Alliance to Save Energy

Financial Statements

December 31, 2018

CALIBRE
CPA GROUP

ALLIANCE TO SAVE ENERGY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

CONTENTS

CALIBRE
CPA GROUP

7501 WISCONSION AVENUE | SUITE 1200 WEST
BETHESDA, MD 20814
202.331.9880 PHONE | 202.331.9890 FAX

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Alliance to Save Energy

We have audited the accompanying financial statements of the Alliance to Save Energy, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Alliance to Save Energy as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the December 31, 2017 financial statements of the Alliance to Save Energy, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Calibre CPA Group, PLLC

Bethesda, MD
May 7, 2019

Alliance to Save Energy

Statements of Financial Position

December 31, 2018 and 2017

		2018		2017
Assets				
Current assets				
Cash and cash equivalents	$	100,141	$	196,437
Investments		100,263		35,333
Accounts, grants and contributions receivable		315,454		220,718
Prepaid expenses		29,473		69,147
Total current assets		545,331		521,635
Property and equipment, net		73,864		94,219
Security deposits		70,000		70,000
Total assets	$	689,195	$	685,854
Liabilities and Net Assets (Deficit)				
Current liabilities				
Accounts payable and accrued expenses	$	497,113	$	587,331
Deferred revenue		32,500		327,300
Deferred lease incentives		40,014		21,936
Total current liabilities		569,627		936,567
Noncurrent liabilities				
Deferred lease incentives, net of current portion		169,628		209,642
Total liabilities		739,255		1,146,209
Net assets (deficit)				
Without donor restrictions		(859,019)		(797,121)
With donor restrictions		808,959		336,766
Total net assets (deficit)		(50,060)		(460,355)
Total liabilities and net assets (deficit)	$	689,195	$	685,854

See accompanying notes to financial statements.

Alliance to Save Energy

Statement of Activities

Year Ended December 31, 2018
(With Comparative Totals for Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Support and revenue				
Grants and contributions				
Corporate and foundations	$ 128,054	$ 2,646,753	$ 2,774,807	$ 2,401,721
Government	107,873	30,000	137,873	60,020
Membership dues	1,188,750	-	1,188,750	1,345,911
Special events	653,950	-	653,950	927,050
Donated goods and services	382,565	-	382,565	84,400
Rental income	6,000	-	6,000	76,667
Other income	79,537	-	79,537	74,867
Net assets released from restriction	2,204,560	(2,204,560)	-	-
Total support and revenue	4,751,289	472,193	5,223,482	4,970,636
Expenses				
Program services				
Policy	2,263,408	-	2,263,408	1,714,728
Communication	835,650	-	835,650	1,230,494
Demonstration	574,093	-	574,093	371,468
Total program services	3,673,151	-	3,673,151	3,316,690
Supporting services				
General and administrative	903,988	-	903,988	1,142,322
Fundraising	236,048	-	236,048	62,078
Total supporting services	1,140,036	-	1,140,036	1,204,400
Total expenses	4,813,187	-	4,813,187	4,521,090
Change in net assets	(61,898)	472,193	410,295	449,546
Net assets (deficit)				
Beginning of year	(797,121)	336,766	(460,355)	(909,901)
End of year	$ (859,019)	$ 808,959	$ (50,060)	$ (460,355)

See accompanying notes to financial statements.

