# ENERGY BAR ASSOCIATION
## AND
## FOUNDATION OF THE ENERGY LAW JOURNAL

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2015

ENERGY BAR ASSOCIATION
AND
FOUNDATION OF THE ENERGY LAW JOURNAL

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7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600
(F) 301.986.0432

1901 L STREET, NW
SUITE 750
WASHINGTON, DC 20036
(T) 202.822.0717
(F) 202.822.0739

# Independent Auditors' Report

The Board of Directors
Energy Bar Association
Foundation of the Energy Law Journal
Washington, D.C.

We have audited the accompanying consolidated financial statements of Energy Bar Association (EBA) and Foundation of the Energy Law Journal (FELJ), which comprise the consolidated statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2015, and the related consolidated statement of revenues, expenses, and changes in net assets - modified cash basis for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances. Management is also responsible 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.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organizations' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Board of Directors
Energy Bar Association
Foundation of the Energy Law Journal

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Energy Bar Association and Foundation of the Energy Law Journal as of December 31, 2015, and their revenues, expenses, and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Councilor, Buchanan + Mitchell, P.C.

Certified Public Accountants

Bethesda, Maryland
May 9, 2016

ENERGY BAR ASSOCIATION
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## CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
## DECEMBER 31, 2015

| | Consolidating Information | | | Consolidated |
|---|---|---|---|---|
| | EBA | FELJ | Eliminations | Totals |
| **Assets** | | | | |
| **Cash and Cash Equivalents** | $ 150,992 | $ 27,920 | $ - | $ 178,912 |
| **Accounts Receivable - Affiliates** | 6,486 | - | (5,635) | 851 |
| **Investments** | 1,048,254 | 777,349 | - | 1,825,603 |
| **Property and Equipment** | | | | |
| Furniture and Equipment - Net of Accumulated Depreciation of $45,378 | 4,333 | - | - | 4,333 |
| **Deposits** | 6,800 | - | - | 6,800 |
| **Total Assets** | $ 1,216,865 | $ 805,269 | $ (5,635) | $ 2,016,499 |
| **Liabilities and Net Assets** | | | | |
| **Liabilities** | | | | |
| Accounts Payable - Affiliates | $ 50,834 | $ 5,635 | $ (5,635) | 50,834 |
| **Unrestricted Net Assets** | 1,166,031 | 799,634 | - | 1,965,665 |
| **Total Liabilities and Net Assets** | $ 1,216,865 | $ 805,269 | $ (5,635) | $ 2,016,499 |

*See accompanying Notes to Consolidated Financial Statements.*

**ENERGY BAR ASSOCIATION**
**AND**
**FOUNDATION OF THE ENERGY LAW JOURNAL**

**CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2015**

| | Consolidating Information | | | Consolidated |
|---|---|---|---|---|
| | EBA | FELJ | Eliminations | Totals |
| **Revenues** | | | | |
| Annual Meeting | $ 362,555 | $ - | $ - | $ 362,555 |
| Brown Bag Lunch | 21,620 | - | - | 21,620 |
| Contributions | - | 5,785 | - | 5,785 |
| Dues | 362,505 | - | - | 362,505 |
| Interest and Dividends | 58,449 | 43,269 | - | 101,718 |
| Management Fee - Foundation of the Energy Law Journal | 50,000 | - | (50,000) | - |
| Midyear Meeting | 254,500 | - | - | 254,500 |
| ALJ Reception | - | 44,160 | - | 44,160 |
| Regional Meetings | 103,610 | - | - | 103,610 |
| Royalty Revenue | 10,603 | 4,047 | - | 14,650 |
| Subscriptions | - | 7,498 | - | 7,498 |
| Workshop Revenue | 33,530 | - | - | 33,530 |
| Miscellaneous Revenue | 540 | 1,125 | - | 1,665 |
| Total Revenues | $ 1,257,912 | $ 105,884 | $ (50,000) | $ 1,313,796 |

