




# **Rocky Mountain Institute**

## **Independent Auditor's Report and Consolidated Financial Statements**

June 30, 2024 and 2023



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## **Independent Auditor's Report**

Board of Trustees  
Rocky Mountain Institute  
Boulder, Colorado

### ***Opinion***

We have audited the consolidated financial statements of Rocky Mountain Institute (the Organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules are presented for purposes of additional analysis 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements as a whole.

***Forvis Mazars, LLP***

**Denver, Colorado  
October 24, 2024**

**Rocky Mountain Institute**  
**Consolidated Statements of Financial Position**  
**June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 29,822,142	\$ 19,048,549
Investments	41,077,972	39,988,816
Accounts receivable	12,041,464	13,455,185
Short-term pledges receivable	19,469,505	16,194,814
Prepaid expenses and other current assets	<u>4,613,957</u>	<u>3,957,715</u>
Total current assets	<u>107,025,040</u>	<u>92,645,079</u>
<b>Property and Equipment, Net</b>	14,209,033	14,456,779
<b>Right of Use Assets - Operating Leases</b>	19,177,490	21,397,432
<b>Intangible Assets</b>	26,293	36,278
<b>Notes Receivable</b>	2,123,288	4,203,750
<b>Pledges Receivable, Net of Current Portion</b>	6,514,984	4,012,261
<b>Investments Restricted for the Innovation Center</b>	633,454	594,534
<b>Beneficial Interest in Assets Held by The Denver Foundation</b>	528,663	494,846
<b>Deposits and Other Assets</b>	<u>631,822</u>	<u>632,381</u>
Total noncurrent assets	<u>43,845,027</u>	<u>45,828,261</u>
Total assets	<u>\$ 150,870,067</u>	<u>\$ 138,473,340</u>

**Rocky Mountain Institute**  
**Consolidated Statements of Financial Position**  
**June 30, 2024 and 2023**

**(Continued)**

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 4,519,462	\$ 3,209,638
Accrued salaries and benefits	11,020,089	9,897,659
Deferred revenue	3,243,124	3,091,793
Current portion of notes payable	5,198,156	178,462
Current portion of operating lease liabilities	2,738,995	2,688,600
Other accrued expenses	<u>1,242,588</u>	<u>750,595</u>
Total current liabilities	27,962,414	19,816,747
<b>Notes Payable, Net of Current Portion</b>	1,061,644	6,189,528
<b>Operating Lease Liabilities</b>	<u>16,911,419</u>	<u>18,970,428</u>
Total liabilities	<u>45,935,477</u>	<u>44,976,703</u>
<b>Net Assets</b>		
Without donor restrictions		
Net investment in lease and fixed assets	8,537,953	8,827,193
Undesignated	<u>28,610,578</u>	<u>20,437,827</u>
With donor restrictions	<u>37,148,531</u>	<u>29,265,020</u>
	67,786,059	64,231,617
Total net assets	<u>104,934,590</u>	<u>93,496,637</u>
Total liabilities and net assets	<u>\$ 150,870,067</u>	<u>\$ 138,473,340</u>

**Rocky Mountain Institute**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2024**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Gains, and Other Support</b>			
Foundation, individual and corporate contributions	\$ 23,398,946	\$ 89,617,030	\$ 113,015,976
Contributions of nonfinancial assets	204,539	-	204,539
Government and multilateral grants	10,945,042	7,458,695	18,403,737
Earned revenue	25,182,643	-	25,182,643
Event revenue	44,009	-	44,009
Net realized and unrealized gain on investments	1,822,226	8,101	1,830,327
Interest and dividends	1,509,780	12,671	1,522,451
Change in beneficial interest in assets held by The Denver Foundation	-	54,207	54,207
Distribution from equity method investment	9,769,232	-	9,769,232
Other	147,067	-	147,067
Net assets released from restrictions	93,596,262	(93,596,262)	-
	<u>166,619,746</u>	<u>3,554,442</u>	<u>170,174,188</u>
<b>Expenses</b>			
Program services	133,280,554	-	133,280,554
Management and general	18,432,034	-	18,432,034
Fundraising	7,023,647	-	7,023,647
	<u>158,736,235</u>	<u>-</u>	<u>158,736,235</u>
<b>Change in Net Assets</b>	7,883,511	3,554,442	11,437,953
<b>Net Assets, Beginning of Year</b>	<u>29,265,020</u>	<u>64,231,617</u>	<u>93,496,637</u>
<b>Net Assets, End of Year</b>	<u>\$ 37,148,531</u>	<u>\$ 67,786,059</u>	<u>\$ 104,934,590</u>



**Rocky Mountain Institute**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2023**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Gains, and Other Support</b>			
Foundation, individual and corporate contributions	\$ 18,243,391	\$ 83,883,234	\$ 102,126,625
Contributions of nonfinancial assets	592,318	-	592,318
Government and multilateral grants	7,322,392	1,699,525	9,021,917
Earned revenue	20,293,720	-	20,293,720
Event revenue	26,636	-	26,636
Net realized and unrealized gain on investments	511,705	484	512,189
Interest and dividends	727,470	6,469	733,939
Change in beneficial interest in assets held by The Denver Foundation	2,182	17,439	19,621
Gain on sale of equity method investment	7,835,484	-	7,835,484
Other	235,426	-	235,426
Net assets released from restrictions	81,700,434	(81,700,434)	-
	<u>137,491,158</u>	<u>3,906,717</u>	<u>141,397,875</u>
<b>Expenses</b>			
Program services	120,033,392	-	120,033,392
Management and general	17,882,231	-	17,882,231
Fundraising	6,405,795	-	6,405,795
	<u>144,321,418</u>	<u>-</u>	<u>144,321,418</u>
<b>Change in Net Assets</b>	(6,830,260)	3,906,717	(2,923,543)
<b>Net Assets, Beginning of Year</b>	<u>36,095,280</u>	<u>60,324,900</u>	<u>96,420,180</u>
<b>Net Assets, End of Year</b>	<u>\$ 29,265,020</u>	<u>\$ 64,231,617</u>	<u>\$ 93,496,637</u>