Alliance to Save Energy

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services				Supporting Services			
	Policy	Communication	Demonstration	Total	General and Administrative	Fundraising	Total	Total
Salaries	$ 757,961	$ 350,413	$ 128,973	$ 1,237,347	$ 234,695	$ 147,968	$ 382,663	$ 1,620,010
Employee benefits and payroll taxes	286,836	132,607	48,807	468,250	87,823	56,989	144,812	613,062
Professional fees and contract services	892,751	22,038	320,194	1,234,983	251,413	60	251,473	1,486,456
Occupancy and utilities	-	-	-	-	435,849	-	435,849	435,849
Meeting and conferences	40,477	166,416	12,418	219,311	14,097	125	14,222	233,533
Travel	45,092	59,146	14,271	118,509	34,196	4,513	38,709	157,218
Office expenses	706	9,523	11,929	22,158	88,469	274	88,743	110,901
Periodicals, dues and subscriptions	-	-	-	-	58,385	775	59,160	59,160
Telephone	72	254	-	326	48,460	172	48,632	48,958
Depreciation and amortization	-	-	-	-	20,355	-	20,355	20,355
Printing and publication	5,940	5,452	1,103	12,495	1,678	-	1,678	14,173
Repairs and maintenance	-	-	-	-	10,176	-	10,176	10,176
Postage and shipping	16	871	536	1,423	1,861	52	1,913	3,336
Total direct costs	2,029,851	746,720	538,231	3,314,802	1,287,457	210,928	1,498,385	4,813,187
Indirect allocation	233,557	88,930	35,862	358,349	(383,469)	25,120	(358,349)	-
Total expenses	$ 2,263,408	$ 835,650	$ 574,093	$ 3,673,151	$ 903,988	$ 236,048	$ 1,140,036	$ 4,813,187

See accompanying notes to financial statements.

Alliance to Save Energy

Statement of Cash Flows

Year Ended December 31, 2018

Cash flows from operating activities		
Change in net assets	$	410,295
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation and amortization expense		20,355
Changes in assets and liabilities		
Accounts, grants and contributions receivable		(94,736)
Prepaid expenses		39,674
Accounts payable and accrued expenses		(90,218)
Deferred revenue		(294,800)
Deferred lease incentives		(21,936)
Net cash used for operating activities		(31,366)
Cash flows from investing activities		
Proceeds from sale of investments		70,144
Purchases of investments		(135,074)
Net cash used for investing activities		(64,930)
Change in cash and cash equivalents		(96,296)
Cash and cash equivalents		
Beginning of year		196,437
End of year	$	100,141

See accompanying notes to financial statements.

NOTE 1. ORGANIZATION

The Alliance to Save Energy (the Alliance) is a nonprofit, bipartisan alliance of business, government, environmental and consumer leaders working to expand the economy while using less energy. Its mission is to promote energy productivity worldwide - including through energy efficiency - to achieve a stronger economy, a cleaner environment and greater energy security, affordability and reliability. The Alliance works to achieve this goal by:

- Leading bipartisan initiatives that drive technological innovation and energy efficiency across all sectors of the economy, through policy advocacy, education, communications, and research.

- Convening and engaging in diverse public private partnerships, collaborative efforts and strategic alliances to optimize resources and expand our sphere of influence.

Founded in 1977 by Senators Charles H. Percy (R-Ill.) and Hubert Humphrey (D-Minn.), the Alliance to Save Energy was launched following the oil embargo of the 1970s - a pivotal time in the nation's history that exposed fundamental weaknesses in U.S. economic security and challenged the country to develop innovative energy solutions. Decades later, it continues its mission to create a more energy-productive world.

Improving energy productivity means getting more economic output from every unit of energy used. It is the cheapest, fastest and simplest way to address energy and environmental goals - and a powerful economic catalyst. Improved productivity will save consumers and businesses money, drive innovation, improve U.S competitiveness, create jobs and economic activity, and sharply reduce pollution, including carbon emissions.

The Alliance's Board of Directors (Board) is led by Chair Gil Quiniones, President and Chief Executive Officer (CEO), New York Power Authority. The Board includes CEOs, presidents and senior executives of companies, associations, consumer and environmental organizations, foundations and law firms, as well as officials from state governments. Board members are voted in by the full Board.

The Alliance is also guided by an Honorary Board of Advisors, led by Honorary Chair Senator Jeanne Shaheen (NH). Honorary Vice Chairs include Sen. Rob Portman (R-Ohio) and Sen. Chris Coons (D-Del.). Members include Senators Lamar Alexander (R-Tenn.), Susan Collins (R-Maine), Edward Markey (D-Mass.), Lisa Murkowski (R-Alaska), Mark Warner (D-Va.), and Ron Wyden (D-Ore.); Representatives Michael Burgess (R-Texas), Adam Kinzinger (R-Ill.), David McKinley (R-W. Va.), Paul Tonko (D-N.Y.) and Peter Welch (D-Vt.); and former CEO of Sustainable Energy for All, Kandeh Yumkella.