*See accompanying Notes to Consolidated Financial Statements.*

## ENERGY BAR ASSOCIATION
## AND
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### CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS - CONTINUED
### FOR THE YEAR ENDED DECEMBER 31, 2015

| | Consolidating Information | | | Consolidated |
|---|---|---|---|---|
| | EBA | FELJ | Eliminations | Totals |
| **Expenses** | | | | |
| Annual Meeting | $ 188,721 | $ - | $ - | $ 188,721 |
| Awards | - | 2,592 | - | 2,592 |
| Bank Charges | 38,790 | - | - | 38,790 |
| Directory Expenses | 17,693 | - | - | 17,693 |
| Dues | 745 | - | - | 745 |
| ELJ Publication Cost | - | 15,814 | - | 15,814 |
| Employee Benefits | 87,556 | - | - | 87,556 |
| Insurance Expense | 4,946 | 5,245 | - | 10,191 |
| Investment Expense | 8,057 | 5,976 | - | 14,033 |
| Management Fee - Energy Bar Association | - | 50,000 | (50,000) | - |
| Midyear Meeting | 106,526 | - | - | 106,526 |
| Office Supplies | 3,536 | - | - | 3,536 |
| Rent and Utilities | 105,292 | - | | 105,292 |
| Equipment Rental | 8,596 | - | - | 8,596 |
| Payroll Taxes | 32,525 | - | - | 32,525 |
| Printing and Postage | 11,441 | 239 | - | 11,680 |
| Professional Fees | 30,746 | 7,409 | - | 38,155 |
| Regional Meetings | 82,334 | - | - | 82,334 |
| Salaries | 486,320 | - | - | 486,320 |
| Telephone | 10,937 | - | - | 10,937 |
| Travel | 45 | 4,114 | - | 4,159 |
| Website | 2,575 | 200 | - | 2,775 |
| Workshop Expenses | 2,731 | - | - | 2,731 |
| Miscellaneous Expenses | 29,342 | 433 | - | 29,775 |
| Depreciation | 2,352 | - | - | 2,352 |
| Total Expenses | 1,261,806 | 92,022 | (50,000) | 1,303,828 |
| Excess of Revenues over Expenses before Net Realized and Unrealized Gains (Losses) on Investments | (3,894) | 13,862 | - | 9,968 |
| Net Realized and Unrealized Losses on Investments | (77,698) | (57,784) | - | (135,482) |
| Decrease in Unrestricted Net Assets | (81,592) | (43,922) | - | (125,514) |
| Unrestricted Net Assets, Beginning of Year | 1,247,623 | 843,556 | - | 2,091,179 |
| **Unrestricted Net Assets, End of Year** | $ 1,166,031 | $ 799,634 | $ - | $ 1,965,665 |

*See accompanying Notes to Consolidated Financial Statements.*

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Organization***

Energy Bar Association (EBA) and Foundation of the Energy Law Journal (FELJ) (together, the Organizations) are organized as non-profit organizations. EBA was incorporated in 1946 in the District of Columbia. The mission of EBA is to promote the professional excellence and ethical integrity of its members in the practice, administration, and development of energy laws, regulations, and policies by providing superior educational programming, networking opportunities, and information resources. EBA's main sources of revenue are membership fees and meeting registration fees and sponsorships.

FELJ was incorporated in 1986 in the District of Columbia. FELJ was organized for the exclusive benefit of EBA, to publish periodically a law journal and to undertake other appropriate activities to further understanding within the legal profession of laws relating to the production, development, conservation, delivery, consumption, and economic regulation of energy. FELJ's main source of revenue is meeting registration fees and sponsorships.

***Consolidation of Affiliated Entities***

Consolidated financial statements are presented because EBA controls FELJ through appointment of FELJ's board of directors by EBA's board of directors and because of the economic interest that arises from FELJ's use of its resources to publish The *Energy Law Journal* and perform other functions for the benefit of EBA.

***Basis of Accounting***

The consolidated financial statements are prepared on the modified cash basis, which includes recording unrealized investment gains and losses, and capitalizing property and equipment. Accordingly, revenues are generally recognized when received rather than when earned, and expenses are generally recognized when paid rather than when incurred. Consequently, accrued expenses, trade accounts receivable, and trade accounts payable are not included in the consolidated financial statements. Affiliate receivables and payables are reflected in the consolidated statement of assets, liabilities, and net assets - modified cash basis.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Cash and Cash Equivalents***

The Organizations consider demand deposits and money market accounts to be cash and cash equivalents.

***Investments***

Investments are recorded at fair market value. The valuation of marketable securities is based upon quotations obtained from national securities exchanges.

***Property and Equipment***

The Organizations capitalize property and equipment over $1,000 at cost if purchased or at fair market value at date of donation, if contributed. Provision for depreciation is made on a straight-line basis over the estimated useful lives of the assets.

***Income Taxes***

EBA is a tax-exempt organization under the provisions of Section 501(c)(6) of the Internal Revenue Code. However, EBA is subject to tax on net income received from activities unrelated to its exempt purpose.