**Rocky Mountain Institute**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2024**

	<u>Program Services</u>				<u>Support Services</u>		
	<u>RMI Program Services</u>	<u>Communications</u>	<u>Canary Media</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 68,722,334	\$ 2,857,641	\$ 1,664,922	\$ 73,244,897	\$ 10,287,755	\$ 4,702,414	\$ 88,235,066
Benefits	15,839,188	642,215	368,481	16,849,884	2,678,983	974,231	20,503,098
Total salaries and related expenses	<u>84,561,522</u>	<u>3,499,856</u>	<u>2,033,403</u>	<u>90,094,781</u>	<u>12,966,738</u>	<u>5,676,645</u>	<u>108,738,164</u>
Bad debt expense	62,471	-	-	62,471	40,488	-	102,959
Computer expense	88,853	3,139	-	91,992	12,518	4,496	109,006
Consultants and contractors	17,070,458	368,407	254,676	17,693,541	2,673,855	310,918	20,678,314
Depreciation	870,223	34,446	-	904,669	142,759	51,026	1,098,454
Equipment leasing	23,976	949	-	24,925	3,933	1,406	30,264
Event expenses	399,320	2,995	12,116	414,431	26,570	102,062	543,063
Foreign currency adjustment	284,609	7,778	-	292,387	1,997	5,847	300,231
Insurance	210,536	8,334	-	218,870	34,538	12,345	265,753
Interest expense	-	-	-	-	330,371	-	330,371
Memberships and subscriptions	1,335,176	29,960	9,807	1,374,943	148,769	39,454	1,563,166
Office expenses	187,838	2,785	1,069	191,692	49,643	80,998	322,333
Other operating expenses	822,679	28,128	56,844	907,651	167,496	62,854	1,138,001
Taxes expense	684	-	42,510	43,194	13,423	-	56,617
Rent	2,784,358	110,212	-	2,894,570	456,772	163,262	3,514,604
Repairs and maintenance	140,062	5,544	-	145,606	22,977	8,213	176,796
Shipping and postage	33,513	1,263	-	34,776	7,206	28,783	70,765
Software	2,208,997	221,273	31,147	2,461,417	413,323	172,790	3,047,530
Subcontract awards	9,688,006	-	-	9,688,006	-	-	9,688,006
Telephone	716,157	28,238	20	744,415	117,099	41,930	903,444
Travel, meals, and meetings	4,729,495	184,912	54,983	4,969,390	797,326	259,105	6,025,821
Utilities	25,806	1,021	-	26,827	4,233	1,513	32,573
Total functional expenses	<u>\$ 126,244,739</u>	<u>\$ 4,539,240</u>	<u>\$ 2,496,575</u>	<u>\$ 133,280,554</u>	<u>\$ 18,432,034</u>	<u>\$ 7,023,647</u>	<u>\$ 158,736,235</u>

**Rocky Mountain Institute**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	<u>Program Services</u>				<u>Support Services</u>		
	<u>RMI Program Services</u>	<u>Communications</u>	<u>Canary Media</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 62,123,838	\$ 2,279,555	\$ 1,693,363	\$ 66,096,756	\$ 9,464,722	\$ 4,367,930	\$ 79,929,408
Benefits	13,713,229	665,251	377,840	14,756,320	2,119,581	911,612	17,787,513
Total salaries and related expenses	<u>75,837,067</u>	<u>2,944,806</u>	<u>2,071,203</u>	<u>80,853,076</u>	<u>11,584,303</u>	<u>5,279,542</u>	<u>97,716,921</u>
Bad debt expense	17,510	-	-	17,510	-	-	17,510
Computer expense	131,762	5,476	-	137,238	23,290	7,493	168,021
Consultants and contractors	15,470,770	778,732	369,734	16,619,236	3,873,382	192,734	20,685,352
Depreciation	874,959	40,851	-	915,810	116,536	56,474	1,088,820
Equipment leasing	31,651	1,478	-	33,129	4,216	2,043	39,388
Event expenses	317,878	2,825	10,126	330,829	5,000	8,486	344,315
Foreign currency adjustment	141,343	7,124	120	148,587	532	3,605	152,724
Insurance	183,721	8,578	-	192,299	24,470	11,858	228,627
Interest expense	-	-	-	-	285,770	-	285,770
Memberships and subscriptions	527,167	27,438	5,949	560,554	66,264	22,507	649,325
Office expenses	203,083	18,708	1,980	223,771	26,247	81,328	331,346
Other operating expenses	647,170	21,177	11,908	680,255	295,000	40,302	1,015,557
Taxes expense	43,774	-	27,853	71,627	15,654	-	87,281
Rent	2,136,168	99,735	-	2,235,903	284,516	137,879	2,658,298
Repairs and maintenance	163,592	7,638	-	171,230	21,789	10,559	203,578
Shipping and postage	35,014	1,554	-	36,568	5,619	40,748	82,935
Software	2,046,837	230,716	53,751	2,331,304	330,100	156,666	2,818,070
Subcontract awards	8,597,316	100,000	-	8,697,316	-	-	8,697,316
Telephone	729,876	33,894	-	763,770	96,915	46,747	907,432
Travel, meals, and meetings	4,750,821	175,739	66,523	4,993,083	820,045	305,572	6,118,700
Utilities	19,392	905	-	20,297	2,583	1,252	24,132
Total functional expenses	<u>\$ 112,906,871</u>	<u>\$ 4,507,374</u>	<u>\$ 2,619,147</u>	<u>\$ 120,033,392</u>	<u>\$ 17,882,231</u>	<u>\$ 6,405,795</u>	<u>\$ 144,321,418</u>