NOTE 1. ORGANIZATION (CONTINUED)

Over 120 corporations, trade associations and other organizations work together through the Alliance to promote energy productivity as a cornerstone of sound economic policy and the creation of a modern, connected and efficient energy infrastructure. These Alliance "Associates" participate in a range of programs and activities, including Alliance committees, advocacy opportunities and policy events.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements are presented in accordance with the accrual basis of accounting. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Alliance is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These net assets are available to finance the general operations of the Alliance. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Alliance, the environment in which it operates, and the purposes specified in its organizing documents.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by the Alliance is limited by donor-imposed time or purpose restrictions that are either temporary or permanent.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Alliance considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents. All cash and investments held by investment advisors, regardless of maturity, are considered investments.

Financial Risk - The Alliance maintains its cash in bank deposit accounts and its investments in money market accounts which, at times, may exceed federally insured limits. The Alliance has not experienced any losses in such accounts. The Alliance believes it is not exposed to any significant financial risk on cash and cash equivalents and investments since they are held at creditworthy financial institutions.

Investments - At December 31, 2018 and 2017, investments consist entirely of amounts held in a money market account which is reported at fair value, generally as determined by published market prices. Income earned is derived from interest income.

Accounts Receivable - Accounts receivable are generated from membership dues, special events and prime- and sub-agreements with corporations, nonprofit entities, U.S. governmental agencies, and state and local agencies. Billed amounts represent invoices that have been prepared and sent to the customer. Unbilled amounts represent accumulated costs not yet billed. Accounts receivable are carried at original invoice amount. Management determines the allowance for doubtful accounts by identifying them and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible as bad debt expense. Recoveries of receivables previously written off are recorded when received. Management believes all receivables to be fully realizable, and consequently, did not record an allowance for uncollectible amounts as of December 31, 2018 and 2017.

Property and Equipment - Property and equipment acquired with a cost of $2,500 or higher is capitalized at cost and is depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Leasehold improvements are amortized over the life of the related lease agreement. Expenditures for major repairs and improvements are capitalized and depreciated over the life of the office lease or the life of the asset, whichever is shorter; expenditures for minor repairs and maintenance costs are expensed when incurred.

Support and Revenue - The Alliance receives grants and contracts from federal agencies and private grantors for various purposes. Awards accounted for as exchange transactions are recognized in revenue as allowable costs are incurred. Contributions without donor restrictions and all revenues from exchange transactions are reported as increases in net assets without donor restrictions. Awards that are accounted for as contribution transactions are recognized when the award is made and are generally restricted for use in a specific activity or time period. Such amounts are reported as increases in net assets without restriction if the restrictions expire (that is, a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restriction.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Membership dues are recognized as revenue in the applicable membership period.

Donated Goods and Services - The Alliance received donations of professional services for the years ended December 31, 2018 and 2017. Donated goods and services are recorded at their estimated fair value as of the date of the donation. These donated services amounted to $382,565 and $84,400 for the years ended December 31, 2018 and 2017, respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses - The costs of providing the various programs and supporting activities of the Alliance have been summarized on a functional basis in the statements of activities and functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Salaries and related fringe benefits are allocated based on employee time and effort studies.

Program Services - Program services consist of the following three main programs:

Demonstration - Focuses on developing and implementing programs of technical assistance or facilitation nature to bring about cost-efficient energy conservation.

Policy - Focuses on developing the Alliance policy positions in the energy efficiency area and designing and implementing related research projects.

Communications - Focuses on the production and dissemination of publications containing findings on policy and demonstration programs.

Income Taxes - The Alliance is generally exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Alliance qualifies for the charitable contributions deduction and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state taxes.

In December 2017, the Tax Cuts and Jobs Act of 2017 was signed into law. Under the provisions of the law, transportation benefits provided by the Alliance to its employees are subject to unrelated business income tax effective January 1, 2018. As a result of the new tax provisions, the Alliance paid a de minimis amount of unrelated business income tax for the year ended December 31, 2018. The Alliance had no unrelated business income for the year ended December 31, 2017.

