ROCKY MOUNTAIN INSTITUTE

Financial Statements
and
Independent Auditors' Report
June 30, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rocky Mountain Institute
Boulder, Colorado

We have audited the accompanying statements of financial position of Rocky Mountain Institute ("RMI") (a Colorado non-profit corporation) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of RMI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RMI as of June 30, 2009 and 2008, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the accompanying schedules is presented only for supplementary analysis purposes and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ehrhardt Keefe Steiner + Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

September 29, 2009
Denver, Colorado

ROCKY MOUNTAIN INSTITUTE

Statements of Financial Position

	June 30, 2009	June 30, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 408,698	$ 83,884
Investments	5,769,228	5,916,271
Accounts receivable, net allowance for doubtful accounts of $15,000 (2009 and 2008)	1,119,944	2,037,435
Pledges receivable	268,800	463,800
Inventory	47,875	48,570
Other current receivables	235,718	106,678
Prepaid expenses	136,705	84,591
Total current assets	7,986,968	8,741,229
Long-term assets		
Property and equipment, net	1,726,226	1,679,006
Cash surrender value of life insurance policies	40,804	45,029
Investments restricted for endowment	673,157	722,488
Deposits	18,602	23,066
Other assets	3,000	19,908
Total long-term assets	2,461,789	2,489,497
Total assets	$ 10,448,757	$ 11,230,726
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 541,683	$ 745,518
Checks written in excess of bank balance	-	43,233
Lines-of-credit	950,000	920,593
Compensated absences liability	339,788	278,832
Other accrued expenses	1,193,545	858,694
Notes payable	211,931	411,990
Bonds payable	17,463	16,406
Capital lease obligations	23,996	20,957
Total current liabilities	3,278,406	3,296,223
Long-term liabilities		
Note payable, net of current portion	171,858	233,729
Bonds payable, net of current portion	337,093	354,554
Capital lease obligations, net of current portion	11,202	35,294
Total long-term liabilities	520,153	623,577
Total liabilities	3,798,559	3,919,800
Commitments		
Net assets		
Unrestricted	4,964,165	5,113,429
Temporarily restricted	1,002,664	1,514,128
Permanently restricted	683,369	683,369
Total net assets	6,650,198	7,310,926
Total liabilities and net assets	$ 10,448,757	$ 11,230,726

See notes to financial statements.

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Statements of Activities

	For the Years Ended							
	June 30, 2009				June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support								
Applied research/consulting	$ 4,843,114	$ -	$ -	$ 4,843,114	$ 5,226,669	$ -	$ -	$ 5,226,669
Foundation and government grants	3,276,528	1,413,476	-	4,690,004	739,250	1,830,789	-	2,570,039
Individual and corporate contributions, net of direct benefit to donors of $29,333 (2009) and $677,791 (2008)	3,113,174	-	-	3,113,174	4,321,429	251,107	100	4,572,636
Publishing and royalty revenue	40,890	-	-	40,890	41,053	-	-	41,053
Contributed facilities/in-kind donations	135,000	-	-	135,000	139,479	-	-	139,479
Other revenue	162,388	-	-	162,388	185,675	-	-	185,675
Gain (loss) on sale of assets	-	-	-	-	74,684	-	-	74,684
Gain (loss) on other investments	-	-	-	-	125,000	-	-	125,000
Investment income	165,841	18,661	-	184,502	198,715	24,908	-	223,623
Net gain (loss) on investments	(240,758)	(20,964)	-	(261,722)	(298,651)	(43,508)	-	(342,159)
	11,496,177	1,411,173	-	12,907,350	10,753,303	2,063,296	100	12,816,699
Net assets released from restrictions	1,922,637	(1,922,637)	-	-	2,373,427	(2,373,427)	-	-
Total revenues, gains, and other support	13,418,814	(511,464)	-	12,907,350	13,126,730	(310,131)	100	12,816,699
Expenses								
Program services	10,336,993	-	-	10,336,993	10,255,375	-	-	10,255,375
Expenses paid on behalf of Windstar Land Conservancy	87,871	-	-	87,871	73,015	-	-	73,015
Management and general	1,861,507	-	-	1,861,507	1,849,296	-	-	1,849,296
Fundraising	1,281,707	-	-	1,281,707	1,135,203	-	-	1,135,203
Total expenses	13,568,078	-	-	13,568,078	13,312,889	-	-	13,312,889
Change in net assets	(149,264)	(511,464)	-	(660,728)	(186,159)	(310,131)	100	(496,190)
Net assets at beginning of year	5,113,429	1,514,128	683,369	7,310,926	5,299,588	1,824,259	683,269	7,807,116
Net assets at end of year	$ 4,964,165	$ 1,002,664	$ 683,369	$ 6,650,198	$ 5,113,429	$ 1,514,128	$ 683,369	$ 7,310,926

See notes to financial statements.

