Rocky Mountain Institute

Consolidated Financial Report
with Supplemental Information
June 30, 2020

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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, 2020 and 2019 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2020 and 2019 and the changes in their net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 2 to the consolidated financial statements the Organization has been impacted by a global pandemic that disrupted the Organization's operations.

To the Board of Trustees
Rocky Mountain Institute

As described in Note 2 to the consolidated financial statements, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Our opinion is not modified with respect to these matters.

Plante & Moran, PLLC

October 21, 2020

Consolidated Statement of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 27,727,400	$ 10,219,983
Investments (Notes 5 and 7)	4,035	3,864
Beneficial interest in assets held by The Denver Foundation (Notes 6 and 7)	139,834	142,175
Accounts receivable	2,922,863	5,025,283
Short-term pledges receivable (Note 8)	10,733,383	12,625,638
Prepaid expenses and other current assets	647,182	747,426
Total current assets	42,174,697	28,764,369
Property and Equipment - Net (Note 10)	15,532,701	15,951,342
Intangible Assets (Note 9)	1,828,583	-
Long-term Pledges Receivable (Note 8)	327,797	1,567,746
Investments Restricted for the Innovation Center (Note 5)	607,883	570,580
Beneficial Interest in Assets Held by The Denver Foundation (Notes 6 and 7)	407,268	406,226
Deposits and Other Assets	620,431	413,268
Total noncurrent assets	19,324,663	18,909,162
Total assets	**$ 61,499,360**	**$ 47,673,531**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,553,930	$ 1,873,268
Accrued salaries and benefits	3,517,028	3,011,356
Deferred revenue	562,011	791,672
Current portion of notes payable (Note 12)	2,043,535	145,684
Current portion of capital lease obligations	-	21,417
Other accrued expenses	186,129	173,564
Current portion of deferred rent	46,286	308,985
Total current liabilities	7,908,919	6,325,946
Notes Payable - Net of current portion (Note 12)	8,780,994	7,094,305
Deferred Rent - Net of current portion	190,451	120,925
Accrued Interest	300,075	238,075
Total liabilities	17,180,439	13,779,251
Net Assets		
Without donor restrictions (Note 13)	16,545,266	9,961,447
With donor restrictions (Note 13)	27,773,655	23,932,833
Total net assets	44,318,921	33,894,280
Total liabilities and net assets	**$ 61,499,360**	**$ 47,673,531**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Earned revenue	$ 8,495,916	$ -	$ 8,495,916	$ 8,466,272	$ -	$ 8,466,272
Foundation, individual, and corporate contributions	21,807,814	34,545,121	56,352,935	15,307,428	29,530,377	44,837,805
Event revenue	373,417	-	373,417	369,177	-	369,177
Government and multilateral grants	1,464,425	60,226	1,524,651	1,466,696	21,504	1,488,200
Other revenue	275,725	-	275,725	358,495	-	358,495
Change in beneficial interest in assets held by The Denver Foundation	(2,340)	(7,980)	(10,320)	4,459	13,176	17,635
Investment income	42,763	6,221	48,984	7,202	6,701	13,903
Net realized and unrealized gain (losses) on investments	418	31,081	31,499	(36,164)	5,190	(30,974)
Net assets released from restrictions	30,793,847	(30,793,847)	-	20,320,121	(20,320,121)	-
Total revenue, gains, and other support	63,251,985	3,840,822	67,092,807	46,263,686	9,256,827	55,520,513
Expenses						
Program services	47,726,690	-	47,726,690	37,578,143	-	37,578,143
Management and general	6,502,040	-	6,502,040	7,203,053	-	7,203,053
Fundraising	2,439,436	-	2,439,436	2,220,036	-	2,220,036
Total expenses	56,668,166	-	56,668,166	47,001,232	-	47,001,232
Increase (Decrease) in Net Assets	6,583,819	3,840,822	10,424,641	(737,546)	9,256,827	8,519,281
Net Assets - Beginning of year	9,961,447	23,932,833	33,894,280	10,698,993	14,676,006	25,374,999
Net Assets - End of year	**$ 16,545,266**	**$ 27,773,655**	**$ 44,318,921**	**$ 9,961,447**	**$ 23,932,833**	**$ 33,894,280**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services					Support Services		
	Rocky Mountain Institute Program Services	Rocky Mountain Institute International	WattTime	Communications	Total	Management and General	Fundraising	Total
Salaries	$ 20,608,107	$ -	$ 1,149,810	$ 985,677	$ 22,743,594	$ 3,592,745	$ 1,527,864	$ 27,864,203
Benefits	4,359,678	25,240	243,452	226,834	4,855,204	721,716	302,555	5,879,475
Total salaries and related expenses	24,967,785	25,240	1,393,262	1,212,511	27,598,798	4,314,461	1,830,419	33,743,678
Bad debt expense	251,758	23,757	-	-	275,515	70,511	-	346,026
Computer expense	52,864	-	-	4,725	57,589	6,102	4,279	67,970
Consultants and contractors	10,447,140	24,834	1,182,610	101,617	11,756,201	799,315	79,030	12,634,546
Depreciation	649,194	6,457	-	27,573	683,224	112,461	39,105	834,790
Equipment leasing	79,295	-	-	7,087	86,382	9,153	6,419	101,954
Event expenses	537,101	-	-	-	537,101	47,764	20,676	605,541
Foreign currency adjustment	57,536	(822)	-	-	56,714	4,915	-	61,629
Insurance	138,671	-	6,253	11,812	156,736	15,255	10,698	182,689
Interest expense	-	-	70,150	-	70,150	303,423	-	373,573
Loss on disposal of property and equipment	-	-	-	-	-	500	-	500
Memberships and subscriptions	211,454	-	-	18,899	230,353	24,408	17,117	271,878
Office expenses	52,864	-	-	4,725	57,589	6,102	4,279	67,970
Other operating expenses	1,004,513	362	760,480	121,107	1,886,462	273,445	159,500	2,319,407
Rent	1,183,466	-	123,216	70,871	1,377,553	91,529	64,190	1,533,272
Repairs and maintenance	132,577	-	-	11,812	144,389	15,255	10,698	170,342
Shipping and postage	26,432	-	-	2,362	28,794	3,051	2,140	33,985
Software	343,613	-	-	30,711	374,324	39,662	27,815	441,801
Property tax expense	-	-	-	-	-	10,471	-	10,471
Telephone	696,181	-	-	59,059	755,240	76,274	53,491	885,005
Travel, meals, and meetings	1,457,373	-	46,033	30,479	1,533,885	271,883	105,299	1,911,067
Utilities	54,969	-	-	4,722	59,691	6,100	4,281	70,072
Total functional expenses	**$ 42,344,786**	**$ 79,828**	**$ 3,582,004**	**$ 1,720,072**	**$ 47,726,690**	**$ 6,502,040**	**$ 2,439,436**	**$ 56,668,166**

