

**ENVIRONMENTAL LAW INSTITUTE**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

# Environmental Law Institute

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## Independent Auditor's Report

Board of Directors  
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Washington, D.C.

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We have audited the accompanying financial statements of the **Environmental Law Institute** (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2015 and 2014, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

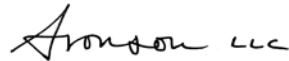
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

## Independent Auditor's Report (Continued)

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Environmental Law Institute** as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Rockville, Maryland  
April 8, 2016

<i>December 31,</i>	<b>2015</b>	2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,310,462	\$ 861,694
Accounts receivable		
Grants and contracts	638,840	504,822
Royalties	-	524
Other	17,425	208,911
Allowance for doubtful accounts	(2,729)	(2,729)
Net accounts receivable	653,536	711,528
Contributions and foundation grants receivable	295,789	540,399
Investments	3,735,295	4,257,820
Prepaid expenses and inventory	135,571	178,510
<b>Total current assets</b>	<b>6,130,653</b>	<b>6,549,951</b>
<b>Contributions and foundation grants receivable, noncurrent</b>	<b>377,800</b>	<b>-</b>
<b>Property and equipment, at cost</b>		
Furniture, equipment and software	346,278	384,525
Leasehold improvements	748,408	32,331
<b>Total</b>	<b>1,094,686</b>	<b>416,856</b>
Less: Accumulated depreciation and amortization	(297,197)	(293,603)
<b>Property and equipment, net</b>	<b>797,489</b>	<b>123,253</b>
<b>Other assets</b>		
Security deposit	64,115	89,932
<b>Total assets</b>	<b>\$ 7,370,057</b>	<b>\$ 6,763,136</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

# Environmental Law Institute

## Statements of Financial Position

	2015	2014
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 355,386	\$ 314,750
Accrued payroll and vacation	252,700	345,393
Deferred revenue	433,084	444,268
Deferred rent	82,340	2,245
<b>Total current liabilities</b>	<b>1,123,510</b>	<b>1,106,656</b>
<b>Deferred rent, noncurrent</b>	<b>1,020,152</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,143,662</b>	<b>1,106,656</b>
<b>Net assets</b>		
Unrestricted	3,787,211	4,503,030
Temporarily restricted	1,439,184	1,153,450
<b>Total net assets</b>	<b>5,226,395</b>	<b>5,656,480</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,370,057</b>	<b>\$ 6,763,136</b>

## Environmental Law Institute

### Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2015</i>	Unrestricted	Unrestricted Board Designated	Total Unrestricted	Temporarily Restricted	Total
<b>Operating revenues</b>					
Federal awards and contracts	\$ 922,880	\$ -	\$ 922,880	\$ -	\$ 922,880
Contributions and grants	865,640	-	865,640	1,537,934	2,403,574
Publication sales and subscriptions	477,276	-	477,276	-	477,276
Membership revenue	759,205	-	759,205	-	759,205
Award dinner	398,625	-	398,625	-	398,625
Interest and dividends, net	88,339	-	88,339	-	88,339
Other revenue	255,823	-	255,823	-	255,823
Net assets released from restriction - satisfaction of grant requirements	1,252,200	-	1,252,200	(1,252,200)	-
<b>Total operating revenues</b>	<b>5,019,988</b>	<b>-</b>	<b>5,019,988</b>	<b>285,734</b>	<b>5,305,722</b>
<b>Operating expenses</b>					
<b>Program services</b>					
Research, policy and training	2,616,201	-	2,616,201	-	2,616,201
Publications and educational material	623,563	-	623,563	-	623,563
Membership and outreach	839,030	-	839,030	-	839,030
<b>Total program services</b>	<b>4,078,794</b>	<b>-</b>	<b>4,078,794</b>	<b>-</b>	<b>4,078,794</b>
<b>Supporting services</b>					
Fundraising	747,963	-	747,963	-	747,963
Management and general	582,151	115,553	697,704	-	697,704
<b>Total supporting services</b>	<b>1,330,114</b>	<b>115,553</b>	<b>1,445,667</b>	<b>-</b>	<b>1,445,667</b>
<b>Total operating expenses</b>	<b>5,408,908</b>	<b>115,553</b>	<b>5,524,461</b>	<b>-</b>	<b>5,524,461</b>
<b>Net operating (loss) income</b>	<b>(388,920)</b>	<b>(115,553)</b>	<b>(504,473)</b>	<b>285,734</b>	<b>(218,739)</b>
<b>Net realized and unrealized loss</b>	<b>(211,346)</b>	<b>-</b>	<b>(211,346)</b>	<b>-</b>	<b>(211,346)</b>
<b>Changes in net assets</b>	<b>(600,266)</b>	<b>(115,553)</b>	<b>(715,819)</b>	<b>285,734</b>	<b>(430,085)</b>
<b>Transfer between unrestricted accounts</b>	<b>(115,553)</b>	<b>115,553</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, beginning of year</b>	<b>4,503,030</b>	<b>-</b>	<b>4,503,030</b>	<b>1,153,450</b>	<b>5,656,480</b>
<b>Net assets, end of year</b>	<b>\$ 3,787,211</b>	<b>\$ -</b>	<b>\$ 3,787,211</b>	<b>\$ 1,439,184</b>	<b>\$ 5,226,395</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Environmental Law Institute

### Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2014</i>	Unrestricted	Unrestricted Board Designated	Total Unrestricted	Temporarily Restricted	Total
<b>Operating revenues</b>					
Federal awards and contracts	\$ 986,577	\$ -	\$ 986,577	\$ -	\$ 986,577
Contributions and grants	649,819	-	649,819	1,371,185	2,021,004
Publication sales and subscriptions	489,569	-	489,569	-	489,569
Membership revenue	788,916	-	788,916	-	788,916
Award dinner	459,935	-	459,935	-	459,935
Interest and dividends, net	121,238	-	121,238	-	121,238
Other revenue	231,497	-	231,497	-	231,497
Net assets released from restriction - satisfaction of grant requirements	1,508,865	-	1,508,865	(1,508,865)	-
<b>Total operating revenues</b>	<b>5,236,416</b>	<b>-</b>	<b>5,236,416</b>	<b>(137,680)</b>	<b>5,098,736</b>
<b>Operating expenses</b>					
<b>Program services</b>					
Research, policy and training	2,732,775	100,000	2,832,775	-	2,832,775
Publications and educational material	630,245	-	630,245	-	630,245
Membership and outreach	786,334	100,000	886,334	-	886,334
<b>Total program services</b>	<b>4,149,354</b>	<b>200,000</b>	<b>4,349,354</b>	<b>-</b>	<b>4,349,354</b>
<b>Supporting services</b>					
Fundraising	782,945	-	782,945	-	782,945
Management and general	675,896	-	675,896	-	675,896
<b>Total supporting services</b>	<b>1,458,841</b>	<b>-</b>	<b>1,458,841</b>	<b>-</b>	<b>1,458,841</b>
<b>Total operating expenses</b>	<b>5,608,195</b>	<b>200,000</b>	<b>5,808,195</b>	<b>-</b>	<b>5,808,195</b>
<b>Net operating loss</b>	<b>(371,779)</b>	<b>(200,000)</b>	<b>(571,779)</b>	<b>(137,680)</b>	<b>(709,459)</b>
<b>Net realized and unrealized gains</b>	<b>80,603</b>	<b>-</b>	<b>80,603</b>	<b>-</b>	<b>80,603</b>
<b>Changes in net assets</b>	<b>(291,176)</b>	<b>(200,000)</b>	<b>(491,176)</b>	<b>(137,680)</b>	<b>(628,856)</b>
<b>Transfer between unrestricted accounts</b>	<b>(200,000)</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, beginning of year</b>	<b>4,994,206</b>	<b>-</b>	<b>4,994,206</b>	<b>1,291,130</b>	<b>6,285,336</b>
<b>Net assets, end of year</b>	<b>\$ 4,503,030</b>	<b>\$ -</b>	<b>\$ 4,503,030</b>	<b>\$ 1,153,450</b>	<b>\$ 5,656,480</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.



# Environmental Law Institute

## Statements of Cash Flows

<i>Years Ended December 31,</i>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (430,085)	\$ (628,856)
<b>Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities</b>		
Provision for doubtful accounts	2,354	-
Net realized and unrealized losses (gains) on investments	211,346	(80,603)
Depreciation and amortization	107,917	44,705
Donated property and equipment	-	(500)
Loss on disposal of property and equipment	2,556	3,034
Provision for project losses	89,825	-
<b>(Increase) decrease in:</b>		
Accounts receivable	55,638	(170,033)
Contributions and foundation grants receivable	(133,190)	(262,332)
Prepaid expenses and inventory	42,939	(50,041)
Security deposit	25,817	(64,117)
<b>Increase (decrease) in:</b>		
Accounts payable and accrued liabilities	(49,189)	18,871
Accrued payroll and vacation	(92,693)	44,266
Deferred revenue	(11,184)	(53,080)
Deferred rent	1,100,247	(13,012)
<b>Net cash provided (used) by operating activities</b>	<b>922,298</b>	<b>(1,211,698)</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(4,577,090)	(1,170,525)
Proceeds from sales of investments	4,888,269	1,960,047
Purchases of property and equipment	(784,709)	(36,893)
<b>Net cash (used) provided by investing activities</b>	<b>(473,530)</b>	<b>752,629</b>
<b>Net change in cash and cash equivalents</b>	<b>448,768</b>	<b>(459,069)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>861,694</b>	<b>1,320,763</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,310,462</b>	<b>\$ 861,694</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

# Environmental Law Institute

## Notes to Financial Statements

### 1. Organization and significant accounting policies

**Organization:** The Environmental Law Institute (the “Institute”) (“ELI”) is a nonprofit corporation, operating in the District of Columbia, that conducts its major program activities in three broad, interrelated program areas involving conservation and environmental protection: education and training; publications; and policy research and technical assistance. The Institute is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is not classified by the IRS as a private foundation. It is subject to income tax only on its unrelated business income.

