558
Industry	1,423,838	195,084
WattTime	1,004,000	75,798
India	639,925	583,582
Global Climate Finance	604,813	1,352,902
EES	252,483	-
Mobility	109,474	169,711
Endowment funds	82,009	76,364
Office of Chief Scientist	31,675	-
Total	$ 23,008,441	$ 13,781,211

Note 12 - Net Assets (Continued)

Net assets with donor restrictions to be held in perpetuity as of June 30:

	2019	2018
Rocky Mountain Institute Fund	$ 75,000	$ 75,000
Internship fund endowments:		
Eric Konheim Memorial Internship Fund	192,312	162,715
Phillip Austin Semmer Memorial Internship Fund	101,080	101,080
Total	293,392	263,795
Rocky Mountain Institute Innovation Center Endowment Fund	556,000	556,000
Total	$ 924,392	$ 894,795

Note 13 - Investment in Endowments

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Organization had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Note 13 - Investment in Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ -	$ 924,392	$ 924,392
Accumulated investment income and net appreciation (realized and unrealized)	-	82,009	82,009
Total	$ -	$ 1,006,401	$ 1,006,401

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ -	$ 971,159	$ 971,159
Investment return:			
Investment income	-	18,471	18,471
Net appreciation (realized and unrealized)	-	6,596	6,596
Total investment return	-	25,067	25,067
Contributions	-	29,597	29,597
Appropriation of endowment assets for expenditure	-	(19,422)	(19,422)
Endowment net assets - End of year	$ -	$ 1,006,401	$ 1,006,401

	Endowment Net Asset Composition by Type of Fund as of June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ -	$ 894,795	$ 894,795
Accumulated investment income and net appreciation (realized and unrealized)	-	76,364	76,364
Total	$ -	$ 971,159	$ 971,159

Note 13 - Investment in Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ (22,194)	$ 944,885	$ 922,691
Investment return:			
Investment income	8,840	9,843	18,683
Net appreciation (realized and unrealized)	13,354	21,244	34,598
Total investment return	22,194	31,087	53,281
Contributions	-	14,575	14,575
Appropriation of endowment assets for expenditure	-	(19,388)	(19,388)
Endowment net assets - End of year	$ -	$ 971,159	$ 971,159

Underwater Endowment Funds

As of June 30, 2019 and 2018, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve a return of 4 percent to 5 percent, net of inflation and investment expenses. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year 2 to 4 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected rate of return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow an average of 4 percent annually. The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Note 14 - Retirement Plan

403(b) Plan

RMI offers to its staff the option to participate in a deferred compensation plan pursuant to IRC Section 403(b). Staff contributions are voluntary and are made on a pretax or after-tax (Roth) basis. RMI matches 100 percent of eligible participants' contributions, up to 5 percent of eligible participants' compensation. For the years ended June 30, 2019 and 2018, employer contributions totaled $816,284 and $711,857, respectively.

Note 15 - Operating Leases

The Organization leases office space and equipment under operating leases, which may include rent holidays and rent escalation clauses. It recognizes rent holiday periods and scheduled rent increases on a straight-line basis over the term of the lease. The leases expire at dates ranging from December 2019 to September 2025. Total rent expense under these leases was $1,977,865 and $1,831,034 for 2019 and 2018, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending June 30	Amount
2020	$ 1,082,926
2021	1,088,404
2022	1,108,900
2023	967,218
2024	722,809
Thereafter	869,010
Total	$ 5,839,267

Note 16 - Black Bear Equity Investment

As of June 30, 2019 and 2018, the Organization owned 22.05 percent and 20.0 percent, respectively, of Black Bear Energy, Inc. (BBE). RMI accounts for this investment using the equity method. RMI's share of BBE's net losses is in excess of the carrying value of its investment in BBE. RMI is not responsible for losses of BBE in excess of its investment and, therefore, is no longer reflecting its share of BBE's losses and may only reflect its share of BBE's future earnings to the extent they exceed RMI's share of BBE's cumulative unrecognized losses. As of June 30, 2019 and 2018, RMI's investment in BBE was $0.

Note 17 - Related Party Transactions

The following is a description of transactions between the Organization and related parties:

Pledges Receivable

At June 30, 2019 and 2018, pledges receivable on the accompanying consolidated statement of financial position include $190,547 and $796,033, respectively, due from various members of the board of trustees.

Supplemental Information

Independent Auditor's Report on Supplemental Information

To the Board of Trustees
Rocky Mountain Institute

We have audited the consolidated financial statements of Rocky Mountain Institute as of and for the year ended June 30, 2019 and have issued our report thereon dated December 2, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 2019 consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities and changes in net assets are presented for the purpose of additional analysis rather than to present the financial position, changes in net assets, and cash flows of the individual entities and are not a required part of the consolidated 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 2019 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2019 consolidated financial statements as a whole.