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 equipment	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**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ 10,424,641	$ 8,519,281
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation expense	834,790	827,951
Amortization of loan fees	6,657	7,821
Investment returns	(31,499)	30,974
Loss on disposal of property and equipment	500	2,217
Interest accrued on loans payable	62,000	169,500
Contributions restricted for endowment	(4,350)	(5,950)
Net change in beneficial interest in assets held by The Denver Foundation	10,320	(17,635)
Bad debt expense	346,026	127,228
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(72,189)	(1,486,253)
Pledges receivable	3,132,204	(6,703,464)
Other current receivables, prepaid expenses and other assets, and deposits	(106,919)	(250,093)
Accounts payable	(319,338)	758,978
Accrued salaries and benefits and other accrued expenses	518,237	(310,969)
Deferred revenue	(229,661)	140,119
Deferred rent	(193,173)	255,930
Net cash and cash equivalents provided by operating activities	14,378,246	2,065,635
Cash Flows from Investing Activities		
Purchases of investments	(684,436)	-
Sales of investments	678,461	(48,909)
Net transfers from The Denver Foundation	(9,021)	19,422
Purchases of property and equipment	(416,649)	(312,896)
Net cash and cash equivalents used in investing activities	(431,645)	(342,383)
Cash Flows from Financing Activities		
Net payments on line of credit	-	(11,056)
Proceeds from issuance of long-term debt	3,777,737	550,000
Payments on long-term debt	(199,854)	(164,789)
Contributions restricted for endowment	4,350	5,950
Payments on capital lease obligations	(21,417)	(70,024)
Net cash and cash equivalents provided by financing activities	3,560,816	310,081
Net Increase in Cash and Cash Equivalents	17,507,417	2,033,333
Cash and Cash Equivalents - Beginning of year	10,219,983	8,186,650
Cash and Cash Equivalents - End of year	**$ 27,727,400**	**$ 10,219,983**
Supplemental Cash Flow Information - Cash paid for interest - Net of capitalized amount	$ 290,422	$ 291,960
Significant Noncash Transactions - Accounts receivable satisfied with intangible asset (Note 9)	$ 1,828,583	$ -