The Alliance follows the standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Alliance may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Alliance's tax positions and concluded that the Alliance had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Alliance files income tax returns in the U.S. Federal jurisdiction. Generally, the Alliance is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for years before 2015.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement Adopted - During the year ended December 31, 2018, the Alliance adopted the provisions of Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (the Update). The Update amends the reporting model for not-for-profit organizations and enhances required disclosures. The major changes include: requiring the presentation of only two classes of net assets - those with donor restrictions and those without donor restrictions; requiring all not-for-profits to present an analysis of expenses by both function and nature in a single location, generally as a separate financial statement or by disclosure in the notes, and to provide additional information about the methods used to allocate costs across functional reporting categories; requiring disclosure of both quantitative and qualitative information about liquidity and the availability of financial resources.

Accordingly, certain amounts previously reported for the year ended December 31, 2017 were reclassified to conform to the 2018 presentation. Net assets previously reported as of December 31, 2017 were restated to conform to the presentation and disclosure requirements necessitated by the adoption of ASU 2016-14. Accordingly, net assets as of December 31, 2017 were restated as follows:

Net Asset Classes	As Previously Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ (797,121)	$ -
Temporarily restricted net assets	336,766	-
Net assets without donor restrictions	-	(797,121)
Net assets with donor restrictions	-	336,766
Total net assets	$ (460,355)	$ (460,355)

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Alliance'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 Alliance invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principle.

The following table represents the Alliance's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018.

Total assets at end of year	$ 689,195
Less non-financial assets	
Prepaid expenses	(29,473)
Property and equipment, net	(73,864)
Security deposits	(70,000)
Total financial assets at end of year	862,532
Less amounts not available to meet general expenditures coming due within one year	
Other assets subject to donor-imposed restrictions	(808,959)
Total financial assets available for general expenditure within one year	$ 53,573

NOTE 4. INVESTMENTS

Investments at December 31, 2018 and 2017, consist entirely of amounts held in a money market fund totaling $100,263 and $35,333, respectively. These investments are reported at fair value based on Level 1 inputs under the FASB ASC Topic, *Fair Value Measurements and Disclosures*, hierarchy. Investment income for the years ended December 31, 2018 and 2017 consisted of interest and dividends totaling $1,930 and $312, respectively .

NOTE 5. ACCOUNTS, GRANTS AND CONTRIBUTIONS RECEIVABLE

At December 31, 2018 and 2017, accounts, grants and contributions receivable include grant revenue due from state and local governments, corporations, foundations, and special events. All receivables are due within one year.

In 2018, the Alliance received a grant of $150,000 from a donor for the period January 1, 2019 to December 31, 2020. Under the terms of the grant agreement, the Alliance could receive an additional $150,000 for the period January 1, 2020 to December 31, 2020, based on the performance and reporting associated with the grant funds for 2019. Any conditional funds will be recognized as the conditions are met in future periods.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization at December 31, 2018 and 2017 are as follows:

Asset Category	Estimated Lives	Cost 2018	Cost 2017
Leasehold improvements	6-10 Years	$ 501,483	$ 501,483
Furniture and equipment	3-10 Years	223,266	223,266
Computer equipment	3-5 Years	510,211	510,211
		1,234,960	1,234,960
Less: accumulated depreciation and amortization		(1,161,096)	(1,140,741)
		$ 73,864	$ 94,219

Total related depreciation and amortization expense for the years ended December 31, 2018 and 2017 was $20,355 and $22,675, respectively.

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 and 2017, are restricted for use as follows:

	2018	2017
Anonymous	$ 215,390	$ -
GPP/Southeast Sustainability Directors Network	150,000	-
JPB Foundation	87,975	-
ClimateWorks Foundation	75,307	-
Sys Efficiency	70,807	-
DDC Advocacy	64,054	-
South Jersey Gas	35,898	-
MacArthur Foundation	29,829	-
Transportation	23,331	196,701
Knox County	20,740	20,986
New Jersey Natural Gas	20,628	38,275
EE Market Report	15,000	-
EP Photo Contest	-	62,618
Energy Efficient Codes Coalition	-	11,686
New Jersey Hog	-	5,500
Savings in the House	-	1,000
	$ 808,959	$ 336,766

