




Rocky Mountain Institute

Independent Auditor's Reports and Consolidated Financial Statements

June 30, 2023 and 2022



Rocky Mountain Institute

June 30, 2023 and 2022

Contents

Independent Auditor’s Report	1
Consolidated Financial Statements	
Statements of Financial Position	4
Statement of Activities – 2023	6
Statement of Activities – 2022	7
Statement of Functional Expenses – 2023.....	8
Statement of Functional Expenses – 2022.....	9
Statements of Cash Flows	10
Notes to Financial Statements	12
Supplementary Information	
Consolidating Schedule – Statement of Financial Position Information – 2023	36
Consolidating Schedule – Statement of Activities Information – 2023	38
Schedule of Expenditures of Federal Awards	39
Notes to the Schedule of Expenditures of Federal Awards	40
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards – Independent Auditor’s Report	41
Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance – Independent Auditor’s Report	43
Schedule of Findings and Questioned Costs	46
Status of Prior Audit Findings	50



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Independent Auditor's Report

Board of Trustees
Rocky Mountain Institute
Boulder, Colorado

Report on the Audit of the Consolidated Financial Statements

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, 2023 and 2022, 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, 2023 and 2022, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Emphasis of Matters

As discussed in Note 1 to the consolidated financial statements, in 2023, the reporting entity changed to exclude Mission Possible Partnership as part of the consolidated financial statements. Our opinion is not modified with respect to this matter.

As discussed in Note 12 to the consolidated financial statements, in 2023, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Board of Trustees
Rocky Mountain Institute

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

FORVIS, LLP

Denver, Colorado
October 13, 2023

Rocky Mountain Institute
Consolidated Statements of Financial Position
June 30, 2023 and 2022

Assets

	2023	2022
Current Assets		
Cash and cash equivalents	\$ 19,048,549	\$ 30,054,029
Investments	39,988,816	50,111,487
Beneficial interest in assets held by The Denver Foundation	-	174,734
Accounts receivable	13,455,185	3,829,129
Short-term pledges receivable	16,194,814	10,209,226
Prepaid expenses and other current assets	<u>3,957,715</u>	<u>2,917,035</u>
Total current assets	<u>92,645,079</u>	<u>97,295,640</u>
Property and Equipment, Net	14,456,779	14,999,575
Right of Use Assets - Operating Leases	21,397,432	-
Intangible Assets	36,278	37,037
Notes Receivable	4,203,750	61,846
Pledges Receivable, Net of Current Portion	4,012,261	1,409,400
Investments Restricted for the Innovation Center	594,534	587,578
Beneficial Interest in Assets Held by The Denver Foundation	494,846	493,823
Deposits and Other Assets	<u>632,381</u>	<u>677,750</u>
Total noncurrent assets	<u>45,828,261</u>	<u>18,267,009</u>
Total assets	<u><u>\$ 138,473,340</u></u>	<u><u>\$ 115,562,649</u></u>

Rocky Mountain Institute
Consolidated Statements of Financial Position (continued)
June 30, 2023 and 2022

Liabilities and Net Assets

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable	\$ 3,209,638	\$ 3,935,615
Accrued salaries and benefits	9,897,659	7,793,308
Deferred revenue	3,091,793	1,087,014
Current portion of notes payable	178,462	170,239
Current portion of operating lease liabilities	2,688,600	-
Other accrued expenses	750,595	354,195
Current portion of deferred rent	-	136,582
	<hr/>	<hr/>
Total current liabilities	19,816,747	13,476,953
Notes Payable, Net of Current Portion	6,189,528	5,350,633
Operating Lease Liabilities	18,970,428	-
Deferred Rent, Net of Current Portion	-	314,883
	<hr/>	<hr/>
Total liabilities	44,976,703	19,142,469
Net Assets		
Without donor restrictions		
Net investment in lease and fixed assets	8,827,193	9,478,703
Undesignated	20,437,827	26,616,577
	<hr/>	<hr/>
	29,265,020	36,095,280
With donor restrictions	64,231,617	60,324,900
	<hr/>	<hr/>
Total net assets	93,496,637	96,420,180
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 138,473,340</u>	<u>\$ 115,562,649</u>

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

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Revenue, Gains, and Other Support			
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 income	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>
Total revenue, gains, and other support			
Expenses			
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>
Total expenses			
Change in Net Assets	(6,830,260)	3,906,717	(2,923,543)
Net Assets, Beginning of Year	<u>36,095,280</u>	<u>60,324,900</u>	<u>96,420,180</u>
Net Assets, End of Year	<u>\$ 29,265,020</u>	<u>\$ 64,231,617</u>	<u>\$ 93,496,637</u>