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; Oakland, CA; 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. RMIIC is treated as a division within RMI and its sole asset is the Innovation Center, which is shown within RMI’s section in the consolidating statement of financial position.

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 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, 2020 and 2019. 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)

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus to be a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of the financial statements, RMI operations have not been significantly impacted, but the Organization continues to monitor the situation. Funding remains steady, although delayed in some cases. No layoffs, furloughs, or location closures have been initiated, and none are contemplated as a result of this pandemic. All U.S.-based employees have been working remotely since March 2020, and travel and events have been postponed until 2021. In response to this pandemic, the Organization applied for and was awarded a Paycheck Protection Program loan in the amount of $3,777,737, all or part of which is eligible for forgiveness under the program (see Note 12). No additional debt was taken. No impairments were recorded as of the consolidated statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization’s results of changes in net assets, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

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, 2020 and 2019, 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. One major donor accounted for approximately 20 percent and five major donors accounted for approximately 46 percent of the pledges receivable balance as of June 30, 2020 and 2019, respectively, and three major donors accounted for 30 percent and five major donors accounted for 34 percent of total revenue, gains, and other support for the years ended June 30, 2020 and 2019, respectively.

One major customer accounted for approximately 50 percent of the accounts receivable balance at June 30, 2019 and 1 percent of total revenue, gains, and other support for the year ended June 30, 2019. There were no such significant concentrations at or for the year ended June 30, 2020.

Note 2 - Significant Accounting Policies (Continued)

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.

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, 2020 and 2019, there was no impairment of long-lived assets.

Intangible Assets

Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. At June 30, 2020, RMI only had intangible assets not subject to amortization.

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 upon completion of 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, where 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 and Grant Revenue

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.

Note 2 - Significant Accounting Policies (Continued)

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

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 under Topic 606, as described below.

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, 2020 and 2019, management believes all pledges are fully collectible, and, accordingly, no allowance is recorded.

The Organization receives conditional contributions for the purpose of ongoing research that are not recognized as revenue within the consolidated statement of activities and changes in net assets until the conditions are met. Conditional contributions are received from federal sources and foundations and other traditional donors. At June 30, 2020, the Organization had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of approximately $6,340,000. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred (approximately $375,000) and as milestones are achieved (approximately $5,965,000).

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, the Organization adopted Topic 606 as of July 1, 2019.

In accordance with Topic 606, the Organization applied the modified retrospective method to those contracts that were not completed as of July 1, 2019. Under the modified retrospective method, the cumulative effect of applying the standard is recognized at the date of initial application. Results for reporting periods beginning on July 1, 2019 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Organization's historic accounting under Topic 605.

In implementing Topic 606, the Organization was required to recalculate the revenue earned on any work in progress at the implementation date and to restate the revenue and cost of services as if Topic 606 had been followed from the inception of the contract. The Organization did not identify a material difference in applying the new revenue recognition standard, and there were no adjustments to net assets as a result of implementation.

Note 2 - Significant Accounting Policies (Continued)

The Organization's primary exchange revenue streams are generated from specialized research and professional services. The Organization typically enters into the following contract types: cost reimbursable, cost plus fixed fee, time and materials, and fixed price. Individual contracts are classified as either contribution or exchange. Contribution contracts are scoped out of Accounting Standards Codification (ASC) 606 and are considered under ASC 958-605. These contracts may be with governmental agencies where the recipient of the direct value from the main value driver and the beneficiary of the intellectual property is not the federal, state, or local government. Exchange contracts are promises to provide specialized research and professional services in accordance with agreed-upon specifications and deliverables.