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Statements of Cash Flows

	For the Years Ended June 30, 2009	2008
Cash flows from operating activities		
Change in net assets	$ (660,728)	$ (496,190)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation expense	277,069	161,199
Bad debt expense	77,172	63,489
Gain on disposition of assets	-	(74,684)
Loss on investments	261,722	342,159
Gain on other investments	-	(125,000)
Note payable forgiven	(100,000)	(50,000)
Changes in assets and liabilities		
Accounts receivable	840,319	(374,971)
Pledges receivable	195,000	412,397
Inventory	695	(9,075)
Other current receivables, other assets, prepaid expenses, and deposits	(159,782)	(79,057)
Accounts payable	(203,835)	177,203
Compensated absences liability	60,956	74,426
Other accrued expenses	334,851	237,525
	1,584,167	755,611
Net cash provided by operating activities	923,439	259,421
Cash flows from investing activities		
Net sales (purchases) of investments	(65,348)	(392,589)
Purchases of property and equipment	(324,289)	(825,226)
Proceeds from sale of property and equipment	-	815,336
Change in cash surrender value of life insurance policies	4,225	8,287
Payment received on note receivable	-	125,000
Net cash used in investing activities	(385,412)	(269,192)
Cash flows from financing activities		
Checks written in excess of bank balance	(43,233)	43,233
Draws from lines-of-credit	750,000	918,000
Payments on lines-of-credit	(720,593)	(1,058,362)
Payments on bonds payable, notes payable, and capital lease obligations	(199,387)	(79,264)
Net cash used in financing activities	(213,213)	(176,393)
Net change in cash and cash equivalents	324,814	(186,164)
Cash and cash equivalents, beginning of year	83,884	270,048
Cash and cash equivalents, end of year	$ 408,698	$ 83,884

Supplemental disclosure of cash flow information:

Interest paid was $79,140 and $89,432 for the years ended June 30, 2009 and 2008, respectively.

Supplemental disclosure of non-cash activity:

During the year ended June 30, 2008, RMI entered into capital lease obligations in the amount of $66,984 for equipment.

See notes to financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Rocky Mountain Institute ("RMI"), located in Snowmass and Boulder, Colorado, is a non-profit corporation incorporated in the State of Colorado on April 26, 1982, and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

RMI is an independent, entrepreneurial, nonprofit think-and-do tank™. We envisage a world thriving, verdant, and secure, for all, for ever. To that end, our mission is to drive the efficient and restorative use of resources.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, RMI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in RMI's operations and those resources invested in property and equipment.
>
> Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes or programs.
>
> Permanently restricted amounts are assets that must be maintained permanently by RMI as required by the donor; but RMI is permitted to use or expend part or all of any income derived from those assets.

Cash and Cash Equivalents

RMI considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered.

Investments

RMI accounts for investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, RMI is required to report investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with realized and unrealized gains and losses included in the statement of activities. Approximately $166,100 and $2,800 of RMI's investment balances have been designated by the board for specific purposes as of June 30, 2009 and 2008, respectively.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts of financials instruments including cash and cash equivalents, restricted assets, investments, accounts receivable, accounts payable, and accrued liabilities approximate fair value as of June 30, 2009 and 2008 due to their short-term nature. The carrying value of debt as of June 30, 2009 approximates fair value because it is based on variable interest rates.

Fair Value Measurements

Beginning in 2009, RMI adopted SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS No. 157 also requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measure. At June 30, 2009, all of RMI's investment balances are classified as Level 1.

Accounts Receivable

Accounts receivable represents amounts due resulting from the performance of services provided to other organizations. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by RMI on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Pledges Receivable

Pledges receivable represent unconditional promises to give and are recognized as revenue in the period pledged. Receivables that are expected to be collected within one year are recorded at their net realizable value and those that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts was computed using a rate comparable to the interest rate earned on short-term investments. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Reserves for uncollectible pledges are assessed using the specific-identification method. There are no reserved pledges at June 30, 2009 and 2008.