Rocky Mountain Institute
Consolidated Statement of Activities
Year Ended June 30, 2022

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Revenue, Gains, and Other Support			
Foundation, individual and corporate contributions	\$ 21,725,107	\$ 73,277,528	\$ 95,002,635
Contributions of nonfinancial assets	478,137	-	478,137
Government and multilateral grants	5,874,000	948,061	6,822,061
Earned revenue	7,751,511	-	7,751,511
Event revenue	48,000	-	48,000
Net realized and unrealized loss on investments	(3,809,670)	(76,402)	(3,886,072)
Interest and dividends	298,532	3,114	301,646
Change in beneficial interest in assets held by The Denver Foundation	(14,543)	(41,104)	(55,647)
Gain on sale of energy web tokens	7,474,284	-	7,474,284
Other income	680,999	-	680,999
Net assets released from restrictions	<u>73,808,454</u>	<u>(73,808,454)</u>	<u>-</u>
Total revenue, gains, and other support	<u>114,314,811</u>	<u>302,743</u>	<u>114,617,554</u>
Expenses			
Program services	93,672,002	-	93,672,002
Management and general	12,350,691	-	12,350,691
Fundraising	<u>4,177,709</u>	<u>-</u>	<u>4,177,709</u>
Total expenses	<u>110,200,402</u>	<u>-</u>	<u>110,200,402</u>
Change in Net Assets	4,114,409	302,743	4,417,152
Net Assets, Beginning of Year	<u>31,980,871</u>	<u>60,022,157</u>	<u>92,003,028</u>
Net Assets, End of Year	<u>\$ 36,095,280</u>	<u>\$ 60,324,900</u>	<u>\$ 96,420,180</u>

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

	Program Services				Support Services		
	RMI Program Services	Communications	Canary Media	Total	Management and General	Fundraising	Total
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>

See Notes to Consolidated Financial Statements

Rocky Mountain Institute
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services				Support Services		
	RMI Program Services	Communications	Canary Media	Total	Management and General	Fundraising	Total
Salaries	\$ 42,803,661	\$ 2,120,058	\$ 1,532,792	\$ 46,456,511	\$ 6,186,946	\$ 2,854,943	\$ 55,498,400
Benefits	8,955,869	405,459	325,463	9,686,791	1,208,581	566,406	11,461,778
Total salaries and related expenses	51,759,530	2,525,517	1,858,255	56,143,302	7,395,527	3,421,349	66,960,178
Bad debt expense	77,290	-	-	77,290	483	-	77,773
Computer expense	140,694	5,823	300	146,817	20,602	7,804	175,223
Consultants and contractors	17,559,231	671,619	500,281	18,731,131	2,884,691	200,145	21,815,967
Depreciation	843,610	37,816	-	881,426	98,270	50,679	1,030,375
Equipment leasing	35,277	1,581	-	36,858	4,109	2,119	43,086
Event expenses	96,097	6,813	50	102,960	2,448	5,647	111,055
Foreign currency adjustment	102,070	-	-	102,070	1,131	-	103,201
Insurance	152,042	6,816	-	158,858	17,711	9,134	185,703
Interest expense	4	-	57,500	57,504	281,689	-	339,193
Memberships and subscriptions	330,865	61,347	153	392,365	41,604	20,725	454,694
Office expenses	214,801	20,885	883	236,569	15,275	60,296	312,140
Other operating expenses	346,313	10,778	40,186	397,277	386,016	24,908	808,201
Taxes expense	46,272	-	-	46,272	15,020	-	61,292
Rent	2,246,082	100,685	-	2,346,767	261,641	134,931	2,743,339
Repairs and maintenance	143,295	6,423	-	149,718	16,692	8,608	175,018
Shipping and postage	42,723	2,585	-	45,308	5,640	44,307	95,255
Software	1,151,226	182,266	46,511	1,380,003	263,727	93,049	1,736,779
Subcontract awards	9,624,190	-	-	9,624,190	14,338	-	9,638,528
Telephone	750,806	33,330	-	784,136	88,794	44,667	917,597
Travel, meals, and meetings	1,656,649	119,509	30,304	1,806,462	532,527	47,920	2,386,909
Utilities	23,658	1,061	-	24,719	2,756	1,421	28,896
Total functional expenses	\$ 87,342,725	\$ 3,794,854	\$ 2,534,423	\$ 93,672,002	\$ 12,350,691	\$ 4,177,709	\$ 110,200,402