Exchange contracts include both single and multiple performance obligations for specialized research and development services, with the transaction price explicitly stated in the contract. Revenue is recognized over time based on contract costs incurred to date as a percentage of estimated total contract costs (these contracts generally have one performance obligation) or at a point in time as the various performance obligations in a contract are completed.

Generally, exchange contracts do not include accounting provisions for variable consideration. Contracts with potential variable consideration items, such as rebates or royalties, are typically assessed for whether or not the variable consideration is included in the transaction price once it becomes probable that variable consideration will be received based on the most likely amount estimation method. Contract modifications/change orders are issued for changes in scope, price, or performance dates and are approved in writing as contract amendments. Contract amendments are ordinary and customary during the research process and typically modify the existing performance obligations.

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, 2020 and 2019. 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, 2020 and 2019.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

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, 2023 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 16, 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.

Adoption of Accounting Standards Update No. 2018-08

As of July 1, 2019, the Organization also adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provided 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 resulted in more governmental contracts being accounted for as contributions. The new guidance was applied on a modified prospective basis. The standard did not have a significant impact on the timing of revenue recognition for government grants and contracts.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 21, 2020, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Organization has $41,535,015 and $28,016,943 of financial assets available within one year of June 30, 2020 and 2019 to meet cash needs for general expenditure consisting of cash and cash equivalents of $27,727,400 and $10,219,983, short-term pledges receivable of $10,733,383 and $12,625,638, accounts receivable of $2,922,863 and $5,025,283, and short-term investments of $143,869 and $146,039, respectively. 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, which generally can be used in the next 12 months as the purpose is met. 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 $4,000,000, upon which it could draw.

Note 4 - Revenue Recognition

Disaggregation of Revenue

The Organization is in the business of providing specialized research and professional services. Services are generally transferred over time. Some services provide distinct, tangible deliverables, such as research reports, webinars, events, and trainings, that are recognized at a point in time. Membership revenue is recognized over the period of the membership. WattTime license revenue is recognized over the period of the license.

The following economic factors affect the nature, amount, timing, and uncertainty of the Organization's revenue and cash flows as indicated:

Type of customer: The primary sources of exchange revenue are from state sponsors, including the California Energy Commission (CEC), corporate clients, and multilateral and bilateral agencies. Revenue from each of these sources lacks seasonality.

Geographical location of customers: Sales to customers located outside of the United States in fiscal year 2020 represent approximately 30 percent of the Organization’s exchange revenue. Total sales to customers located outside of the United States were approximately $2.3 million for the year ended June 30, 2020.

Type of contract: The primary source of exchange revenue is from service contracts that are primarily less than one year in duration. The Organization currently has one contract with CEC that is multiyear and ends in fiscal year 2023.

The majority of the revenue recognized by the Organization is classified as contributions, as the primary beneficiary from these contracts is the general public. Of the $8,495,916 of revenue recognized from contracts with customers during the year ended June 30, 2020, revenue recognized over time was approximately $6,693,162, while the remainder was recognized at a point in time.

Contract Balances

The following table provides information about receivables, contract assets, and contract liabilities resulting from contracts with customers:

	2020	2019
Revenue from contracts with customers	$ 8,495,916	$ 8,466,272
Receivables	2,930,363	5,025,283
Deferred revenue	562,011	791,672

Performance Obligations

The Organization typically satisfies its performance obligations for services over time. For service performance obligations satisfied over time, the Organization typically uses input methods to measure progress. The use of input methods results in the recognition of revenue on the basis of the Organization's efforts toward the satisfaction of the performance obligations. The most common input method used is time and costs incurred in satisfying each performance obligation.

In the case of services that provide distinct, tangible deliverables, such as specialized research reports, webinars, events, and trainings, the Organization satisfies its performance obligations at a point in time. Management confirms with the Organization’s employees when a deliverable is complete and performance obligations have been satisfied.