Inventory

Inventory consists of printing costs of publications sold to the general public. These items are stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment

Property and equipment having a unit cost of $5,000 or more are capitalized at cost by RMI. Donated fixed assets are capitalized at fair value at the date of donation. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, which range from three to forty years.

Long-Lived Assets

RMI accounts for long-lived assets in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. RMI reviews its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from future undiscounted cash flows. For assets that are held and used in operations, impairment losses are recorded for the difference between the carrying value and fair value of the long-lived asset. For assets that are held for sale, impairment losses are recorded for the difference between the carrying value, less estimated costs to sell the asset. For the years ended June 30, 2009 and 2008, RMI has not recognized any impairment losses on long-lived assets.

Contributions

RMI accounts for contributions pursuant to SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to RMI. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions. Contributions received with donor-imposed conditions are recorded as refundable advances until the condition is met.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Consulting Fees

RMI consults for individuals, corporations, and governments, and completes other research and education programs to advance its mission. These fees are recorded as revenue as the consulting projects are completed.

Grant Revenue and Expense

Research grant awards are accounted for as either contributions or exchange transactions based on the provisions of the award document. To the extent that grants are contributions, they are recognized as temporarily restricted support until all material restrictions placed on the award by the granting agency have been satisfied. The related revenue is reclassified to unrestricted net assets as the required restrictions are satisfied and is reported as such in the statements of activities. All expenses directly related to grant agreements are included in the program service expenses category as a reduction in unrestricted net assets on the accompanying statements of activities.

Contributed Facilities

RMI occupies, without charge, certain office space and facilities at the Windstar Land Conservancy (Note 11). Fair rental value is reflected in the financial statements as in-kind revenue and related expense of $135,000 for each of the years ended June 30, 2009 and 2008.

Functional Expenses

Expenses incurred directly for a program service are charged to such service. Fringe benefits are allocated to all services based on a pro-rata basis of total direct salary expenses incurred. Allocations of certain overhead costs are also allocated to services on a pro-rata basis of total space occupied by each service.

Income Taxes

RMI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. RMI is not a private foundation within the meaning of Section 509(a) of the Code.

Use of Estimates

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

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

Subsequent Events

The Organization has evaluated all subsequent events through September 29, 2009, which is the date the financial statements were issued.

Note 2 - Pledges Receivable

Pledges receivable consist of grant payments expected to be collected within one year of the respective year end date. Receivables at June 30, 2009 and 2008 totaled $268,800 and $463,800, respectively.

Note 3 - Investments

The following is a summary of investments at fair value:

	June 30, 2009	June 30, 2008
Unrestricted		
Certificate of deposit	$ 1,092,302	$ 1,049,897
Mutual funds		
Money market funds	689,174	2,264,924
Fixed income	600,691	1,216,142
Equities	3,387,061	1,254,203
Real estate	-	131,105
	4,676,926	4,866,374
Total unrestricted	5,769,228	5,916,271
Restricted		
Mutual funds		
Money market funds	76,686	273,019
Fixed income	96,209	290,926
Equities	500,262	147,134
Real estate	-	11,409
Total restricted	673,157	722,488
Total investments	$ 6,442,385	$ 6,638,759

Note 3 - Investments (continued)

The following schedule summarizes the investment return and its classification in the statements of activities:

	For the Years Ended June 30, 2009	For the Years Ended June 30, 2008
Interest and dividend income	$ 213,059	$ 250,399
Investment management and custodian fees	(28,557)	(26,776)
Investment income	184,502	223,623
Realized losses on investments	(257,503)	(259,716)
Unrealized loss on investments	(4,219)	(82,443)
Net loss on investments	(261,722)	(342,159)
Total return on investments	$ (77,220)	$ (118,536)

Note 4 - Property and Equipment

RMI's property and equipment comprise the following:

	June 30, 2009	June 30, 2008
Buildings and improvements	$ 1,519,379	$ 1,371,061
Equipment	953,235	787,613
Land and land improvements	94,105	94,105
Furniture	157,248	146,899
Vehicles	57,887	57,887
Intellectual property licenses	100,000	100,000
	2,881,854	2,557,565
Less accumulated depreciation and amortization	(1,155,628)	(878,559)
Property and equipment, net	$ 1,726,226	$ 1,679,006

Note 5 - Lines-of-Credit

RMI has two lines-of-credit available to assist with operating cash needs. The first line for $1,500,000 is available until November 2009. As of June 30, 2009, the stated interest rate was 5.50%. This line is collateralized by an investment account. The second line is for $1,500,000 and has a stated interest rate of 5.50%, maturing in May 2010. This line is collateralized by a deed of trust on real estate and certificate of deposit. As of June 30, 2009 and 2008, $950,000 and $920,593 was outstanding, respectively, on the lines-of-credit.

