ALLIANCE TO SAVE ENERGY

FINANCIAL STATEMENTS

DECEMBER 31, 2017

CALIBRE
CPA GROUP
Bethesda, MD

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FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

CONTENTS

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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, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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, 2017 and 2016, and the changes in its net assets and its cash flows for the year ended December 31, 2017, 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, 2016 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 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Calibre CPA Group, PLLC

Bethesda, MD
May 17, 2018

Alliance to Save Energy

Statements of Financial Position

December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 196,437	$ 41,478
Temporary investments	35,333	24,548
Accounts, grants and contributions receivable	220,718	291,123
Prepaid expenses	69,147	52,189
Total current assets	521,635	409,338
Property and equipment, net	94,219	116,895
Security deposits	70,000	70,000
Total assets	$ 685,854	$ 596,233
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable and accrued expenses	$ 587,331	$ 817,779
Deferred revenue	327,300	430,000
Deferred lease incentives	21,936	26,777
Total current liabilities	936,567	1,274,556
Noncurrent liabilities		
Deferred lease incentives, net of current portion	209,642	231,578
Total liabilities	1,146,209	1,506,134
Net assets (deficit)		
Unrestricted	(797,121)	(1,078,495)
Temporarily restricted	336,766	168,594
Total net assets (deficit)	(460,355)	(909,901)
Total liabilities and net assets (deficit)	$ 685,854	$ 596,233

See accompanying notes to financial statements.

ALLIANCE TO SAVE ENERGY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
SUPPORT AND REVENUE				
Grants and contributions				
Corporate and foundations	$ 754,658	$ 1,647,063	$ 2,401,721	$ 2,742,261
Government	60,020	-	60,020	186,883
Special events	927,050	-	927,050	835,500
Membership dues	1,345,911	-	1,345,911	1,073,000
Donated sevices	84,400	-	84,400	42,693
Rental income	76,667	-	76,667	162,210
Debt forgiveness	-	-	-	389,072
Other income	74,867	-	74,867	107,162
Net assets released from restriction	1,478,891	(1,478,891)	-	-
Total suport and revenue	4,802,464	168,172	4,970,636	5,538,781
EXPENSES				
Program services	3,316,690	-	3,316,690	3,513,190
General and administrative	1,142,322	-	1,142,322	1,883,834
Fund raising	62,078	-	62,078	19,519
Total expenses	4,521,090	-	4,521,090	5,416,543
CHANGE IN NET ASSETS	281,374	168,172	449,546	122,238
NET ASSETS (DEFICIT)				
Beginning of year	(1,078,495)	168,594	(909,901)	(1,032,139)
End of year	$ (797,121)	$ 336,766	$ (460,355)	$ (909,901)

See accompanying notes to financial statements.

ALLIANCE TO SAVE ENERGY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services				General and		
	Demonstration	Policy	Communication	Total	Administrative	Fund Raising	Total
Salaries	$ 103,247	$ 476,595	$ 342,005	$ 921,847	$ 670,442	$ 27,330	$ 1,619,619
Employee benefits and payroll taxes	39,042	180,222	129,328	348,592	233,838	10,335	592,765
Professional fees and contract services	36,697	169,397	121,560	327,654	568,571	-	896,225
Occupancy and utilities	-	-	-	-	557,579	-	557,579
Supplies and miscellaneous	1,701	7,852	5,635	15,188	92,370	5,601	113,159
Meeting and conferences	46,053	212,584	152,551	411,188	7,855	-	419,043
Travel	11,241	51,889	37,236	100,366	24,624	18,812	143,802
Telephone	25	117	84	226	49,985	-	50,211
Depreciation and amortization	-	-	-	-	22,675	-	22,675
Printing and publication	1,890	8,724	6,261	16,875	1,187	-	18,062
Periodicals, dues and subscriptions	940	4,341	3,115	8,396	40,679	-	49,075
Postage and shipping	107	496	356	959	1,662	-	2,621
Repairs and maintenance	-	-	-	-	25,598	-	25,598
Interest expense	-	-	-	-	10,656	-	10,656
Total direct costs	240,943	1,112,217	798,131	2,151,291	2,307,721	62,078	4,521,090
Indirect allocation	130,525	602,511	432,363	1,165,399	(1,165,399)	-	-
Total expenses	$ 371,468	$ 1,714,728	$ 1,230,494	$ 3,316,690	$ 1,142,322	$ 62,078	$ 4,521,090

See accompanying notes to financial statements.

ALLIANCE TO SAVE ENERGY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 449,546
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization expense	22,676
Changes in assets and liabilities	
Accounts, grants and contributions receivable	70,405
Prepaid expenses	(16,958)
Accounts payable and accrued expenses	(230,448)
Deferred revenue	(102,700)
Deferred lease incentives	(26,777)
Net cash provided by operating activities	165,744
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	164,220
Purchases of investments	(175,005)
Net cash used by investing activities	(10,785)
CHANGE IN CASH AND CASH EQUIVALENTS	154,959
CASH AND CASH EQUIVALENTS	
Beginning of year	41,478
End of year	$ 196,437
SUPPLEMENTAL DISCLOSURE	
Interest paid during the year	$ 10,656

See accompanying notes to financial statements.

ALLIANCE TO SAVE ENERGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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 Sens. 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 is led by Chair Gil Quiniones, President and 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.), Dave Reichert (R-Wash.), 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, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, the Alliance is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Alliance had no permanently restricted net assets at December 31, 2017 or 2016.