Note 4 - Revenue Recognition (Continued)

Significant Payment Terms

Payment for goods and services sold by the Organization is typically due within 30 days after an invoice is sent to the customer. Invoices for services performed over time are typically sent to customers monthly. Any unique terms are stipulated by the contract. Invoices for services performed at a point in time are typically sent to customers within the month following the service. The Organization does not typically offer discounts, returns, refunds, or warranties.

Allocating the Transaction Price

The transaction price of a contract is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised goods or services to a customer. Most of the Organization's contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash.

Note 5 - Investments

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

	2020	2019
Without donor restrictions - Cash and money market funds	$ 4,035	$ 3,864
With donor restrictions:		
Cash and money market funds	91,048	124,362
Mutual funds:		
Fixed income	300,319	296,021
Equities	216,516	150,197
Total with donor restrictions	607,883	570,580
Total	$ 611,918	$ 574,444

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

	2020	2019
Investment income (loss):		
Interest and dividend income	$ 54,094	$ 18,678
Investment management and custodian fees	(5,110)	(4,775)
Total investment income	48,984	13,903
Net gain (loss) on investments:		
Realized gain (loss) on investments	418	(36,164)
Unrealized gain on investments	31,081	5,190
Total net gain (loss) on investments	31,499	(30,974)
Total	$ 80,483	$ (17,071)

Note 6 - 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, 2020 and 2019, the fair value of the assets of the RMI Fund was $139,834 and $142,175, respectively. Distributions from the RMI Fund are available to the Rocky Mountain Institute for its general use. During 2020 and 2019, 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, 2020 and 2019, the fair value of the assets of the Semmer Fund was $112,790 and $121,036, respectively. Distributions from the Semmer Fund are available to the Organization for the funding of a research intern. During the years ended June 30, 2020 and 2019, $6,027 and $6,056, 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, 2020 and 2019, the fair value of the assets of the Konheim Fund was $188,410 and $171,368, respectively. Distributions from the Konheim Fund are available to the Organization for the funding of a research intern. During the years ended June 30, 2020 and 2019, $8,879 and $7,669, 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, 2020 and 2019, the fair value of the assets of the RMI Endowment was $106,068 and $113,822, respectively. Distributions from the RMI Endowment are available to the Organization for its general use. During the years ended June 30, 2020 and 2019, $5,668 and $5,697, respectively, was distributed.

Note 6 - 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, 2020 and 2019 were approximately $10,400 and $9,800, respectively.

Note 7 - 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, 2020 and 2019 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 where 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 7 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020			
	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, 2020
Assets				
Money market funds	$ 95,083	$ -	$ -	$ 95,083
Exchange-traded and index funds	516,835	-	-	516,835
Beneficial interest in assets held by the Foundation	-	-	547,102	547,102
Total	$ 611,918	$ -	$ 547,102	$ 1,159,020

	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
Exchange-traded and index 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

The fair value of the Level 3 investments is based on its share of the underlying assets in the Foundation.

The fair values of the beneficial interest in assets held by the Foundation at June 30, 2020 and 2019 were determined primarily based on Level 3 inputs. The beneficial interest in assets held by the Foundation represent the Organization's beneficial interest in several funds at the Foundation. Income from the funds is payable to the Organization in perpetuity; however, the Organization may not draw on the corpus of the trust. The interest in the trusts is valued based on the value of the underlying assets in the trust, which consist of various publicly held and privately held securities as of June 30, 2020 and 2019.

Realized and unrealized losses of $9,004 for the year ended June 30, 2020 and the realized and unrealized gain of $18,061 for the year ended June 30, 2019 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 8 - Pledges Receivable

Pledges consist of the following:

	2020	2019
Capital campaign	$ 240,548	$ 385,548
Operations/Annual giving	10,825,902	13,837,639
Total	$ 11,066,450	$ 14,223,187

Pledges are expected to be received as follows:

	2020	2019
Due in less than one year	$ 10,733,383	$ 12,625,638
Due in one to five years	333,067	1,597,549
Subtotal	11,066,450	14,223,187
Less unamortized discount on pledges	(5,270)	(29,803)
Subtotal	11,061,180	14,193,384
Less current portion	(10,733,383)	(12,625,638)
Total	$ 327,797	$ 1,567,746

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 rate used to calculate the discount on pledges receivable range from 0.16 percent to 1.75 percent.