**Rocky Mountain Institute**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 11,437,953	\$ (2,923,543)
Adjustments to reconcile change in net assets to net cash and cash equivalents		
Depreciation expense	1,098,454	1,088,820
Amortization of loan fees	7,850	16,670
Realized and unrealized gain on investments	(1,830,327)	(512,189)
Net change in beneficial interest in assets held by The Denver Foundation	(54,207)	(19,621)
Bad debt expense	102,959	17,510
Contributions restricted for endowment	-	(5,000)
Note receivable converted to subcontract award	2,203,750	-
Noncash operating lease expense	2,219,942	2,161,745
Changes in operating assets and liabilities that provided by (used in) cash and cash equivalents		
Accounts receivable	1,310,762	(9,643,566)
Pledges receivable	(5,777,414)	(8,588,449)
Other current receivables, prepaid expenses and other assets, and deposits	(655,683)	(995,311)
Intangible assets	9,985	759
Accounts payable	1,309,824	(725,977)
Accrued salaries and benefits and other accrued expenses	1,614,423	2,500,751
Deferred rent	-	(451,465)
Deferred revenue	151,331	2,004,779
Operating lease liability	(2,008,614)	(1,900,149)
Net cash provided by (used in) operating activities	<u>11,140,988</u>	<u>(17,974,236)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(6,320,538)	(14,486,844)
Sales of investments	7,043,179	25,308,080
Issuances of notes receivable	(123,288)	(4,141,904)
Purchases of property and equipment	(850,708)	(546,024)
Net cash provided by (used in) investing activities	<u>(251,355)</u>	<u>6,133,308</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of long-term debt and notes payable	-	1,000,000
Payments on long-term debt	(116,040)	(169,552)
Contributions restricted for endowment	-	5,000
Net cash provided by (used in) financing activities	<u>(116,040)</u>	<u>835,448</u>

**Rocky Mountain Institute  
Consolidated Statements of Cash Flows  
Years Ended June 30, 2024 and 2023**

**(Continued)**

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	<u>2024</u>	<u>2023</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	10,773,593	(11,005,480)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>19,048,549</u>	<u>30,054,029</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 29,822,142</u>	<u>\$ 19,048,549</u>
<b>Supplemental Cash Flows Information</b>		
Cash paid for interest	\$ 239,857	\$ 285,770

## **Note 1. Nature of Operations and Significant Accounting Policies**

### ***Nature of Operations***

Rocky Mountain Institute (RMI) is an independent nonprofit that transforms global energy systems through market-driven solutions to align with a 1.5°C future and secure a clean, prosperous, zero-carbon future for all. We engage businesses, policymakers, communities, and NGOs to identify and scale energy system interventions that will cut greenhouse gas emissions by at least 50 percent by 2030. With more than 700 staff, RMI has offices in Basalt and Boulder, Colorado; New York City; Oakland, California; Washington, DC; and Beijing.

### ***Principles of Consolidation***

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 (IC), 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 consolidated statements 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, as revenue activity associated with the RO was processed and recorded by Rocky Mountain Institute's U.S. headquarters subsequent to January 1, 2018. RMI reported the financials of its foreign partnership Qianhai Rocky Mountain Institute Research Centre (Shenzhen) (Limited Partnership) through RMII. Qianhai Rocky Mountain Institute Research Centre (Shenzhen) (Limited Partnership) completed its cancellation registration within China as of September 9, 2020.

Effective March 5, 2021, RMI Media, Inc., a nonprofit nonstock corporation, was formed as a 100 percent owned subsidiary of Rocky Mountain Institute. On March 31, 2021, RMI Media, Inc. changed its name to Canary Media, Inc. (CMI). CMI was formed to provide a platform to produce, publish, share, and disseminate information and news regarding the global energy and economic transaction. Effective July 1, 2024, RMI no longer controlled CMI and deconsolidated the entity. See Note 15.

In November 2023, RMI Innovations LLC was formed as a single member LLC and 100 percent-owned subsidiary of Rocky Mountain Institute. RMI Innovations LLC was formed, as needed, to further RMI's mission. RMI Innovations LLC is treated as a division within RMI, and all associated transactions are shown within RMI's section in the consolidating financial statements.

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

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Rocky Mountain Institute**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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**Cash Equivalents**

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. Cash equivalents consist primarily of money market accounts with brokers.

At June 30, 2024, the Organization's cash accounts exceeded federally insured limits by approximately \$28,820,000.