See Notes to Consolidated Financial Statements

Rocky Mountain Institute
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (2,923,543)	\$ 4,417,152
Adjustments to reconcile change in net assets to net cash and cash equivalents		
Depreciation expense	1,088,820	1,030,375
Amortization of loan fees	16,670	4,414
Realized and unrealized loss (gain) on investments	(512,189)	3,886,072
Net change in beneficial interest in assets held by The Denver Foundation	(19,621)	55,519
Bad debt expense	17,510	77,773
Contributions restricted for endowment	(5,000)	(1,500)
Loss (gain) on sale of energy web tokens	759	(7,474,284)
Noncash operating lease expense	2,161,745	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents		
Accounts receivable	(9,643,566)	322,044
Pledges receivable	(8,588,449)	(1,138,218)
Other current receivables, prepaid expenses and other assets, and deposits	(995,311)	(1,850,159)
Intangible assets	-	8,281,025
Accounts payable	(725,977)	839,289
Accrued salaries and benefits and other accrued expenses	2,500,751	2,467,684
Deferred rent	(451,465)	(68,690)
Deferred revenue	2,004,779	709,845
Operating lease liability	(1,900,149)	-
Net cash provided by (used in) operating activities	(17,974,236)	11,558,341
Cash Flows from Investing Activities		
Purchases of investments	(14,486,844)	(38,604,982)
Sales of investments	25,308,080	20,786,508
Issuances of notes receivable	(4,141,904)	-
Purchases of property and equipment	(546,024)	(733,217)
Net cash provided by (used in) investing activities	6,133,308	(18,551,691)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt and notes payable	1,000,000	-
Payments on long-term debt	(169,552)	(161,410)
Contributions restricted for endowment	5,000	1,500
Net cash provided by (used in) financing activities	835,448	(159,910)

Rocky Mountain Institute
Consolidated Statements of Cash Flows (continued)
Years Ended June 30, 2023 and 2022

	2023	2022
Decrease in Cash and Cash Equivalents	(11,005,480)	(7,153,260)
Cash and Cash Equivalents, Beginning of Year	30,054,029	37,207,289
Cash and Cash Equivalents, End of Year	\$ 19,048,549	\$ 30,054,029
Supplemental Cash Flows Information		
Cash paid for interest	\$ 285,770	\$ 281,693

Rocky Mountain Institute

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 1: Nature of Operations and Significant Accounting Policies

Nature of Operations

Rocky Mountain Institute (RMI) is an independent not-for-profit organization whose mission and principal activities are to transform global energy use to create a clean, prosperous, and secure low-carbon future. It engages businesses, communities, institutions, and entrepreneurs to accelerate the adoption of market-based solutions that cost-effectively shift from fossil fuels to efficiency and renewable. RMI has offices in Basalt and Boulder, Colorado; New York City; Oakland, California; Washington, D.C.; 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.

The consolidated financial statements include the accounts of RMI, RMIIC, RMII, and CMI (collectively, the Organization). All material intercompany accounts and transactions have been eliminated in consolidation. (See page 18 for change in reporting entity).

Rocky Mountain Institute

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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.

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. At June 30, 2023 and 2022, cash equivalents consisted primarily of money market accounts with brokers.

At June 30, 2023, the Organization's cash accounts exceeded federally insured limits by approximately \$16,500,000. In addition, at June 30, 2023, cash accounts totaling approximately \$1,815,000 are located outside of the United States.

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 doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

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's allowance at June 30, 2023 and 2022 was \$0.

Rocky Mountain Institute

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Property and Equipment

Property and equipment acquisitions over \$5,000 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	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 nontradable 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.

Notes Receivable

Notes receivable consist of loans extended to two organizations who contracted with the Organization to purchase consulting and other services. At June 30, 2023, both notes were noninterest-bearing and payments are not required until 2025. The Organization considers these notes fully collectible and believes any imputed interest is insignificant.

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, 2023 and 2022.

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.

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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:

Nature of the Gift	Value Recognized
<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
<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.

Rocky Mountain Institute

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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.

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.

Rocky Mountain Institute

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022, sales to customers located outside of the United States represent approximately 22 percent of the Organization's total earned revenue. Total sales to customers located outside of the United States were approximately \$4.5 million and \$1.8 million for the years ended June 30, 2023 and 2022, 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.