Note 9 - Intangible Assets

During 2020, RMI acquired 1,734,569 energy web tokens (EWT) as payment for an outstanding receivable of $1,828,583 resulting from consulting services rendered to the Energy Web Foundation (EWF). On April 28, 2020, the EWF board agreed to pay - and RMI agreed to receive in exchange - EWT valued at $1.0542 per token to satisfy the obligation. The EWT were transferred to RMI in June 2020. Under current U.S. GAAP, EWT as a digital asset, is categorized as an indefinite-life intangible asset, recorded at cost, and assessed periodically for impairment. As of the financial statement date, RMI noted no impairment of the asset. In addition to these tokens, as founders of the Energy Web Foundation, RMI was granted 5,000,000 EWT upon the launch of the genesis block on the Energy Web Chain in June 2019. Per the established rules of governance for the chain, these founder tokens are locked and nontradable for 24 months, until June 2021. Because EWT had no initial valuation on the chain, these tokens have a $0 carrying value.

Note 10 - Property and Equipment

Property and equipment are summarized as follows:

	2020	2019
Buildings and improvements	$ 16,472,851	$ 16,452,503
Equipment	1,280,504	1,632,200
Furniture	1,394,192	1,173,469
Intellectual property	101,076	101,107
Total cost	19,248,623	19,359,279
Accumulated depreciation	3,715,922	3,407,937
Net property and equipment	$ 15,532,701	$ 15,951,342

Depreciation expense for 2020 and 2019 was $834,790 and $827,951, respectively.

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.

Note 11 - Line of Credit

RMI amended its line of credit agreement with an effective date of October 22, 2019 to increase the available borrowings from $3,000,000 to $4,000,000. Interest is payable monthly at a rate of the lender's prime rate (an effective rate of 3.25 percent and 5.50 percent at June 30, 2020 and 2019). 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 has a maturity date of December 22, 2020. There was no balance outstanding on the line of credit as of June 30, 2020 and 2019.

Note 12 - Notes Payable

	2020	2019
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	$ 5,862,942	$ 6,011,122
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 five 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	671,685	723,359

Note 12 - Notes Payable (Continued)

	2020	2019
RMI received a $3,777,737 loan through the Paycheck Protection Program established by the CARES Act. In accordance with FASB's ASC Debt (Topic 470), RMI has elected to account for these funds as a note payable until it is repaid or notice of forgiveness is received. The note payable bears an interest rate of 1 percent, monthly payments beginning in October 2020 of $209,874, and matures in April 2022	$ 3,777,737	$ -
Total notes payable	10,862,364	7,284,481
Less unamortized debt issuance costs	(37,835)	(44,492)
Less current portion	(2,043,535)	(145,684)
Long-term portion	$ 8,780,994	$ 7,094,305

Notes payable mature as follows:

Year Ending June 30	Amount
2021	$ 2,043,535
2022	2,250,274
2023	626,769
2024	742,144
2025	5,199,642
Total	$ 10,862,364

Note 13 - Net Assets

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

	2020	2019
Carbon-free cities and regions	$ 3,379,386	$ 2,643,736
China	3,334,153	1,981,447
Electricity	2,901,428	2,127,343
Islands	2,552,116	1,825,849
Buildings	2,467,610	2,342,521
SEED	2,465,232	3,667,281
Building electrification	2,358,843	2,478,297
Global Climate Finance	1,717,733	604,813
Industry	1,705,537	1,423,838
WattTime	1,354,548	1,004,000
Pledges receivable (time restricted)	1,150,000	1,793,750
India	424,028	639,925
EES-OCS	413,315	-
RMI ventures	276,196	-
Mobility	244,944	109,474
Endowment funds	90,756	82,009
Office of Chief Scientist	-	31,675
Operations - Diversity initiative	9,088	-
EES	-	252,483
Total	$ 26,844,913	$ 23,008,441

Note 13 - Net Assets (Continued)

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

	2020	2019
Rocky Mountain Institute Fund	$ 75,000	$ 75,000
Internship fund endowments:		
Eric Konheim Memorial Internship Fund	196,662	192,312
Phillip Austin Semmer Memorial Internship Fund	101,080	101,080
Total	297,742	293,392
Rocky Mountain Institute Innovation Center Endowment Fund	556,000	556,000
Total	$ 928,742	$ 924,392