**Investments and Net Investment Return**

The Organization measures securities at fair value.

Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions.

The Organization maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

**Accounts Receivable**

Accounts receivable are stated at the amount of consideration from customers of which the Organization has an unconditional right to receive plus any accrued and unpaid interest. The Organization provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts.

Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. The Organization had no allowance as of June 30, 2024 and 2023.

**Property and Equipment**

Property and equipment acquisitions over \$10,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	40 years
Equipment and software	3 – 7 years
Furniture and fixtures	3 – 5 years

**Intangible Assets**

The Organization's intangible assets consist of energy web tokens (EWT) received as contributions or as payment for past services. EWT are accounted for as digital assets and are categorized as an indefinite-life intangible asset, recorded at cost and assessed periodically for impairment. In addition to these tokens, as founders of the Energy Web Foundation, the Organization 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 were locked and non-tradable for 24 months, until June 2021. The value of the founder tokens at the time they were granted was indeterminable; therefore, these tokens have \$0 carrying value.

**Long-Lived Asset Impairment**

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2024 and 2023.

**Notes Receivable**

Notes receivable consist of loans extended to one organization at June 30, 2024 and two organizations at June 30, 2023 who contracted with the Organization to purchase consulting and other services. During 2024, one note receivable, with a balance of \$2,203,750, was converted to a subcontract award. At June 30, 2024, the remaining note was interest-bearing at 12.5 percent per annum and is payable in full in 2030. The Organization provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. The Organization considers this note fully collectible.

**Deferred Revenue**

Revenue from fees are deferred and recognized over the periods to which the revenues relate. Revenue from advanced-funded grants are deferred and recognized when the respective conditions have been satisfied.

**Debt Issuance Costs**

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The Organization records these costs as direct deductions from the related debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

**Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Contributions**

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met



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<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Conditional grants are recorded as revenue without donor restrictions as the related conditions are satisfied (i.e., incurring specified expenses) simultaneously with the recognizing revenue.

***Contributed Nonfinancial Assets***

The Organization receipts various nonfinancial gifts, including professional services, supplies, and property and equipment usage. The Organization obtains necessary inputs to measure these gifts at fair value. These gifts are utilized internally and, generally, possess no donor restrictions on their use or deployment.

***Government Grants***

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

***Earned Revenue***

The Organization's earned revenue stream is 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. Exchange contracts are promises to provide specialized research and professional services in accordance with agreed-upon specifications and deliverables.

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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. 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.

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 earned revenue are from other nonprofit organizations, state sponsors and corporate clients. Revenue from each of these sources lacks seasonality.

Geographical location of customers: For the years ended June 30, 2024 and 2023, sales to customers located outside of the United States represent approximately 15 percent and 22 percent, respectively, of the Organization's total earned revenue. Total sales to customers located outside of the United States were approximately \$3.7 million and \$4.5 million for the years ended June 30, 2024 and 2023, respectively.

Type of contract: The primary source of earned revenue is from service contracts that are primarily less than one year in duration.

***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.

***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.

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***Gain on Sale of Equity Method Investment***

Prior to June 30, 2023, the Organization owned approximately 20 percent of Black Bear Energy, Inc. (BBE). The Organization accounted for this investment using the equity method. The Organization's share of BBE's net losses was in excess of the carrying value of its investment in BBE. As a result, the Organization's investment in BBE was \$0.

During 2023, the Organization sold its entire interest in BBE to an unrelated third-party and recognized a gain on sale of \$7,835,484. During 2024, the Organization received a distribution from BBE of \$9,769,232 as certain performance-related metrics were met. The Organization has no continuing involvement with BBE and expects no further cashflows from BBE.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on various methods prescribed by management.

***Income Taxes***

Rocky Mountain Institute is a not-for-profit organization exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. CMI is a charitable nonstock corporation organized to be exempt from taxation as a public charity within the meaning of Internal Revenue Code Section 501(c)(3), RMIIC and RMI Innovations LLC are limited liability companies, 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, 2024 and 2023. 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, 2024 and 2023.

**Note 2. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 29,822,142	\$ 19,048,549
Investments	41,077,972	39,988,816
Accounts receivable	12,041,464	13,455,185
Short-term pledges receivable	<u>19,469,505</u>	<u>16,194,814</u>
	<u>102,411,083</u>	<u>88,687,364</u>
<b>Donor, Legal or Other Restrictions and Designations</b>		
Donor imposed restrictions	<u>60,108,958</u>	<u>59,129,976</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 42,302,125</u>	<u>\$ 29,557,388</u>

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To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of \$7,500,000, which it could draw upon (see Note 7).

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. The Organization has a policy to target a year-end balance of reserves without donor restriction and which are undesignated by the board to meet 90 to 120 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended June 30, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

### **Note 3. Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

#### ***Recurring Measurements***

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

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	<b>Assets Measured at Fair Value on a Recurring Basis at June 30, 2024</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>	<b>Balance at June 30, 2024</b>
<b>Investments</b>				
Cash and short-term investments - money market funds	\$ 836,796	\$ -	\$ -	\$ 836,796
Mutual funds	13,915,861	-	-	13,915,861
Equities	5,876,619	-	-	5,876,619
Corporate and municipal bonds	-	9,999,738	-	9,999,738
U.S. Treasury notes	-	11,082,412	-	11,082,412
<b>Beneficial Interest in Assets Held by The Denver Foundation</b>	<b>-</b>	<b>-</b>	<b>528,663</b>	<b>528,663</b>
<b>Total</b>	<b>\$ 20,629,276</b>	<b>\$ 21,082,150</b>	<b>\$ 528,663</b>	<b>\$ 42,240,089</b>