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from restriction due to the satisfaction of purpose restrictions totaled $2,204,560 and $1,478,891 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8. RETIREMENT PLAN

The Alliance sponsors a defined contribution profit-sharing retirement plan (the Plan) that covers all employees who meet length of service requirements. Under the Plan, participants may contribute to the Plan through salary reductions as limited by current tax law. The Alliance matches employee contributions each pay period up to 4% of total eligible compensation. Total employer contributions to the Plan for 2018 and 2017 were $67,706 and $41,831, respectively.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Operating Lease

During 2014, the Alliance substantially restructured its office lease agreements for headquarters space in Washington, D.C. The Alliance remained obligated for a lease of 4,515 square feet of space through August 31, 2017. That space was entirely sublet to unrelated tenants. The Alliance surrendered and reconfigured other office space, and now rents approximately 8,225 square feet of space for its own use under a lease agreement that expires August 31, 2022.

Under the terms of the restructured office lease agreement, the Alliance paid a security deposit of $170,000 to the landlord. The security deposit is comprised of a cash payment of $70,000 and a letter of credit with a bank totaling $100,000. The letter of credit expired in 2017 and was not renewed.

The agreements also provide for scheduled, fixed increases in the base rent. The total amounts payable under the terms of the leases are recognized on a straight-line basis in the financial statements. Differences between straight-line rent expense and actual cash payments required are reflected as deferred lease incentives. The landlord also funded leasehold improvement costs, the unamortized portion, which is also reported in the financial statements as deferred lease incentives.

The following is a schedule of future minimum rental payments required under the above lease agreements, by fiscal year, as of December 31, 2018:

Years Ending December 31,	
2019	$ 451,182
2020	464,964
2021	476,538
2022	324,629
	$ 1,717,313

NOTE 9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Total rent expense under operating lease agreements for 2018 and 2017 was $414,852 and $397,539, respectively.

License Agreement

In July 2018, the Alliance entered into an agreement to license a certain portion of its leased office space to a licensee through June 30, 2020. Under the terms of the license agreement, the Alliance receives license rental income of $1,000 a month throughout the term of the agreement. License income totaled $6,000 for the year ended December 31, 2018.

NOTE 10. MANAGEMENT'S PLAN

The Alliance's Board and senior management have worked diligently for the past five years to right-size the Alliance in terms of scope, numbers and seniority of staff, office space and other expenses. Working with the Board and outside consultants, in early 2017, Alliance's senior staff crafted a new five-year strategic plan that focuses on financial stability and minimal growth; defines our corporate values and culture; confirms our core strengths and priorities; and identifies strategic initiatives and work areas. As part of the strategic planning process, the Board approved a new vision and mission statement for the Alliance. We are no longer strictly focused on using less energy, but on using energy more productively to achieve economic growth, a cleaner environment and greater energy security, affordability and reliability; a subtle shift that will keep the organization relevant in a changing energy landscape and open new potential work streams.

To help identify, evaluate and fundraise for new work streams, or strategic initiatives, a dedicated development position was created as part of the strategic planning restructuring. Additionally, the Alliance's staff receives guidance from the Board's Development Committee.

The past year has been a period of significant transition, with the departure of the Alliance's long-time president in April 2018. The new president assumed leadership on May 1, 2018, inheriting an organization that has been fiscally conservative for years, as it progresses toward closing a significant deficit in net assets without donor restrictions dating back to 2012. Since taking the helm of the organization and executing the second year of the organization's five-year strategic plan, the new president has led a slow and steady upward trajectory and is committed to managing revenue and expenditures to ensure sustainable financial health. By the end of 2018, the outlook is strong, and several financial indicators are healthier than they have been in years.

- 2018 expenses were held lower than budget by approximately $340,000, while overall revenue matched forecast, yielding a healthy net surplus.
- Investments are at more than $100,000 for the first time since 2015.
- Net assets increased by over $400,000, nearly eliminating the organization's negative net asset position; work is underway to close the deficit on net assets without donor restrictions.
- Financial management is on track for positive results in 2019.