Rocky Mountain Institute

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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.

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 is a limited liability company, and RMII is a limited partnership with no significant taxable activity during the period. Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

Rocky Mountain Institute applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2023 and 2022. 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, 2023 and 2022.

Change in Reporting Entity

Effective August 26, 2021, Mission Possible Partnership (MPP), a nonprofit nonstock corporation, was formed. MPP was formed to encourage research and investigation of emerging climate and energy technologies, to coordinate collaboration among key industrial sectors on decarbonization strategies, to educate buyers of carbon intensive materials and to develop and deploy practical resources and tools to encourage and track decarbonization efforts. RMI was the sole corporate member of MPP and, thereby, consolidated MPP into the financial statements.

However, effective March 2023, MPP's Board of Directors authorized an amendment to the Articles of Incorporation removing RMI as sole corporate member and, thereby, terminating RMI's parent-subsidary relationship with MPP.

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

In accordance with Accounting Standards Codification (ASC) Topics 250 and 810, this event was considered to be a change in reporting entity and was performed retrospectively to all periods presented. The following reconciles the effect of the adjustment resulting from the change in reporting entity (CRE) transaction:

	June 30, 2022		
	As Previously Presented	As Currently Presented	Impact of De-consolidation
Consolidated Statement of Financial Position			
Cash and cash equivalents	\$ 30,554,029	\$ 30,054,029	\$ (500,000)
Net assets with donor restrictions	\$ 60,824,900	\$ 60,324,900	\$ (500,000)

	Year Ended June 30, 2022		
	As Previously Presented	As Currently Presented	Impact of De-consolidation
Consolidated Statement of Activities			
Foundation, individual and corporate contributions - with restrictions	\$ 73,777,528	\$ 73,277,528	\$ (500,000)
Total revenues, gains and other – with restrictions	\$ 802,743	\$ 302,743	\$ (500,000)
Total change in net assets – with restrictions	\$ 802,743	\$ 302,743	\$ (500,000)
Total change in net assets	\$ 4,917,152	\$ 4,417,152	\$ (500,000)

	Year Ended June 30, 2022		
	As Previously Presented	As Currently Presented	Impact of De-consolidation
Consolidated Statement of Cash Flows			
Change in net assets	\$ 4,917,152	\$ 4,417,152	\$ (500,000)
Net cash provided by operating activities	\$ 12,058,341	\$ 11,558,341	\$ (500,000)
Net change in cash and cash equivalents	\$ (6,653,260)	\$ (7,153,260)	\$ (500,000)

Subsequent Events

Subsequent events have been evaluated through October 13, 2023, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statements to conform to the 2023 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Financial Assets		
Cash and cash equivalents	\$ 19,048,549	\$ 30,054,029
Investments	39,988,816	50,111,487
Beneficial interest in assets held by The Denver Foundation	-	174,734
Accounts receivable	13,455,185	3,829,129
Short-term pledges receivable	<u>16,194,814</u>	<u>10,209,226</u>
	<u>88,687,364</u>	<u>94,378,605</u>
Donor, Legal or Other Restrictions and Designations		
Donor imposed restrictions	<u>59,129,976</u>	<u>57,834,099</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 29,557,388</u>	<u>\$ 36,544,506</u>

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 8).

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 120 to 180 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, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance at June 30, 2023
Investments				
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
Beneficial Interest in Assets Held by The Denver Foundation	<u>-</u>	<u>-</u>	<u>494,846</u>	<u>494,846</u>
Total	<u>\$ 24,573,491</u>	<u>\$ 16,009,859</u>	<u>\$ 494,846</u>	<u>\$ 41,078,196</u>

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

Assets Measured at Fair Value on a Recurring Basis at June 30, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance at June 30, 2022
Investments				
Cash and short-term investments - money market funds	\$ 11,038,749	\$ -	\$ -	\$ 11,038,749
Mutual funds	24,598,123	-	-	24,598,123
Equities	3,340,200	-	-	3,340,200
Corporate and municipal bonds	-	7,382,339	-	7,382,339
U.S. Treasury notes	-	4,339,654	-	4,339,654
Beneficial Interest in Assets Held by The Denver Foundation	<u>-</u>	<u>-</u>	<u>668,557</u>	<u>668,557</u>
Total	<u>\$ 38,977,072</u>	<u>\$ 11,721,993</u>	<u>\$ 668,557</u>	<u>\$ 51,367,622</u>

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

	2023	2022
Investments	\$ 39,988,816	\$ 50,111,487
Beneficial interest	494,846	668,557
Restricted investments	<u>594,534</u>	<u>587,578</u>
Total per statements of financial position	<u>\$ 41,078,196</u>	<u>\$ 51,367,622</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, 2023. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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 \$494,846 and \$668,557, which represents the fair value of the trust assets at June 30, 2023 and 2022, 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 (losses) from assets held by the Foundation of \$19,621 and \$(55,647) at June 30, 2023 and 2022, respectively.