	<b>Assets Measured at Fair Value on a Recurring Basis at June 30, 2023</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Other Unobservable Inputs (Level 3)</b>	<b>Balance at June 30, 2023</b>
<b>Investments</b>				
Cash and short-term investments - money market funds	\$ 4,120,619	\$ -	\$ -	\$ 4,120,619
Mutual funds	15,588,258	-	-	15,588,258
Equities	4,864,614	-	-	4,864,614
Corporate and municipal bonds	-	7,931,959	-	7,931,959
U.S. Treasury notes	-	8,077,900	-	8,077,900
<b>Beneficial Interest in Assets Held by The Denver Foundation</b>	<b>-</b>	<b>-</b>	<b>494,846</b>	<b>494,846</b>
<b>Total</b>	<b>\$ 24,573,491</b>	<b>\$ 16,009,859</b>	<b>\$ 494,846</b>	<b>\$ 41,078,196</b>

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The following table reconciles assets reported above to the respective line items on the consolidated statements of financial position:

	<u>2024</u>	<u>2023</u>
Investments	\$ 41,077,972	\$ 39,988,816
Beneficial interest	528,663	494,846
Restricted investments	<u>633,454</u>	<u>594,534</u>
 Total per statements of financial position	 <u>\$ 42,240,089</u>	 <u>\$ 41,078,196</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

***Beneficial Interest in Assets Held by The Denver Foundation***

The Organization has been named as an irrevocable beneficiary of several perpetual trusts held and administered by The Denver Foundation. Perpetual trusts provide for the distribution of the net income of the trusts to the Organization; however, the Organization will never receive the assets of the trusts.

The estimated value of the expected future cash flows is \$528,663 and \$494,846, which represents the fair value of the trust assets at June 30, 2024 and 2023, respectively.

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

The Organization recognized gains from assets held by the Foundation of \$54,207 and \$19,621 at June 30, 2024 and 2023, respectively.

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**Note 4. Pledges Receivable**

Pledges receivable consisted of the following:

	<u>2024</u>	<u>2023</u>
Due in less than one year	\$ 19,469,505	\$ 16,194,814
Due in one to five years	<u>6,858,872</u>	<u>4,229,250</u>
Subtotal	26,328,377	20,424,064
Less unamortized discount on pledges	<u>(343,888)</u>	<u>(216,989)</u>
Subtotal	25,984,489	20,207,075
Less current portion	<u>(19,469,505)</u>	<u>(16,194,814)</u>
Total	<u>\$ 6,514,984</u>	<u>\$ 4,012,261</u>

Discount rates ranged from 3.8 percent to 5.1 percent for 2024 and 2023.

**Note 5. Grant Reimbursements Receivable and Future Commitments**

Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. These grants contain various conditions, including the requirement to incur specified grant-related expenses. Since the consolidated financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2024 have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2024:

<u>Grant</u>	<u>Term</u>	<u>Grant Amount</u>	<u>Earned Through 2024</u>	<u>Funding Available</u>
Federal grants	Various, through September 2025	\$ 21,258,602	\$ 9,396,115	\$ 11,862,487
Multilateral grants	Various, through March 2025	6,559,693	6,008,843	550,850
Foundation grants	Various, through September 2027	<u>37,115,096</u>	<u>15,942,528</u>	<u>21,172,568</u>
		<u>\$ 64,933,391</u>	<u>\$ 31,347,486</u>	<u>\$ 33,585,905</u>

**Rocky Mountain Institute**  
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**Note 6. Property and Equipment**

Property and equipment at June 30, 2024 and 2023 consists of:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 16,405,202	\$ 16,406,405
Equipment and software	2,682,553	2,138,664
Furniture	1,727,367	1,727,367
Intellectual property	<u>100,000</u>	<u>100,000</u>
Total cost	20,915,122	20,372,436
Accumulated depreciation	<u>(6,706,089)</u>	<u>(5,915,657)</u>
Net property and equipment	<u>\$ 14,209,033</u>	<u>\$ 14,456,779</u>

Depreciation expense for 2024 and 2023 was \$1,098,454 and \$1,088,820, 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 7. Line of Credit**

The Organization maintained a line of credit of \$7,500,000. During 2024 and 2023, there were no draws on the line of credit. Interest accrues at the U.S. prime rate, as published by *The Wall Street Journal* (an effective rate of 8.50 percent and 7.00 percent at 2024 and 2023, respectively). 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 21, 2024.