NOTE 10. MANAGEMENT'S PLAN (CONTINUED)

The Alliance has continued to build out its offerings under the expanded mission - *using energy more productively* - that was adopted in 2017 under the five-year strategic plan. At the new president's direction, the Alliance has revamped its fund development strategy and processes for restricted projects, focusing on streamlined idea generation, staff empowerment in proposal development, and improved and consistent relationship management with philanthropy. In addition, the organization is cultivating new relationships with more potential funders, hoping to diversify and expand its funding sources. Due to development lead times, these efforts will likely yield results starting in late 2019 or 2020. However, already in the first quarter of 2019, nearly $100,000 of new, previously unbudgeted revenue has been pledged to the organization. Notable changes to revenues and expenses in 2018 included:

- The Alliance secured challenge grant funding from two foundations to support the hiring of two mid-level managers in the policy team, with the aim to build out capacity and improve cost-effectiveness of implementation of the organization's policy efforts. These challenge grants were intended as a one-time injection of funds and will support these positions through late 2019. Aggressive fundraising in 2019 takes into account that these labor costs will then be absorbed elsewhere, whether through development of the restricted projects noted above or efforts to increase Associates dues contributions over 2018 levels.

- The Alliance secured funding for two projects that support development and piloting of a new web-based adaptation of its long-running youth education program. After the web platform launches in 2019 and the new implementation model is piloted during the academic year, staff anticipate that the new model will enable a more cost-effective scaling of the Alliance's youth engagement - opening the door for new funding partnerships, particularly with school districts and utilities.

- In mid-2018, the Alliance negotiated a secondment agreement with an association that provided a full-time loaned executive as an in-kind contribution to support Alliance program activities. This arrangement will continue through 2019 and is a valuable supplement to Alliance staff capacity and resources.

- In mid-2018, the Alliance licensed an unused office space to the National Energy and Utility Affordability Coalition for a period of two years. This provides the Alliance $1,000 in revenue per month.

Further, the Alliance has made consistent progress in reducing its accumulated deficit in net assets without donor restrictions, from its lowest value of $(1,764,674) at the end of 2012 to ending 2018 with $(859,019). Net assets without donor restrictions declined somewhat in 2018, due to the operating budget deficit of approximately $80,000. There remains a gap to close to return to positive net assets without donor restrictions, and subsequently to build up reserves to at least three months operating expenses. However, when you take into account the net assets with donor restrictions, the Alliance ended 2018 with a net asset balance of $(50,060), which equates to an improvement of approximately $1,715,000 improvement over the last six years.

NOTE 10. MANAGEMENT'S PLAN (CONTINUED)

The Alliance's 2019 goals include intent to add $50,000 to the reserves, working toward the five-year strategic plan goal of $500,000 in reserves by the end of 2021. Both the 2019 and five-year goals are aggressive, but achievable if revenue without donor restrictions exceed forecast.

Liquidity also showed continuous improvement over recent years, inching closer to a 1:1 ratio of current assets to current liabilities at the end of 2018. Cash flow in Q4 2018 was aided by the award of additional contracts during this period, which resulted in net assets with donor restrictions carried into 2019. Senior management acknowledges the importance of growing net assets without donor restrictions to sustain liquidity over the long-term.

To carry this momentum forward, leadership is continuing with cautious and conservative budgeting. Organizational and financial management are on track for positive results in 2019, albeit narrowly so. Taking a sound approach, the Alliance forecast revenue at 90% confidence going into 2019, noting that funds raised without donor restrictions fell short of our goal in 2018, with sponsorships for EE Global and the Stars of Energy Efficiency Awards meeting lower levels than recent years. Accordingly, the Alliance's conservative 2019 budget has strong potential for additional revenues with donor restrictions to be secured later in the year. The forecast for revenues without donor restrictions for 2019 is achievable, but aggressive. To date, the Alliance has achieved 30 percent of its new Associate dues goal and been pledged unbudgeted revenue without donor restrictions.

In an effort to spur growth in contributions without donor restrictions, the Board Chair renewed his "Chairman's Challenge," which strategically enlists Board members to assist with recruitment of new Associates in 2019.

NOTE 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 7, 2019, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.