Note 6 - Notes Payable

	June 30, 2009	June 30, 2008
Term loans dated between December 2000 and June 2006, maturities ranging from five to ten years with fixed interest rates ranging from 4.75% to 7%, payable monthly, annually, and in lump sums. These loans are unsecured.	$ 233,789	$ 295,719
Term loans - during the year ended June 30, 2009 both loans were paid in full.	-	100,000
Note payable dated October 2000 with a related party. The note has an indefinite due date and a portion may be forgiven at the discretion of the note holder. The note is callable with written notice 90 days in advance (considered due in 2010 on the following maturity schedule). The note is non-interest bearing and unsecured. During the year ended June 30, 2009, $100,000 of the note was forgiven.	150,000	250,000
	383,789	645,719
Less current portion	(211,931)	(411,990)
Long-term portion of notes payable	$ 171,858	$ 233,729

Notes payable mature as follows:

For the Year Ending June 30,	
2010	$ 211,931
2011	171,858
	$ 383,789

Note 7 - Industrial Revenue Bonds

RMI funded the purchase of an additional staff housing complex through the issuance of the "Town of Basalt, Colorado, Industrial Development Revenue Bond (Rocky Mountain Institute Project) Series 2001" authorized by Pitkin County. The bond issuance closed on October 5, 2001. The bonds are secured by the staff housing complex and future rents. RMI is obligated to pay the bond holders $474,000, accruing interest at a fixed rate of 6.03% per annum through September 25, 2011, and thereafter bearing interest on the unpaid balance, as adjusted on September 25, 2011, and again on September 25, 2016, at a rate based on prime rate. The final maturity of the bond is September 25, 2021. Payment of the principal and interest on the bonds shall be made (unless accelerated pursuant to the bond document) by making equal monthly payments of $3,194 with any remaining balance due on September 25, 2021.

Note 7 - Industrial Revenue Bonds (continued)

The principal repayment schedule is as follows:

For the Year Ending June 30,	
2010	$ 17,463
2011	18,507
2012	19,655
2013	20,873
2014	22,167
Thereafter	255,891
	$ 354,556

Note 8 - Capitalized Lease Obligations

RMI has acquired assets under the provisions of two long-term leases. For financial reporting purposes, minimum lease payments relating to the assets have been capitalized. The leases expire from October 2010 to December 2010. Amortization of the leased property is included in depreciation expense.

The assets under capital leases have cost and accumulated amortization at June 30, 2009 as follows:

Capital leased assets	$ 66,984
Less accumulated amortization	(31,786)
	$ 35,198

Maturities of capital lease obligations are as follows:

Year Ending June 30,	
2010	$ 28,120
2011	10,609
Total minimum lease payments	38,729
Amount representing interest	(3,531)
Present value of net minimum lease payments	35,198
Less current portion	(23,996)
Long-term capital lease obligation	$ 11,202

Note 9 - Retirement Plans

403(b) Plan

RMI offers to its staff the option to participate in a deferred compensation plan pursuant to Internal Revenue Code Section 403(b). Staff contributions are voluntary and are made on a pretax basis. RMI has no obligation to make employer contributions. Employer contributions of $5,369 and $180,682 were made and are included in the statements of activities for the years ended June 30, 2009 and 2008, respectively.

457(f) Plan

RMI has a 457(f) plan (the "457(f) plan"), which allows a select group of management and employees to receive employer contributions. Employer deferrals made during the years ended June 30, 2009 and 2008 were $197,442 and $0, respectively. The 457(f) plan is unfunded, and RMI reports the deferrals in other accrued expenses in the accompanying statements of financial position.