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**Note 8. Notes Payable**

	<u>2024</u>	<u>2023</u>
RMI holds a note payable with a bank with annual interest of 5 percent and monthly payments of \$36,612 that matures September 2024. The loan is collateralized by the IC and substantially all assets of RMI.	\$ 5,200,119	\$ 5,377,803
RMI holds a note payable with an unrelated corporation with interest of 12.5 percent, beginning January 2024, that matures and is due in full July 2030. The loan is collateralized by certain receivables.	<u>1,061,644</u>	<u>1,000,000</u>
	6,261,763	6,377,803
Less unamortized debt issuance costs	(1,963)	(9,813)
Less current portion	<u>(5,198,156)</u>	<u>(178,462)</u>
	<u>\$ 1,061,644</u>	<u>\$ 6,189,528</u>

Aggregate annual maturities of long-term debt at June 30, 2024, are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2025	\$ 5,200,119
2026	-
2027	-
2028	-
2029	-
Thereafter	<u>1,061,644</u>
	<u>\$ 6,261,763</u>

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**Note 9. Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions that are subject to time or purpose restrictions at June 30 are restricted for the following purposes:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Africa	\$ 1,545,248	\$ 3,141,339
Canary Media	355,155	150,000
Carbon-Free Buildings	6,844,004	8,541,817
Carbon-Free Electricity	10,481,362	4,972,821
Carbon-Free Transportation	1,703,198	1,785,904
CFAN	3,860,398	6,226,781
China	6,439,518	3,999,139
Climate Aligned Industries	4,063,007	5,286,143
Climate Intelligence	12,266,936	7,567,828
Energy Transition Academy	390,466	178,661
Finance	1,250,581	465,400
India	3,173,085	5,732,350
Internship program	10,000	43,263
Islands	3,258,559	752,034
Southeast Asia	76,712	460,175
Strategy Team	1,618,207	2,197,372
Third Derivative	2,905,158	4,785,033
United States	2,413,259	3,802,089
Urban Transformation	2,579,090	2,604,090
	<u>65,233,943</u>	<u>62,692,239</u>

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	<u>2024</u>	<u>2023</u>
Subject to passage of time		
Pledges receivable that are not restricted by donors but which are unavailable for expenditure until due	1,390,000	445,000
Endowments and beneficial interest (see Note 3)		
Subject to appropriation and expenditure when a specified event occurs	<u>226,747</u>	<u>159,009</u>
Subject to endowment spending policy and appropriation		
Rocky Mountain Institute Fund	76,602	76,602
Eric Konheim Memorial Internship Fund	201,687	201,687
Philip Austin Semmer Memorial Internship Fund	101,080	101,080
Rocky Mountain Institute IC	<u>556,000</u>	<u>556,000</u>
	<u>935,369</u>	<u>935,369</u>
Total endowments and beneficial interest	<u>1,162,116</u>	<u>1,094,378</u>
	<u>\$ 67,786,059</u>	<u>\$ 64,231,617</u>

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***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2024</u>	<u>2023</u>
Expiration of time restrictions	\$ 330,000	\$ 405,250
Satisfaction of purpose restrictions		
Africa	2,996,091	3,553,105
Canary Media	194,845	76,980
Carbon-Free Buildings	11,563,900	11,332,864
Carbon-Free Electricity	11,038,414	10,383,638
Carbon-Free Transportation	3,013,963	1,220,725
CFAN	4,666,225	3,143,437
China	8,530,137	6,606,344
Climate Aligned Industries	10,119,510	5,704,098
Climate Intelligence	8,418,415	9,196,135
Energy Transition Academy	320,473	2,066,461
Finance	5,651,615	4,961,753
Global South	1,500,000	-
India	6,317,880	5,672,866
Internship program	43,263	50,008
Islands	2,999,369	2,764,728
Portfolio Impact Accelerator	-	125,000
Southeast Asia	660,374	970,937
Strategy Team	1,065,553	1,705,740
Third Derivative	6,124,075	4,147,243
United States	7,741,770	6,239,055
Urban Transformation	275,000	1,356,151
	<u>93,240,872</u>	<u>81,277,268</u>
Restricted purpose spending-rate distributions and appropriations	<u>25,390</u>	<u>17,916</u>
	<u>\$ 93,596,262</u>	<u>\$ 81,700,434</u>

***Additional Donor-specific Information***

Foreign, Commonwealth and Development Office (FCDO) requires annual accounts audited by an independent auditor where FCDO project funding is clearly segregated from other funds. FCDO revenue recognized in 2024 totaling £243,981 GBP or \$300,980 for project CET-7. Revenue is recognized as tasks are delivered and is recognized under government and multilateral grants.

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**Note 10. Endowment**

The Organization's governing body is subject to the state of Colorado *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). As a result, the Organization classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The Organization's endowment consists of approximately four individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2024 and 2023 was:

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 935,369	\$ 935,369
Accumulated investment gains	-	226,747	226,747
	<u>\$ -</u>	<u>\$ 1,162,116</u>	<u>\$ 1,162,116</u>
	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 935,369	\$ 935,369
Accumulated investment gains	-	159,009	159,009
	<u>\$ -</u>	<u>\$ 1,094,378</u>	<u>\$ 1,094,378</u>

**Rocky Mountain Institute**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

Change in endowment net assets for the years ended June 30, 2024 and 2023 were:

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment funds, beginning of year	\$ -	\$ 1,094,378	\$ 1,094,378
Investment return, net	-	93,128	93,128
Appropriation for expenditure	-	(25,390)	(25,390)
Endowment funds, end of year	<u>\$ -</u>	<u>\$ 1,162,116</u>	<u>\$ 1,162,116</u>
	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment funds, beginning of year	\$ -	\$ 1,082,899	\$ 1,082,899
Investment return, net	-	24,395	24,395
Contributions and deposits	-	5,000	5,000
Appropriation for expenditure	-	(17,916)	(17,916)
Endowment funds, end of year	<u>\$ -</u>	<u>\$ 1,094,378</u>	<u>\$ 1,094,378</u>

***Investment and Spending Policies***

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Organization's policies, endowment assets are invested in a manner that is intended to produce results that exceed an average of six percent annually while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). 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.