Plante & Moran, PLLC

December 2, 2019

Consolidating Statement of Financial Position

June 30, 2019

	Rocky Mountain Institute	Rocky Mountain Institute International	WattTime	Eliminating Entries	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 9,591,508	$ 126,958	$ 501,517	$ -	$ 10,219,983
Investments	3,864	-	-	-	3,864
Beneficial interest in assets held by The Denver Foundation	142,175	-	-	-	142,175
Loan receivable - Intercompany	60,742	-	-	(60,742)	-
Due from related parties	364,165	-	-	(364,165)	-
Accounts receivable	4,987,659	-	37,624	-	5,025,283
Short-term pledges receivable	11,805,038	-	820,600	-	12,625,638
Prepaid expenses and other current assets	821,396	(73,970)	-	-	747,426
Total current assets	27,776,547	52,988	1,359,741	(424,907)	28,764,369
Investment in Rocky Mountain Institute International	720,220	-	-	(720,220)	-
Property and Equipment - Net	15,937,565	13,777	-	-	15,951,342
Long-term Pledges Receivable - Net	1,567,746	-	-	-	1,567,746
Investments Restricted for the Innovation Center	570,580	-	-	-	570,580
Beneficial Interest in Assets Held by The Denver Foundation	406,226	-	-	-	406,226
Deposits and Other Assets	395,931	-	17,337	-	413,268
Total noncurrent assets	19,598,268	13,777	17,337	(720,220)	18,909,162
Total assets	**$ 47,374,815**	**$ 66,765**	**$ 1,377,078**	**$ (1,145,127)**	**$ 47,673,531**

Consolidating Statement of Financial Position (Continued)

June 30, 2019

	Rocky Mountain Institute	Rocky Mountain Institute International	WattTime	Eliminating Entries	Total
Liabilities and Net Assets (Deficit)					
Current Liabilities					
Accounts payable	$ 1,808,061	$ -	$ 65,207	$ -	$ 1,873,268
Accrued salaries and benefits	2,980,866	-	30,490	-	3,011,356
Deferred revenue	782,672	-	9,000	-	791,672
Current portion of notes payable	145,684	-	-	-	145,684
Due to affiliates	-	362,206	1,959	(364,165)	-
Current portion of capital lease obligations	21,417	-	-	-	21,417
Other accrued expenses	139,617	8,162	25,785	-	173,564
Current portion of deferred rent	308,985	-	-	-	308,985
Total current liabilities	6,187,302	370,368	132,441	(364,165)	6,325,946
Notes Payable - Net of current portion	5,823,384	-	1,319,163	(48,242)	7,094,305
Deferred Rent - Net of current portion	120,925	-	-	-	120,925
Accrued Interest	-	-	250,575	(12,500)	238,075
Total liabilities	12,131,611	370,368	1,702,179	(424,907)	13,779,251
Net Assets (Deficit)					
Without donor restrictions	12,314,363	(303,603)	(1,329,093)	(720,220)	9,961,447
With donor restrictions	22,928,841	-	1,003,992	-	23,932,833
Total net assets (deficit)	35,243,204	(303,603)	(325,101)	(720,220)	33,894,280
Total liabilities and net assets (deficit)	**$ 47,374,815**	**$ 66,765**	**$ 1,377,078**	**$ (1,145,127)**	**$ 47,673,531**

Consolidating Statement of Activities and Changes in Net Assets

Year Ended June 30, 2019

	Rocky Mountain Institute	Rocky Mountain Institute International	WattTime	Eliminating Entries	Total
Changes Net Assets without Donor Restrictions					
Revenue, gains, and other support:					
Earned revenue	$ 8,153,689	$ -	$ 312,583	$ -	$ 8,466,272
Foundation, individual, and corporate contributions	15,231,833	-	75,595	-	15,307,428
Event revenue	369,177	-	-	-	369,177
Government and multilateral grants	1,466,696	-	-	-	1,466,696
Other revenue	240,185	118,310	-	-	358,495
Change in beneficial interest in assets held by The Denver Foundation	4,459	-	-	-	4,459
Investment income	6,886	124	192	-	7,202
Net realized and unrealized losses on investments	(36,164)	-	-	-	(36,164)
Net assets released from restrictions	20,022,323	-	297,798	-	20,320,121
Total revenue, gains, and other support	45,459,084	118,434	686,168	-	46,263,686
Expenses:					
Program expenses	35,894,495	237,532	1,446,116	-	37,578,143
Management and general	7,203,053	-	-	-	7,203,053
Fundraising	2,220,036	-	-	-	2,220,036
Total expenses	45,317,584	237,532	1,446,116	-	47,001,232
Change in Net Assets without Donor Restrictions	141,500	(119,098)	(759,948)	-	(737,546)
Changes in Net Assets with Donor Restrictions					
Foundation grants	28,304,377	-	1,226,000	-	29,530,377
Federal grants	21,504	-	-	-	21,504
Net realized and unrealized gains on investments	5,190	-	-	-	5,190
Investment income	6,701	-	-	-	6,701
Change in beneficial interest in assets held by The Denver Foundation	13,176	-	-	-	13,176
Net assets released from restrictions	(20,022,323)	-	(297,798)	-	(20,320,121)
Change in Net Assets with Donor Restrictions	8,328,625	-	928,202	-	9,256,827
Change in Net Assets	8,470,125	(119,098)	168,254	-	8,519,281
Net Assets (Deficit) - Beginning of year	26,773,079	(184,505)	(493,355)	(720,220)	25,374,999
Net Assets (Deficit) - End of year	**$ 35,243,204**	**$ (303,603)**	**$ (325,101)**	**$ (720,220)**	**$ 33,894,280**