Note 10 - Temporarily and Permanently Restricted Net Assets

Funds restricted by the donor, grantor, or other outside party for particular operating purposes or for property and equipment acquisitions are deemed to be temporarily restricted until RMI has incurred expenditures in compliance with the specific restrictions. Temporarily restricted net assets represent amounts that have been restricted by donors for the following purposes:

	June 30,	
	2009	2008
Built Environment	$ 331,927	$ 589,933
Mobility and Vehicle Efficiency	266,886	415,736
Energy and Resources	149,659	174,683
Administration	129,135	294,225
Office of Chief Scientist	123,941	432
Endowment funds	1,116	39,119
	$ 1,002,664	$ 1,514,128

Note 10 - Temporarily and Permanently Restricted Net Assets (continued)

RMI considers donations for general support that have not been received to have an implicit time restriction on the use of these assets. Such contributions are considered temporarily restricted until they are received.

The permanently restricted net assets represent the net proceeds of donations, which have been restricted by the donors to be used only for the following purposes:

	June 30, 2009	June 30, 2008
Semmer Endowment	$ 107,044	$ 107,044
Windstar Land Conservancy Endowment	576,325	576,325
	$ 683,369	$ 683,369

Note 11 - Windstar Land Conservancy

In 1995, RMI purchased a 50% interest in a property. At the time of RMI's purchase, Windstar Foundation ("WF") owned the remaining 50%. In conjunction with the purchase, RMI and WF agreed to transfer their property to a charitable, not-for-profit organization that is named Windstar Land Conservancy ("WLC"). Currently, WLC is controlled by two board members selected by RMI, two board members selected by WF, and one at-large board member. WLC owns land in Snowmass Creek Valley, which is held for the purpose of preservation in perpetuity. According to the interim agreement dated November 2, 2000, RMI incurs all costs associated with WLC and is responsible for the daily management of WLC. In return, RMI occupies the majority of the office space owned by WLC without rent. Additionally, RMI has variance power over grant revenue and interest income related to the endowment that RMI has raised funds for on behalf of WLC, and therefore, these funds are reported as a component of RMI's permanently restricted net assets. The investment value of the endowment as of June 30, 2009 and 2008 recorded on the books of RMI was $577,441 and $589,553, respectively. At the end of the interim agreement, the endowment may be transferred to WLC if certain conditions are met. For each of the years ended June 30, 2009 and 2008, RMI recorded $135,000 of imputed rent related to the use of the WLC facility. RMI incurred $87,871 and $73,015 of expenses on behalf of WLC for the years ended June 30, 2009 and 2008, respectively. Because the board of directors is not controlled by RMI, the operations of WLC are not consolidated in the accompanying financial statements.

Note 12 - Staff Housing

RMI owns a duplex, a triplex, and a quadplex near RMI's Snowmass office and rents these living spaces to the employees of RMI. Rent is deducted from the employees' weekly compensation. Rental income of $141,590 and $154,596 was withheld from employees's paychecks for the years ended June 30, 2009 and 2008, respectively, and is included in other revenue in the accompanying statement of activities. As of June 30, 2009 and 2008, the net book value of the staff housing units is $608,103 and $628,892, respectively, and is included in buildings and improvements.

Note 13 - Investment in Hypercar, Inc.

RMI owns 7.55% of Hypercar, Inc., d.b.a. Fiberforge Corporation ("Hypercar"). Hypercar is a product of RMI's research on efficient electric vehicles and manufacturing processes for advanced materials. The investment in Hypercar was previously reported using the equity method of accounting. RMI's share of Hypercar's net losses is in excess of the carrying value of its investment in Hypercar. RMI is not responsible for losses of Hypercar in excess of its investment, and therefore is no longer reflecting its share of Hypercar's losses and may only reflect its share of Hypercar's future earnings to the extent that they exceed RMI's share of Hypercar's cumulative unrecognized net losses. During the year ended June 30, 2008, the investment in Hypercar was reduced to $0 and RMI began reporting the investment using the cost method.

In April 2004, RMI extended a line-of-credit to Hypercar for $750,000 with a 3% interest rate plus the prime lending rate in effect at the time of disbursement. In accordance with Accounting Principles Board Opinion 18, *The Equity Method of Accounting for Investments in Common Stock*, and Emerging Issues Task Force D-68, *Accounting by an Equity Method Investor for Investee Losses When The Investor Has Loans to and Investments in Other Securities of an Investee*, the value of the loan was reported at $0 due to RMI's share of Hypercar's prior years' losses being in excess of the investment and loan balance. Hypercar owed RMI $625,000 as of June 30, 2009 and 2008 and payments were current as of June 30, 2009. During the year ended June 30, 2008, RMI recorded a gain of $125,000 related to a payment on the note receivable. The book value of the loan is $0 at June 30, 2009 and 2008.