FELJ is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation within the meaning of Section 509(a) of the Code. However, FELJ is subject to tax on net income received from activities unrelated to its exempt purpose.

***Uncertain Tax Positions***

The Organizations require that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organizations do not believe their financial statements include, or reflect, any uncertain tax positions.

EBA and FELJ's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

## 2. CONCENTRATIONS

The Organizations maintain their cash accounts at several financial institutions. At times during the year, the Organizations' cash balances exceeded the FDIC and SIPC insurance limits. Management believes the risk in these situations to be minimal.

## 3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

***Level 1*** - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

***Level 2*** - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

***Level 3*** - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities).

The following presents the Organizations' investments measured at fair value on a recurring basis, as of December 31, 2015.

| | Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
|---|---|---|---|---|
| Mutual Funds - EBA | $ 1,048,254 | $ 1,048,254 | | |
| Mutual Funds - FELJ | 777,349 | 777,349 | - | - |
| Total | $ 1,825,603 | $ 1,825,603 | $ - | $ - |

The Organizations invest in professionally managed portfolios that contain money market and equity and fixed income mutual funds. All of the Organizations' investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Investment income for the year ended December 31, 2015, is comprised of the following:

| | EBA | FELJ |
|---|---|---|
| Interest and Dividends | $ 58,449 | $ 43,269 |
| Net Realized Losses | (17,249) | (43,389) |
| Net Unrealized Losses | (60,449) | (14,395) |
| Total | $ (19,249) | $ (14,515) |

## 4. PENSION PLAN

EBA has a 401(k) profit-sharing plan for its employees. During 2015, EBA contributed approximately $34,000 to the Plan for its employees. Contributions include amounts made under safe-harbor rules and additional contributions made at the discretion of the Board of Directors.

## 5. OFFICE LEASE

In 2013, EBA entered into a lease agreement for its office space. The lease is for a period of seven years and three months. The base rent increases each year, after year 1 of the lease, by 2.5%. EBA is also responsible for a share of operating and real estate taxes.

Future minimum lease payments under the lease as of December 31, 2015, are as follows:

| For the Years Ending December 31, | |
|---|---|
| 2016 | $ 85,731 |
| 2017 | 87,874 |
| 2018 | 90,071 |
| 2019 | 92,323 |
| 2020 and thereafter | 94,631 |
| Total | $ 450,630 |

Rental expense for EBA's office space, including parking and utilities, for the year ended December 31, 2015, was approximately $105,000.

## 6. RELATED PARTY TRANSACTIONS

The Charitable Foundation of the Energy Bar Association (CFEBA) is a non-profit charitable organization that engages in a variety of energy-related and general charitable activities in conjunction with EBA. EBA collects revenues for and pays various expenses on behalf of CFEBA, which are forwarded to, or reimbursed by, CFEBA on a periodic basis. Accounts payable to CFEBA were approximately $51,000 at December 31, 2015. Revenues collected on behalf of CFEBA totaled approximately $45,000 and expenses paid on behalf of CFEBA totaled approximately $2,000 for the year ended December 31, 2015.

EBA collects revenues and pays for various expenses on behalf of FELJ which are forwarded to or reimbursed by FELJ on a periodic basis. Revenues collected by EBA on behalf of FELJ totaled approximately $28,000 and expenses paid on behalf of FELJ by EBA totaled approximately $1,000 for the year ended December 31, 2015. In addition, EBA charged FELJ a $50,000 annual management fee for the use of staff and overhead used to support the activities of FELJ. The net amount due from FELJ to EBA at December 31, 2015, was approximately $6,000 and has been eliminated in consolidation.

## 7. COMMITMENTS

The Organizations have entered into contracts for services and accommodations for future meetings. These contracts include penalty clauses, which would require the Organizations to pay certain amounts if the meeting were cancelled or revenue does not meet certain minimum levels. Management does not anticipate cancellation of these events or attendance below the minimum levels.

## 8. FUNCTIONAL EXPENSES

The costs of providing the various programs and activities on a functional basis have been summarized below. Accordingly, certain costs have been allocated among the program and supporting services benefited.

| | |
|---|---|
| Program | $ 1,081,974 |
| General and Administrative | 177,483 |
| Memberhip Development | 44,371 |
| Total Expenses | $ 1,303,828 |

## 9. SUBSEQUENT EVENTS

The Organizations have evaluated subsequent events through May 9, 2016, date on which the consolidated financial statements were available to be issued.