Note 14 - Investment in Endowments

The Organization's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds 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 14 - Investment in Endowments (Continued)

	With Donor Restrictions Endowment Net Asset Composition by Type of Fund as of June 30	
	2020	2019
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ 928,742	$ 924,392
Accumulated investment income and net appreciation (realized and unrealized)	90,756	82,009
Total donor-restricted endowment funds	$ 1,019,498	$ 1,006,401

	Changes in With Donor Restrictions Endowment Net Assets for the Fiscal Year Ended June 30	
	2020	2019
With donor restrictions endowment net assets - Beginning of year	$ 1,006,401	$ 971,159
Investment return:		
Investment income	17,987	18,471
Net appreciation (realized and unrealized)	11,334	6,596
Total investment return	29,321	25,067
Contributions	4,350	29,597
Appropriation of endowment assets for expenditure	(20,574)	(19,422)
With donor restrictions endowment net assets - End of year	$ 1,019,498	$ 1,006,401

Underwater Endowment Funds

As of June 30, 2020 and 2019, 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 6 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.

Note 14 - Investment in Endowments (Continued)

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 6 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 15 - 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, 2020 and 2019, employer contributions totaled $1,015,961 and $816,284, respectively.

Note 16 - 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 2020 to August 2027. Total rent expense under these leases was $1,950,850 and $1,977,865 for 2020 and 2019, respectively.

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

Years Ending June 30	Amount
2021	$ 1,693,167
2022	2,165,506
2023	2,044,218
2024	1,608,907
2025	1,491,114
Thereafter	1,609,674
Total	$ 10,612,586

Note 17 - Black Bear Equity Investment

As of June 30, 2020 and 2019, the Organization owned 21.42 percent and 22.05 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, 2020 and 2019, RMI's investment in BBE was $0.

Note 18 - Related Party Transactions

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

Pledges Receivable and Contributions

At June 30, 2020 and 2019, pledges receivable due from various members of the board of trustees on the accompanying consolidated statement of financial position totaled $140,548 and $190,547, respectively, and contribution revenue for the years ended June 30, 2020 and 2019 totaled approximately $1,533,000 and $1,307,000, respectively.

Supplemental Information

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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, 2020 and have issued our report thereon dated October 21, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 2020 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 2020 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2020 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 2020 consolidated financial statements as a whole.

Plante & Moran, PLLC

October 21, 2020

Consolidating Statement of Financial Position

June 30, 2020

	Rocky Mountain Institute and RMI Innovation Center, LLC	Rocky Mountain Institute International	WattTime	Eliminating Entries	Total
Assets					
Current Assets					
Cash and cash equivalents	$ 25,942,413	$ 75,623	$ 1,709,364	$ -	$ 27,727,400
Investments	4,035	-	-	-	4,035
Beneficial interest in assets held by The Denver Foundation	139,834	-	-	-	139,834
Loan receivable - Intercompany	398,197	-	-	(398,197)	-
Accounts receivable	2,621,620	-	301,243	-	2,922,863
Short-term pledges receivable	9,794,388	-	938,995	-	10,733,383
Prepaid expenses and other current assets	737,725	(90,543)	-	-	647,182
Total current assets	39,638,212	(14,920)	2,949,602	(398,197)	42,174,697
Investment in Rocky Mountain Institute International	720,220	-	-	(720,220)	-
Property and Equipment - Net	15,525,787	6,914	-	-	15,532,701
Intangible Assets	1,828,583	-	-	-	1,828,583
Long-term Pledges Receivable	151,310	-	176,487	-	327,797
Investments Restricted for the Innovation Center	607,883	-	-	-	607,883
Beneficial Interest in Assets Held by The Denver Foundation	407,268	-	-	-	407,268
Deposits and Other Assets	664,524	-	20,704	(64,797)	620,431
Total noncurrent assets	19,905,575	6,914	197,191	(785,017)	19,324,663
Total assets	**$ 59,543,787**	**$ (8,006)**	**$ 3,146,793**	**$ (1,183,214)**	**$ 61,499,360**