Note 14 - Investment in Bright Automotive

RMI owns 1.33% of Solutions System Partners, LLC dba Bright Automotive ("SSP"). Bright Automotive, located in Anderson, IN, is a product of RMI's research on efficient vehicles. During the year ended June 30, 2008, RMI contributed the technology in return for ownership units in SSP. The investment is reported using the cost method of accounting, which was initially recorded at $0, as no tangible assets were exchanged for RMI's ownership interest.

Note 15 - Sale Leaseback

During the year ended June 30, 2008, RMI sold its interest in the Snowmass property to a related party and leased back a portion of the property for a two-year term at $3,800 per month, increasing in April 2009 to $3,914 per month through March 2010. As the leased portion of the property was determined to be minor, the related gain totaling $124,862 was recognized in its entirety in the statement of activities for the year then ended. Rent expense totaled $46,056 and $15,200 for the years ended June 30, 2009 and 2008, respectively.

Note 16 - Commitments

Operating Leases

RMI leases several of its facilities and equipment under operating leases expiring through March 2011. Rent expense for the years ended June 30, 2009 and 2008 was $641,612 and $423,756, respectively.

Future minimum lease payments are approximately as follows:

For the Year Ending June 30,	
2010	$ 452,025
2011	256,407
	$ 708,432

Note 17 - Health Insurance Program

RMI has a self-insurance program for hospitalization and medical coverage for its employees. RMI limits its losses through the use of stop-loss policies from reinsurers. Specific individual losses for claims are limited to $40,000 per year. RMI's aggregate annual loss limitation is based on a formula that considers, among other things, the total number of employees. During the years ended June 30, 2009 and 2008, RMI paid $601,805 and $440,015, respectively, under the program. RMI has accrued a liability of $167,573 and $21,303, for the expected claims that had been incurred but not paid as of June 30, 2009 and 2008, respectively.

Note 18 - Endowment

RMI's endowment consists of two individual funds. The endowments consist of donor-restricted endowment funds including funds designated by the WLC's Board of Trustees. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 18 - Endowment (continued)

Interpretation of Relevant Law

The Board of Trustees of RMI has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, RMI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by RMI in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, RMI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires RMI to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $11,328 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. There were no such deficiencies as of June 30, 2008.

Note 18 - Endowment (continued)

Return Objectives and Risk Parameters

RMI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that RMI must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results based on the following:

- An allocated "growth" portfolio with 30% Fixed Income, 65% Global Equities and 5% REITs.
- The portfolio uses a comparative benchmark of 30% Barclay's Aggregate Bond Index, 30% S&P Index, 10% Russell 2000 Index, 25% MSCI EAFE Index, and 5% NAREIT Index.

RMI expects its endowment funds, over time, to provide an average rate of return of approximately 10% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, RMI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). RMI 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Each year, RMI's policy allows for the distribution of 4% of its endowment fund's average fair value over the prior 12 quarters through the calendar year proceeding the fiscal year in which the distribution is planned. In establishing this policy, RMI considered the long-term expected return on its endowment. Accordingly, over the long-term, RMI expects the current spending policy to allow its endowment to grow at an average of 6% annually. This is consistent with RMI's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 18 - Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

Endowment net asset composition by type of fund as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	$ (11,328)	$ -	$ 107,044	$ 95,716
Windstar-restricted endowment fund	-	1,116	576,325	577,441
Total funds	$ (11,328)	$ 1,116	$ 683,369	$ 673,157

Endowment net asset composition by type of fund as of June 30, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	$ -	$ 25,891	$ 107,044	$ 132,935
Windstar-restricted endowment fund	-	13,228	576,325	589,553
Total funds	$ -	$ 39,119	$ 683,369	$ 722,488

Changes in invested endowment assets for the fiscal year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ -	$ 39,119	$ 683,369	$ 722,488
Investment return				
Investment income	-	18,661	-	18,661
Net appreciation (depreciation), net of fees	(11,328)	(20,964)	-	(32,292)
Total investment return	(11,328)	(2,303)	-	(13,631)
Appropriation of endowment assets for expenditure	-	(35,700)	-	(35,700)
Endowment assets, end of year	$ (11,328)	$ 1,116	$ 683,369	$ 673,157