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 - Investments with readily determinable fair values are reflected at fair market value with related gains and losses included in the statement of activities. At December 31, 2017 and 2016, investments consist entirely of amounts held in a money market account.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 and 2016.

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. Unrestricted contributions and all revenues from exchange transactions are reported as increases in unrestricted net assets. 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 unrestricted net assets 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 donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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 legal services during the year ended December 31, 2017. Donated goods and services are recorded at their estimated fair value as of the date of the donation. These donated services amounted to $84,400 during the year ended December 31, 2017.

Functional Allocation of Expenses - The costs of providing the Alliance's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services - Program services consist of the following three main programs: demonstration, policy, and communications. 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 produce and disseminate 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. 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 2014.

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.

NOTE 3. INVESTMENTS

Investments at December 31, 2017 and 2016, consist entirely of amounts held in a money market fund totaling $35,333 and $24,548, respectively. These investments are reported at fair value based on Level 1 inputs under the Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic, *Fair Value Measurements and Disclosures*, hierarchy. Investment income for the year ended December 31, 2017 consisted of interest and dividends totaling $312.

NOTE 4. ACCOUNTS, GRANTS AND CONTRIBUTIONS RECEIVABLE

At December 31, 2017 and 2016, receivables include grant revenue due from state and local governments, corporations, foundations, and special events. All receivables are due within one year.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization at December 31, 2017 and 2016 are as follows:

Asset Category	Estimated Lives	Cost 2017	Cost 2016
Leashold 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		(1,140,741)	(1,118,065)
		$ 94,219	$ 116,895

Total related depreciation and amortization expense for the year ended December 31, 2017 was $22,676.

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 and 2016, are restricted for use as follows:

	2017	2016
Transportation	$ 196,701	$ -
EP Photo Contest	62,618	-
Energy Efficient Codes Coalition	11,686	-
New Jersey Hog	5,500	-
New Jersey Natural Gas	38,275	-
Knox County	20,986	-
Savings in the House	1,000	-
Rate Model	-	111,960
Energy Foundation	-	56,634
	$ 336,766	$ 168,594

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets released from restriction during 2017 of $1,478,891 and during 2016 of $2,684,628 resulted from the satisfaction of purpose restrictions.

NOTE 7. 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 2017 were $41,831.

NOTE 8. LOAN PAYABLE

During the year ended December 31, 2014, the Alliance's line of credit with SunTrust Bank in the amount of $1,460,000 was converted to a term loan. Interest accrued on the unpaid principal amount of the loan at the rate of 5% per year. During 2016, the Alliance paid down total principal in the amount of $595,688, and SunTrust agreed to forgive the remaining outstanding balance of $389,072. Consequently, as of December 31, 2016, there is no remaining balance due on the loan.

NOTE 9. OPERATING LEASES

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.

The agreements 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.

NOTE 9. OPERATING LEASES (CONTINUED)

The following is a schedule of future minimum rental payments required under the above lease agreements, by fiscal year, as of December 31, 2017:

Years Ending December 31,	
2018	$ 433,104
2019	451,182
2020	464,964
2021	476,538
2022	324,629
	$ 2,150,417

Total rent expense under operating lease agreements for 2017 was $397,539.

NOTE 10. MANAGEMENT'S PLAN

The Alliance Board and senior management have worked diligently for the past five years to right-size the organization 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 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 staff receives guidance from the Board's Development Committee, whose notable contributions include:

- Launch of the "50x50" National Commission on Transportation Sector Efficiency, consisting of business, government and civil society leaders working together to develop a pathway and recommendations to reduce energy use in the U.S. transportation sector by 50 percent by 2050 while meeting future mobility needs. Significant funding from both the corporate and foundation donors is supporting this work in 2017 and 2018, and importantly is strengthening the Alliance's network and credentials that may ultimately cultivate greater transportation sector participation in the Alliance Associates program.

NOTE 10. MANAGEMENT'S PLAN (CONTINUED)

- Revision of the Associates Program dues model – which took effect January 2018 – from a corporate revenue-based dues structure to a tiered approach based on desired level of engagement. Reception has been overwhelmingly positive from both current and prospective Associates, and the new model has worked favorably in the recruitment of several new Associates, as well as increased dues contributions from existing Associates.

Additionally, the Alliance continued to reduce and reorganize expenditures in 2017.

- In early 2017, the Senior Vice President position and Vice President of Research position were voluntarily vacated, enabling the Alliance to accelerate organizational changes prioritized in the five-year strategic plan. This included bringing on more mid-level managers to reduce operating expenses.

- Outside consultant payments were also reduced in 2017.

- In August 2017, the lease on the Alliance's 10th floor office space expired, which saved the organization approximately $6,000 in expenses per month.

Because of these efforts, the Alliance experienced an increase in unrestricted net assets during 2017 of approximately $281,000 and during 2016 of approximately $417,000 (including SunTrust's debt forgiveness in the amount of $389,000), reducing its accumulated deficit in unrestricted net assets at the end of 2017 to approximately $797,000.

Organizational and financial management are on track for positive results in 2018. While the Alliance's long-time president stepped down in April 2018 after 14 years with the organization, the Board selected new leadership from a competitive candidate pool. The new president starts on May 1, 2018 and brings significant expertise to strengthen Alliance policy and programs, as well as partner relationships. Senior management will continue to prioritize conservative expenditures and responsible growth of new funding streams in 2018.

NOTE 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 17, 2018, 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 additional adjustment to or disclosure in the accompanying financial statements.