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

Note 4: Pledges Receivable

Pledges receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 16,194,814	\$ 10,209,226
Due in one to five years	<u>4,229,250</u>	<u>1,450,000</u>
Subtotal	20,424,064	11,659,226
Less unamortized discount on pledges	<u>(216,989)</u>	<u>(40,600)</u>
Subtotal	20,207,075	11,618,626
Less current portion	<u>(16,194,814)</u>	<u>(10,209,226)</u>
Total	<u>\$ 4,012,261</u>	<u>\$ 1,409,400</u>

Discount rates ranged from 3.8 percent to 5.4 percent for 2023 and 2022.

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, 2023 have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2023:

<u>Grant</u>	<u>Term</u>	<u>Grant Amount</u>	<u>Earned Through 2023</u>	<u>Funding Available</u>
Federal grants	Various, through June 30, 2026	\$ 17,930,600	\$ 4,753,932	\$ 13,176,668
Multilateral grants	Various, through June 30, 2026	3,814,532	1,604,525	2,210,007
Foundation grants	Various, through June 30, 2026	<u>18,812,458</u>	<u>9,697,577</u>	<u>9,114,881</u>
		<u>\$ 40,557,590</u>	<u>\$ 16,056,034</u>	<u>\$ 24,501,556</u>

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

Note 6: Property and Equipment

Property and equipment at June 30, 2023 and 2022 consists of:

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 16,406,405	\$ 16,495,386
Equipment	2,138,664	2,240,056
Furniture	1,727,367	1,790,550
Intellectual property	<u>100,000</u>	<u>100,000</u>
Total cost	20,372,436	20,625,992
Accumulated depreciation	<u>(5,915,657)</u>	<u>(5,626,417)</u>
Net property and equipment	<u>\$ 14,456,779</u>	<u>\$ 14,999,575</u>

Depreciation expense for 2023 and 2022 was \$1,088,820 and \$1,030,375, 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

During 2023 and 2022, the Organization maintained a line of credit with an available balance at June 30, 2023 of \$7,500,000. Interest accrues at the U.S. prime rate, as published by *The Wall Street Journal* (an effective rate of 7.00 percent and 4.38 percent at June 30, 2023 and 2022, 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. As of June 30, 2023 and 2022, there was no outstanding balance on the line of credit.

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

Note 8: Notes Payable

	2023	2022
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.	\$ 5,377,803	\$ 5,547,355
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.	1,000,000	-
	6,377,803	5,547,355
Less unamortized debt issuance costs	(9,813)	(26,483)
Less current portion	(178,462)	(170,239)
	\$ 6,189,528	\$ 5,350,633

Aggregate annual maturities of long-term debt at June 30, 2023, are:

Years Ending June 30,	Amount
2024	\$ 178,462
2025	5,199,341
2026	-
2027	-
2028	-
Thereafter	1,000,000
	\$ 6,377,803

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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:

	2023	2022
Subject to expenditure for specified purpose		
Africa	\$ 3,141,339	\$ 1,865,493
Third Derivative	4,785,033	5,707,276
Canary Media	150,000	77,230
Carbon-Free Buildings	8,541,817	6,411,619
Carbon-Free Electricity	4,972,821	5,923,959
Carbon-Free Mobility	1,785,904	606,629
CFAN	6,226,781	4,735,694
China	3,999,139	5,019,069
Climate Aligned Industries	5,286,143	1,752,310
Climate Intelligence	7,567,828	11,361,930
Energy Transition Academy	178,661	372,122
Finance	465,400	1,844,653
India	5,732,350	4,172,304
Internship program	43,263	24,754
Islands	752,034	1,218,562
Portfolio Impact Accelerator	-	125,000
Southeast Asia	163,777	348,382
Strategic Analysis and Engagement	2,197,372	2,116,327
Super Team	296,398	-
Urban Transformation	2,604,090	853,582
U.S.	3,802,089	4,004,856
	<u>62,692,239</u>	<u>58,541,751</u>