Note 18 - Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

Changes in invested endowment assets for the fiscal year ended June 30, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ -	$ 57,719	$ 683,269	$ 740,988
Investment return				
Investment income	-	24,908	-	24,908
Net appreciation (depreciation), net of fees	-	(43,508)	-	(43,508)
Total investment return	-	(18,600)	-	(18,600)
Contributions	-	-	100	100
Endowment assets, end of year	$ -	$ 39,119	$ 683,369	$ 722,488

ACCOMPANYING INFORMATION

ROCKY MOUNTAIN INSTITUTE

Schedule of Functional Expenses
Year Ended June 30, 2009

	Research and Consulting	Communications	Total Program Services	Windstar Land Conservancy	Management and General	Fundraising	Total
Operating expenses							
Salaries	$ 4,253,957	$ 1,059,498	$ 5,313,455	$ 52,169	$ 926,086	$ 782,703	$ 7,074,413
Benefits	819,272	215,886	1,035,158	7,917	346,291	140,922	1,530,288
Accounting fees	-	-	-	-	25,011	-	25,011
Appliances and furnishing expenses	4,221	257	4,478	-	14,329	2,699	21,506
Audit	-	-	-	250	50,700	-	50,950
Assessments	-	-	-	-	200	-	200
Auto expense - lease expense	2,531	432	2,963	-	276	360	3,599
Auto expense - gas and maintenance	4,921	920	5,841	2,498	687	700	9,726
Bad debt/professional discounts	77,172	-	77,172	-	-	-	77,172
Bank, credit card charges	1,624	140	1,764	-	18,716	3,171	23,651
Board meeting expenses	-	-	-	-	4,880	294	5,174
Computer equipment	42,677	5,678	48,355	-	5,052	3,445	56,852
Computer software	7,224	4,871	12,095	-	10,291	3,268	25,654
Consultants and subcontractors	1,170,944	83,880	1,254,824	-	42,857	27,404	1,325,085
Equipment rental	1,278	-	1,278	-	-	-	1,278
Dues, subscriptions, and memberships	2,676	4,376	7,052	-	17,679	-	24,731
Reproduction costs	24,082	7,058	31,140	434	9,190	3,564	44,328
General insurance	27,872	14,319	42,191	13,165	11,455	5,728	72,539
Legal	3,716	907	4,623	269	17,576	1,328	23,796
Library expense	2,953	252	3,205	-	1,002	-	4,207
Licenses and registration	3,322	538	3,860	198	7,011	211	11,280
Memberships	4,357	367	4,724	-	7,929	1,614	14,267
Merchandise expense	-	127	127	-	-	-	127
Miscellaneous	12,277	490	12,767	-	28,289	1,004	42,060
Office expense	25,827	7,371	33,198	339	9,244	3,255	46,036
Office reimbursables	92,843	59,837	152,680	-	1,779	197	154,656
Outreach	1,509	90,411	91,920	-	52	665	92,637
Postage and freight	3,710	6,904	10,614	-	10,300	31,520	52,434
Printing	5,888	43,066	48,954	50	2,553	40,837	92,394
Professional development	26,969	8,849	35,818	-	13,008	7,949	56,775
Property taxes	-	-	-	-	7,412	-	7,412
Publications expense	-	11,573	11,573	-	267	-	11,840
Recruiting expenses	25,209	300	25,509	-	1,390	554	27,453
Rent expense	407,820	91,817	499,637	-	43,311	55,215	598,163
Repairs and maintenance	45,197	10,146	55,343	4,728	37,840	6,700	104,611
Research materials	779	965	1,744	-	-	258	2,002
Software maintenance	5,746	980	6,726	-	23,636	5,203	35,565
Supplies	1,936	419	2,355	36	1,226	291	3,908
Telephone	172,365	46,526	218,891	2,065	46,514	24,120	291,590
Tools	537	92	629	20	89	76	814
Travel, meals, and meetings	823,468	84,693	908,161	-	49,984	93,499	1,051,644
Utilities	62,970	14,912	77,882	1,382	12,766	9,054	101,084
Web site	1,757	12,032	13,789	-	300	-	14,089
Total operating expenses	8,171,606	1,890,889	10,062,495	85,520	1,807,178	1,257,808	13,213,001
Other expenses							
Depreciation expense	173,630	40,561	214,191	1,834	44,738	16,306	277,069
Interest expense	48,887	11,420	60,307	517	9,591	7,593	78,008
Total other expenses	222,517	51,981	274,498	2,351	54,329	23,899	355,077
Total expenses	$ 8,394,123	$ 1,942,870	$ 10,336,993	$ 87,871	$ 1,861,507	$ 1,281,707	$ 13,568,078