Consolidating Statement of Financial Position (Continued)

June 30, 2020

	Rocky Mountain Institute and RMI Innovation Center, LLC	Rocky Mountain Institute International	WattTime	Eliminating Entries	Total
Liabilities and Net Assets (Deficiency in Net Assets)					
Current Liabilities					
Accounts payable	$ 1,429,894	$ -	$ 124,036	$ -	$ 1,553,930
Accrued salaries and benefits	3,442,879	-	74,149	-	3,517,028
Deferred revenue	544,761	-	17,250	-	562,011
Current portion of notes payable	2,043,535	-	-	-	2,043,535
Due to affiliates	-	362,206	35,991	(398,197)	-
Other accrued expenses	98,655	4,122	83,352	-	186,129
Current portion of deferred rent	46,286	-	-	-	46,286
Total current liabilities	7,606,010	366,328	334,778	(398,197)	7,908,919
Notes Payable - Net of current portion	7,561,097	-	1,264,694	(44,797)	8,780,994
Deferred Rent - Net of current portion	190,451	-	-	-	190,451
Accrued Interest	-	-	320,075	(20,000)	300,075
Total liabilities	15,357,558	366,328	1,919,547	(462,994)	17,180,439
Net Assets (Deficiency in Net Assets)					
Without donor restrictions	17,767,122	(374,334)	(127,302)	(720,220)	16,545,266
With donor restrictions	26,419,107	-	1,354,548	-	27,773,655
Total net assets (deficiency in net assets)	44,186,229	(374,334)	1,227,246	(720,220)	44,318,921
Total liabilities and net assets (deficiency in net assets)	**$ 59,543,787**	**$ (8,006)**	**$ 3,146,793**	**$ (1,183,214)**	**$ 61,499,360**

Consolidating Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020

	Rocky Mountain Institute and RMI Innovation Center, LLC	Rocky Mountain Institute International	WattTime	Eliminating Entries	Total
Changes in Net Assets without Donor Restrictions					
Revenue, gains, and other support:					
Earned revenue	$ 7,883,477	$ -	$ 612,439	$ -	$ 8,495,916
Foundation, individual, and corporate contributions	19,147,121	-	2,660,693	-	21,807,814
Government and multilateral grants	1,464,425	-	-	-	1,464,425
Event revenue	373,417	-	-	-	373,417
Net realized and unrealized losses on investments	418	-	-	-	418
Investment income	41,385	159	1,219	-	42,763
Change in beneficial interest in assets held by The Denver Foundation	(2,340)	-	-	-	(2,340)
Other revenue	266,787	8,938	-	-	275,725
Net assets released from restrictions	29,284,395	-	1,509,452	-	30,793,847
Total revenue, gains, and other support	58,459,085	9,097	4,783,803	-	63,251,985
Expenses:					
Program services	44,064,858	79,828	3,582,004	-	47,726,690
Management and general	6,502,040	-	-	-	6,502,040
Fundraising	2,439,436	-	-	-	2,439,436
Total expenses	53,006,334	79,828	3,582,004	-	56,668,166
Change in Net Assets without Donor Restrictions	5,452,751	(70,731)	1,201,799	-	6,583,819
Changes in Net Assets with Donor Restrictions					
Foundation grants	32,685,121	-	1,860,000	-	34,545,121
Multilateral grants	60,226	-	-	-	60,226
Net realized and unrealized gains on investments	31,081	-	-	-	31,081
Investment income	6,221	-	-	-	6,221
Change in beneficial interest in assets held by The Denver Foundation	(7,980)	-	-	-	(7,980)
Net assets released from restrictions	(29,284,395)	-	(1,509,452)	-	(30,793,847)
Change in Net Assets with Donor Restrictions	3,490,274	-	350,548	-	3,840,822
Change in Net Assets	8,943,025	(70,731)	1,552,347	-	10,424,641
Net Assets (Deficiency in Net Assets) - Beginning of year	35,243,204	(303,603)	(325,101)	(720,220)	33,894,280
Net Assets (Deficiency in Net Assets) - End of year	**$ 44,186,229**	**$ (374,334)**	**$ 1,227,246**	**$ (720,220)**	**$ 44,318,921**