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

	2023	2022
Subject to passage of time		
Pledges receivable that are not restricted by donors but which are unavailable for expenditure until due	445,000	700,250
Endowments and beneficial interest (see Note 3)		
Subject to appropriation and expenditure when a specified event occurs	159,009	152,530
Subject to endowment spending policy and appropriation		
Rocky Mountain Institute Fund	76,602	76,602
Eric Konheim Memorial Internship Fund	201,687	196,687
Philip Austin Semmer Memorial Intership Fund	101,080	101,080
Rocky Mountain Institute IC	556,000	556,000
	935,369	930,369
Total endowments and beneficial interest	1,094,378	1,082,899
	\$ 64,231,617	\$ 60,324,900

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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>2023</u>	<u>2022</u>
Expiration of time restrictions	\$ 405,250	\$ 1,325,000
Satisfaction of purpose restrictions		
Africa	3,553,105	1,666,375
Third Derivative	4,147,243	4,456,544
Canary Media	76,980	23,021
Carbon-Free Buildings	11,332,864	9,010,200
Carbon-Free Electricity	10,383,638	7,663,486
Carbon-Free Mobility	1,220,725	825,911
CFAN	3,143,437	1,280,175
China	6,606,344	5,875,581
Climate Aligned Industries	5,704,098	11,032,516
Climate Intelligence	9,196,135	8,125,098
Energy Transition Academy	2,066,461	1,525,602
Finance	4,961,753	3,190,971
India	5,672,866	4,941,134
Internship program	50,008	-
Islands	2,764,728	3,409,309
Portfolio Impact Accelerator	125,000	-
Southeast Asia	914,605	399,254
Strategic Analysis and Engagement	1,705,740	2,480,338
Super Team	56,332	-
Urban Transformation	1,356,151	3,632,261
U.S.	6,239,055	2,945,678
	<u>81,277,268</u>	<u>72,483,454</u>
Restricted purpose spending-rate distributions and appropriations	<u>17,916</u>	<u>-</u>
	<u>\$ 81,700,434</u>	<u>\$ 73,808,454</u>

Additional Donor-specific Information

FDCO requires annual accounts audited by an independent auditor where FDCO project funding is clearly segregated from other funds. FDCO revenue recognized in 2023 totaling 573,422 GBP or \$692,456; from that total 418,334 GBP or \$506,282 was for project CET-7, and 155,088 GBP or \$186,174 was for project CET-8. Revenue is recognized as tasks are delivered and is recognized under government and multilateral grants.

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022 was:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
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
	\$ -	\$ 1,094,378	\$ 1,094,378

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 930,369	\$ 930,369
Accumulated investment gains	-	152,530	152,530
	<u>\$ -</u>	<u>\$ 1,082,899</u>	<u>\$ 1,082,899</u>

Change in endowment net assets for the years ended June 30, 2023 and 2022 were:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
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>

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, beginning of year	\$ -	\$ 1,182,829	\$ 1,182,829
Investment return, net	-	(101,430)	(101,430)
Contributions and deposits	-	1,500	1,500
Endowment funds, end of year	<u>\$ -</u>	<u>\$ 1,082,899</u>	<u>\$ 1,082,899</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.

Rocky Mountain Institute

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022, no funds were underwater.

Note 11: Leases

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

Rocky Mountain Institute

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

The Organization adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Organization elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Organization has lease agreements with nonlease components that are accounted for, separately, as components of rent expense and are excluded from the calculation of the lease liability and related ROU asset. Also, the Organization elected to keep short-term leases with an initial term of 12 months or less off the consolidated balance sheets. The Organization did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$23,559,177. As part of adopting the standard, previously recognized liabilities for deferred rent were reclassified as a component of the ROU assets. The standard did not significantly affect the consolidated statements of activities, functional expenses or cash flows.

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.

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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.

Quantitative Disclosures

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

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

Future minimum lease payments (in accordance with both Topic 842 and Topic 840) and reconciliation to the consolidated statement of financial position at June 30, 2023 are as follows:

	<u>Operating Leases</u>
2024	\$ 2,688,600
2025	2,738,995
2026	2,789,253
2027	2,623,927
2028	1,971,103
Thereafter	<u>13,163,071</u>
Total future undiscounted lease payments	25,974,949
Less imputed interest	<u>(4,315,921)</u>
Lease liability	<u><u>\$ 21,659,028</u></u>

Rent expense was \$2,658,298 and \$2,743,339 for 2023 and 2022, respectively.