ROCKY MOUNTAIN INSTITUTE

Schedule of Functional Expenses
Year Ended June 30, 2008

	Research and Consulting	Communications	Total Program Services	Windstar Land Conservancy	Management and General	Fundraising	Total
Operating expenses							
Salaries	$ 4,701,583	$ 785,601	$ 5,487,184	$ 40,674	$ 808,756	$ 672,114	$ 7,008,728
Benefits	809,056	145,823	954,879	5,369	174,390	91,169	1,225,807
Accounting fees	-	-	-	-	19,058	-	19,058
Advertising	648	-	648	-	-	-	648
Appliances and furnishing expenses	10,326	1,726	12,052	-	4,485	1,468	18,005
Audit	-	-	-	-	47,491	-	47,491
Auto expense - lease expense	3,797	635	4,432	-	427	540	5,399
Auto expense - gas and maintenance	9,534	2,520	12,054	2,946	2,436	1,356	18,792
Bad debt/professional	121	8	129	-	63,360	-	63,489
Bank, credit card charges	330	-	330	-	23,895	67	24,292
Board meeting expenses	-	-	-	-	9,103	-	9,103
Computer equipment	127,606	27,839	155,445	-	53,189	7,821	216,455
Computer software	14,677	3,299	17,976	-	4,613	2,858	25,447
Consultants and subcontracts	1,169,365	61,949	1,231,314	-	41,644	16,309	1,289,267
Donations	500	-	500	-	1,000	-	1,500
Dues, subscriptions, and memberships	4,760	5,493	10,253	-	12,304	1,608	24,165
Reproduction costs	13,233	2,030	15,263	-	19,520	292	35,075
General insurance	4,196	-	4,196	9,654	38,509	-	52,359
Legal	-	4,278	4,278	-	29,811	-	34,089
Library expense	3,126	1,254	4,380	-	86	41	4,507
Licenses and registration	3,503	1,774	5,277	126	4,761	893	11,057
Memberships	9,256	413	9,669	-	2,211	472	12,352
Merchandise expense	1,734	1,048	2,782	-	182	369	3,333
Miscellaneous	4,728	2,038	6,766	-	8,379	2,321	17,466
Office expense	12,929	7,277	20,206	-	43,700	1,813	65,719
Office reimbursables	100,379	12,403	112,782	-	29,560	97	142,439
Outreach	6,995	42,662	49,657	-	-	1,557	51,214
Postage and freight	5,024	2,027	7,051	-	15,798	20,497	43,346
Printing	9,159	65,743	74,902	-	7,378	19,699	101,979
Professional development	51,758	13,080	64,838	-	23,489	2,088	90,415
Publications expense	-	11,509	11,509	-	-	-	11,509
Recruiting expenses	53,390	24,833	78,223	-	23,962	79,290	181,475
Rent expense	277,404	54,162	331,566	2,735	43,027	46,428	423,756
Repairs and maintenance	22,559	3,397	25,956	6,344	77,515	2,868	112,683
Software maintenance	-	-	-	-	14,519	10,243	24,762
Supplies	10,508	2,656	13,164	585	7,014	1,370	22,133
Taxes	-	-	-	-	6,714	-	6,714
Telephone	166,063	32,134	198,197	1,536	10,684	27,534	237,951
Tools	770	122	892	-	116	94	1,102
Travel, meals, and meetings	861,782	80,011	941,793	-	113,324	73,331	1,128,448
Utilities	56,391	11,062	67,453	574	11,471	9,485	88,983
Web site	6,225	20,894	27,119	-	-	350	27,469
Total operating expenses	8,533,415	1,431,700	9,965,115	70,543	1,797,881	1,096,442	12,929,981
Other expenses							
Depreciation expense	102,155	20,040	122,195	1,041	21,558	16,405	161,199
Facilities contributed expense	85,552	16,783	102,335	871	18,180	13,614	135,000
Interest expense	54,950	10,780	65,730	560	11,677	8,742	86,709
Total other expenses	242,657	47,603	290,260	2,472	51,415	38,761	382,908
Total expenses	$ 8,776,072	$ 1,479,303	$ 10,255,375	$ 73,015	$ 1,849,296	$ 1,135,203	$ 13,312,889