The Organization has a spending policy of appropriating for expenditure each year two to four percent of its endowment fund's average fair value over the prior 12 quarters through the year-end preceding the year in which expenditure is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at an average of two percent to four percent annually. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

### ***Underwater Endowments***

The governing body of the Organization has 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. At June 30, 2024 and 2023, no funds were underwater.

## **Note 11. Leases**

### ***Accounting Policies***

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization considers nonlease components, such as common area and other maintenance costs, to be insignificant and excludes these from the calculation of the ROU assets and lease liabilities. These are recorded as separate components of lease expense.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

### ***Nature of Leases***

The Organization has entered into the following lease arrangements:

#### ***Operating Leases***

The Organization has leases for office space that expire in various years through 2035. These leases generally contain renewal options for periods up to five years. Lease payments have an escalating fee schedule, which range from a three to five percent increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

The Organization has no material related-party leases. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Rocky Mountain Institute**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

**Quantitative Disclosures**

The lease cost and other required information for the years ended June 30, 2024 and 2023 are:

	<u>2024</u>	<u>2023</u>
Operating lease cost	<u>\$ 3,514,604</u>	<u>\$ 2,658,298</u>
	<u>2024</u>	<u>2023</u>
Other information		
Cash paid for amounts included in the measurement of lease liability		
Operating cash flows from operating lease	\$ 2,634,362	\$ 2,405,159
Weighted-average remaining lease term		
Operating lease	9.4 years	11.2 years
Weighted-average discount rate		
Operating lease	3.3%	3.3%

Future minimum lease payments and reconciliation to the consolidated statement of financial position at June 30, 2024 are as follows:

	<u>Operating Leases</u>
2025	\$ 2,738,995
2026	2,789,253
2027	2,623,927
2028	1,971,103
2029	1,919,539
Thereafter	<u>11,243,532</u>
Total future undiscounted lease payments	23,286,349
Less imputed interest	<u>(3,635,935)</u>
Lease liability	<u>\$ 19,650,414</u>

**Note 12. 403(b) Retirement Plan**

The Organization 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 five percent of eligible participants' compensation. For the years ended June 30, 2024 and 2023, employer contributions totaled \$3,222,201 and \$2,719,728, respectively.



### **Note 13. Related-Party Transactions**

The Organization recognized contribution revenue from the Board of Trustees of \$1,995,732 and \$2,787,237 during 2024 and 2023, respectively.

### **Note 14. Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***Concentrations***

Two donors accounted for approximately 20 percent of contributions and pledges receivable balances as of June 30, 2024.

Three donors accounted for approximately 20 percent of contributions and two donors accounted for approximately 25 percent of the pledges receivable balances as of June 30, 2023.

One customer accounted for approximately 30 percent of earned revenue as of June 30, 2024 and 2023.

#### ***Investments***

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statements of financial position.

### **Note 15. Subsequent Events**

Subsequent events have been evaluated through October 24, 2024, which is the date the consolidated financial statements were available to be issued.

Subsequent to year-end, Canary Media Inc.'s board approved the removal of RMI as the sole member of the corporation. As of July 1, 2024, Canary Media Inc. was deconsolidated from RMI and operates as an independent, charitable nonprofit organization.

Subsequent to year-end, RMI entered into two new loan agreements, with the organization described in Note 1 under notes receivable, to amend and extend the existing note receivable agreement, to provide an additional \$1 million of funding upon request, and to convert existing accounts receivable balances, totaling approximately \$1.65 million, to a long-term note receivable arrangement. Both notes are unsecured, bear interest at 11% per annum, and are payable upon maturity in June 2032 and June 2042, respectively. To fund the additional advance, RMI obtained a \$1 million loan from an unrelated corporation under similar interest rate and maturity terms as the related note receivable.

***Supplementary Information***

**Rocky Mountain Institute**  
**Consolidating Schedule – Statement of Financial Position Information**  
**June 30, 2024**

**ASSETS**

	<b>Rocky Mountain Institute</b>	<b>Rocky Mountain Institute International</b>	<b>Canary Media</b>	<b>Eliminations</b>	<b>Total</b>
<b>Current Assets</b>					
Cash and cash equivalents	\$ 28,523,780	\$ -	\$ 1,298,362	\$ -	\$ 29,822,142
Investments	41,077,972	-	-	-	41,077,972
Accounts receivable	11,942,881	-	117,051	(18,468)	12,041,464
Short-term pledges receivable	19,469,505	-	-	-	19,469,505
Prepaid expenses and other current assets	4,612,182	-	1,775	-	4,613,957
Total current assets	105,626,320	-	1,417,188	(18,468)	107,025,040
<b>Property and Equipment, Net</b>	14,209,033	-	-	-	14,209,033
<b>Right of Use Assets - Operating Leases</b>	19,177,490	-	-	-	19,177,490
<b>Intangible Assets</b>	26,293	-	-	-	26,293
<b>Notes Receivable</b>	2,123,288	-	-	-	2,123,288
<b>Pledges Receivable, Net of Current Portion</b>	6,514,984	-	-	-	6,514,984
<b>Investments Restricted for the Innovation Center</b>	633,454	-	-	-	633,454
<b>Beneficial Interest in Assets Held by The Denver Foundation</b>	528,663	-	-	-	528,663
<b>Deposits and Other Assets</b>	631,822	-	-	-	631,822
Total noncurrent assets	43,845,027	-	-	-	43,845,027
Total assets	<u>\$ 149,471,347</u>	<u>\$ -</u>	<u>\$ 1,417,188</u>	<u>\$ (18,468)</u>	<u>\$ 150,870,067</u>