Rocky Mountain Institute
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, employer contributions totaled \$2,719,728 and \$1,924,762, respectively.

Note 13: Related-party Transactions

The Organization recognized contribution revenue from the Board of Trustees of \$2,787,237 and \$1,770,377 during 2023 and 2022, 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

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. Three donors accounted for approximately 35 percent of contributions and approximately 50 percent of the pledges receivable balances as of June 30, 2022. One customer accounted for approximately 32 percent of earned revenue as of June 30, 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.

Supplementary Information

Rocky Mountain Institute
Consolidating Schedule – Statement of
Financial Position Information
June 30, 2023

Assets

	Rocky Mountain Institute and RMI Innovation Center, LLC	Canary Media	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 18,703,464	\$ 345,085	\$ -	\$ 19,048,549
Investments	39,988,816	-	-	39,988,816
Accounts receivable	13,281,008	203,260	(29,083)	13,455,185
Short-term pledges receivable	16,044,814	150,000	-	16,194,814
Prepaid expenses and other current assets	3,951,256	6,459	-	3,957,715
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	91,969,358	704,804	(29,083)	92,645,079
Property and Equipment, Net	14,456,779	-	-	14,456,779
Right of Use Assets - Operating Leases	21,397,432	-	-	21,397,432
Intangible Assets	36,278	-	-	36,278
Notes Receivable	7,141,617	-	(2,937,867)	4,203,750
Pledges Receivable, Net of Current Portion	4,012,261	-	-	4,012,261
Investments Restricted for the Innovation Center	594,534	-	-	594,534
Beneficial Interest in Assets Held by The Denver Foundation	494,846	-	-	494,846
Deposits and Other Assets	632,381	-	-	632,381
	<hr/>	<hr/>	<hr/>	<hr/>
Total noncurrent assets	48,766,128	-	(2,937,867)	45,828,261
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 140,735,486</u>	<u>\$ 704,804</u>	<u>\$ (2,966,950)</u>	<u>\$ 138,473,340</u>

Rocky Mountain Institute
Consolidating Schedule – Statement of
Financial Position Information (continued)
June 30, 2023

Liabilities and Net Assets (Deficiency)

	Rocky Mountain Institute and RMI Innovation Center, LLC	Canary Media	Eliminations	Total
Current Liabilities				
Accounts payable	\$ 3,149,455	\$ 60,183	\$ -	\$ 3,209,638
Accrued salaries and benefits	9,808,596	89,063	-	9,897,659
Deferred revenue	2,656,337	435,456	-	3,091,793
Current portion of notes payable	178,462	-	-	178,462
Current portion of operating lease liabilities	2,688,600	-	-	2,688,600
Due to affiliates	7,383	21,700	(29,083)	-
Other accrued expenses	731,275	19,320	-	750,595
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	19,220,108	625,722	(29,083)	19,816,747
Notes Payable, Net of Current Portion	6,189,528	2,750,000	(2,750,000)	6,189,528
Operating Lease Liabilities	18,970,428	-	-	18,970,428
Accrued Interest	-	187,867	(187,867)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	44,380,064	3,563,589	(2,966,950)	44,976,703
Net Assets (Deficiency)				
Without donor restrictions	32,273,805	(3,008,785)	-	29,265,020
With donor restrictions	64,081,617	150,000	-	64,231,617
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets (deficiency)	96,355,422	(2,858,785)	-	93,496,637
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets (deficiency)	<u>\$ 140,735,486</u>	<u>\$ 704,804</u>	<u>\$ (2,966,950)</u>	<u>\$ 138,473,340</u>

Rocky Mountain Institute
Consolidating Schedule – Statement of Activities
Year Ended June 30, 2023