**Rocky Mountain Institute**  
**Consolidating Schedule – Statement of Financial Position Information**  
**June 30, 2024**

**(Continued)**

**LIABILITIES AND NET ASSETS**

	<b>Rocky Mountain Institute</b>	<b>Rocky Mountain Institute International</b>	<b>Canary Media</b>	<b>Eliminations</b>	<b>Total</b>
<b>Current Liabilities</b>					
Accounts payable	\$ 4,519,462	\$ -	\$ -	\$ -	\$ 4,519,462
Accrued salaries and benefits	10,941,805	-	78,284	-	11,020,089
Deferred revenue	3,089,951	-	153,173	-	3,243,124
Current portion of notes payable	5,198,156	-	-	-	5,198,156
Current portion of operating lease liabilities	2,738,995	-	-	-	2,738,995
Due to affiliates	4,668	-	13,800	(18,468)	-
Other accrued expenses	1,232,663	-	9,925	-	1,242,588
	<u>27,725,700</u>	<u>-</u>	<u>255,182</u>	<u>(18,468)</u>	<u>27,962,414</u>
<b>Notes Payable, Net of Current Portion</b>	1,061,644	-	-	-	1,061,644
<b>Operating Lease Liabilities</b>	<u>16,911,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,911,419</u>
Total liabilities	45,698,763	-	255,182	(18,468)	45,935,477
<b>Net Assets</b>					
Without donor restrictions	36,341,680	-	806,851	-	37,148,531
With donor restrictions	67,430,904	-	355,155	-	67,786,059
Total net assets	<u>103,772,584</u>	<u>-</u>	<u>1,162,006</u>	<u>-</u>	<u>104,934,590</u>
Total liabilities and net assets	<u>\$ 149,471,347</u>	<u>\$ -</u>	<u>\$ 1,417,188</u>	<u>\$ (18,468)</u>	<u>\$ 150,870,067</u>

**Rocky Mountain Institute**  
**Consolidating Schedule – Statement of Activities Information**  
**Year Ended June 30, 2024**

	<b>Rocky Mountain Institute</b>	<b>Rocky Mountain Institute International</b>	<b>Canary Media</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue, Gains, and Other Support</b>					
Foundation, individual and corporate contributions, net	\$ 22,102,041	\$ -	\$ 1,296,905	\$ -	\$ 23,398,946
Contributions of nonfinancial assets	204,539	-	-	-	204,539
Government and multilateral grants	10,945,042	-	-	-	10,945,042
Earned revenue	24,225,899	-	956,744	-	25,182,643
Event revenue	20,236	-	23,773	-	44,009
Net realized and unrealized gain (loss) on investments	1,860,954	(38,728)	-	-	1,822,226
Interest and dividends	1,482,449	-	27,331	-	1,509,780
Distribution from equity method investment	9,769,232	-	-	-	9,769,232
Other	147,067	-	-	-	147,067
Intercompany revenues	-	88,193	3,937,867	(4,026,060)	-
Net assets released from restrictions	92,440,017	961,400	194,845	-	93,596,262
<b>Total revenue, gains, and other support</b>	<b>163,197,476</b>	<b>1,010,865</b>	<b>6,437,465</b>	<b>(4,026,060)</b>	<b>166,619,746</b>
<b>Expenses</b>					
Program services	133,799,174	1,010,865	2,496,575	(4,026,060)	133,280,554
Management and general	18,395,780	-	36,254	-	18,432,034
Fundraising	6,934,647	-	89,000	-	7,023,647
<b>Total expenses</b>	<b>159,129,601</b>	<b>1,010,865</b>	<b>2,621,829</b>	<b>(4,026,060)</b>	<b>158,736,235</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>4,067,875</b>	<b>-</b>	<b>3,815,636</b>	<b>-</b>	<b>7,883,511</b>
Foundation, individual and corporate contributions	89,060,492	156,538	400,000	-	89,617,030
Multilateral grants	7,458,695	-	-	-	7,458,695
Net realized and unrealized gain on investments	8,101	-	-	-	8,101
Interest and dividends	12,671	-	-	-	12,671
Change in beneficial interest in assets held by The Denver Foundation	54,207	-	-	-	54,207
Transfer of net assets	(804,862)	804,862	-	-	-
Net assets released from restrictions	(92,440,017)	(961,400)	(194,845)	-	(93,596,262)
<b>Change in Net Assets With Donor Restrictions</b>	<b>3,349,287</b>	<b>-</b>	<b>205,155</b>	<b>-</b>	<b>3,554,442</b>
<b>Change in Net Assets</b>	<b>7,417,162</b>	<b>-</b>	<b>4,020,791</b>	<b>-</b>	<b>11,437,953</b>
<b>Net Assets (Deficiency), Beginning of Year</b>	<b>96,355,422</b>	<b>-</b>	<b>(2,858,785)</b>	<b>-</b>	<b>93,496,637</b>
<b>Net Assets, End of Year</b>	<b>\$ 103,772,584</b>	<b>\$ -</b>	<b>\$ 1,162,006</b>	<b>\$ -</b>	<b>\$ 104,934,590</b>