	Rocky Mountain Institute and RMI Innovation Center, LLC	Canary Media	Eliminations	Total
Revenue, Gains, and Other Support				
Foundation, individual and corporate contributions	\$ 18,098,439	\$ 144,952	\$ -	\$ 18,243,391
Contributions of nonfinancial assets	592,318	-	-	592,318
Government and multilateral grants	7,322,392	-	-	7,322,392
Earned revenue	19,367,314	926,406	-	20,293,720
Event revenue	16,078	10,558	-	26,636
Net realized and unrealized gain on investments	511,705	-	-	511,705
Interest and dividends	727,470	-	-	727,470
Change in beneficial interest in assets held by The Denver Foundation	2,182	-	-	2,182
Gain on sale of equity method investment	7,835,484	-	-	7,835,484
Other income	235,426	-	-	235,426
Intercompany revenues	119,117	2,500	(121,617)	-
Net assets released from restrictions	81,623,204	77,230	-	81,700,434
	<u>136,451,129</u>	<u>1,161,646</u>	<u>(121,617)</u>	<u>137,491,158</u>
Expenses				
Program services	117,416,745	2,619,147	(2,500)	120,033,392
Management and general	17,860,234	141,114	(119,117)	17,882,231
Fundraising	6,340,795	65,000	-	6,405,795
	<u>141,617,774</u>	<u>2,825,261</u>	<u>(121,617)</u>	<u>144,321,418</u>
Change in Net Assets Without Donor Restrictions	<u>(5,166,645)</u>	<u>(1,663,615)</u>	<u>-</u>	<u>(6,830,260)</u>
Foundation, individual and corporate contributions	83,733,234	150,000	-	83,883,234
Multilateral grants	1,699,525	-	-	1,699,525
Net realized and unrealized gain on investments	484	-	-	484
Interest and dividends	6,469	-	-	6,469
Change in beneficial interest in assets held by The Denver Foundation	17,439	-	-	17,439
Net assets released from restrictions	(81,623,204)	(77,230)	-	(81,700,434)
Change in Net Assets With Donor Restrictions	3,833,947	72,770	-	3,906,717
Change in Net Assets	(1,332,698)	(1,590,845)	-	(2,923,543)
Net Assets (Deficiency), Beginning of Year	<u>97,688,120</u>	<u>(1,267,940)</u>	<u>-</u>	<u>96,420,180</u>
Net Assets (Deficiency), End of Year	<u>\$ 96,355,422</u>	<u>\$ (2,858,785)</u>	<u>\$ -</u>	<u>\$ 93,496,637</u>

Rocky Mountain Institute
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Research and Development Cluster				
U.S. Department of Energy				
Direct program:				
Experimental Integrated Zero Energy Ready				
Retrofit Solution for Multifamily Renovations	81.086		\$ -	\$ 15,807
Advanced Building Construction Collaborative	81.086		569,747	1,167,953
Integrated Mechanical Pod: HAV, DHW, PV Inverter, Storage and Monitoring Instrumentation with Advanced Controls	81.086		52,860	184,870
Estimating Charging Infrastructure Needs in States Committed to Medium- and Heavy-Duty Truck Electrification	81.086		-	235,770
Passed through Slipstream Group, Inc. - Connecting Communities for Sustainable Solutions	81.086	EE0009781 / B22135	-	53,538
Passed through Utah State University - Western Smart Regional EV Adoption and Infrastructure at Scale	81.086	EE0009224 / 203387-735	-	46,629
			<u>622,607</u>	<u>1,704,567</u>
Total U.S. Department of Energy			<u>622,607</u>	<u>1,704,567</u>
U.S. Department of Transportation				
Thriving Communities Program	20.942		-	9,358
U.S. Agency for International Development				
Passed through Catholic Relief Services - Climate Resilient Cities in the Philippines	98.001	72049222CA00001 / PH.22.SUBAGR.20638.68317.01.00	-	212,890
			<u>-</u>	<u>212,890</u>
Total Research and Development Cluster			<u>\$ 622,607</u>	<u>\$ 1,926,815</u>

Rocky Mountain Institute
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Rocky Mountain Institute under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rocky Mountain Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of Rocky Mountain Institute.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Rocky Mountain Institute has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

Board of Trustees
Rocky Mountain Institute
Boulder, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Rocky Mountain Institute (the Organization), which comprise the Organization's consolidated statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 13, 2023, which includes emphasis of matters paragraphs for changes in the reporting entity and for new accounting guidance.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Trustees
Rocky Mountain Institute

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Denver, Colorado
October 13, 2023



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Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
Rocky Mountain Institute
Boulder, Colorado

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Rocky Mountain Institute's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Trustees
Rocky Mountain Institute

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS,LLP

Denver, Colorado
October 13, 2023

Rocky Mountain Institute
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2023

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee? Yes No

Rocky Mountain Institute
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2023

Section II – Financial Statement Findings

Reference Number	Finding
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No matters are reportable.

Rocky Mountain Institute
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
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No matters are reportable.

Rocky Mountain Institute
Status of Prior Year Audit Findings
Year Ended June 30, 2023

Reference Number	Summary of Finding	Status
	No matters are reportable.	