**Basis of accounting:** The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

**Basis of presentation:** The Institute classifies net assets and revenues based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Institute and changes therein are classified and reported as follows:

**Unrestricted net assets** – net assets that are not subject to donor-imposed stipulations.

**Unrestricted board designated net assets** – The board may designate the use of unrestricted net assets to enhance operational capabilities intended to produce future revenue. For the years ended December 31, 2015 and 2014, the board approved the use of \$115,553 and \$200,000, respectively, of unrestricted net assets for long-term program development.

**Temporarily restricted net assets** – net assets subject to donor imposed stipulations that will be met either by actions of the Institute and/or the passage of time.

**Permanently restricted net assets** – net assets subject to donor imposed stipulations that they be maintained permanently by the Institute. The Institute may use all or part of the income earned on these assets for general or specific purposes. The Institute has no permanently restricted net assets as of December 31, 2015 and 2014.

**Cash and cash equivalents:** Cash equivalents consist of demand deposits, money market funds, and investments with initial maturities of ninety days or less. The Institute maintains cash balances which may exceed federally insured limits. The Institute does not believe that this results in any significant credit risk.

# Environmental Law Institute

## Notes to Financial Statements

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**Accounts receivable:** Accounts receivable include all current billed and unbilled costs chargeable to grants within the respective cost limits. All unbilled receivables will be billed at the next billing date and are expected to be collected within a twelve-month period. The Institute has \$201,186 and \$138,868 of unbilled receivables as of December 31, 2015 and 2014, respectively. The face amount of accounts receivable is reduced by an allowance for doubtful accounts. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts.

**Contributions and foundation grants receivable:** Contributions and foundation grants receivable are recorded in the financial statements at the time the contributions are made or received. An allowance for doubtful accounts is allocated on an account by account basis, if necessary. All amounts are considered collectible at December 31, 2015 and 2014. Contributions expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on contributions are computed at a discount rate approximating the prevailing local borrowing rate. Amortization of the discount is included in contribution revenue.

**Investments:** Investments consist of mutual funds and exchange traded funds. Mutual funds and exchange traded funds are stated at fair value based on quoted market prices on the last business day of the year as discussed in Note 4. Money market funds are valued at cost which approximates fair value.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Institute's policy is to liquidate all gifts of investments as soon as possible after the gift.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains includes the Institute's gains and losses on investments bought and sold as well as held during the year.

Interest and dividends are presented net of investment fees of \$26,961 and \$46,296, respectively, for the years ended December 31, 2015 and 2014.

**Inventory:** Inventory consists of books and publications and is valued at the lower of cost or market. Cost is determined using the average cost method. Inventory is recorded at \$58,239 and \$71,399 as of December 31, 2015 and 2014, respectively, and is included in prepaid expenses and inventory on the Statements of Financial Position.

# Environmental Law Institute

## Notes to Financial Statements

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**Property and equipment:** The Institute capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation.

Depreciation and amortization are computed using the straight-line method over estimated useful lives of three to eight years for furniture, equipment and software, and the shorter of the term of the lease or useful life for leasehold improvements. Depreciation and amortization expense for the years ended December 31, 2015 and 2014 is \$107,917 and \$44,705, respectively.

**Deferred rent:** The Institute recognizes the minimum rents required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as a liability for deferred rent on the Statements of Financial Position.

**Deferred revenue:** Payments received in advance of revenue recognition for periodicals, publication sales, the award dinner and associate membership fees are recorded as deferred revenue. Revenue is recognized when the earnings process is completed.

**Revenue recognition:** Sponsored research is conducted pursuant to grants and U.S. government contracts. Revenue from fixed-price contracts is recognized on the percentage-of-completion method (with cost and estimated profits included in unrestricted net assets as work is performed), and revenue from cost-plus-fixed-fee contracts is recorded on the basis of direct costs plus overhead and an allocable portion of the fixed fee. If the estimate indicates a loss, a provision is made for the total estimated loss anticipated on the contract at the time such loss is probable and can be reasonably estimated. As of December 31, 2015 and 2014, the provision for estimated contract losses was \$203,325 and \$113,500, respectively.

The Institute records contributions of cash and other assets received and unconditional promises to give as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restriction.

Subscriptions to the *Environmental Law Reporter* (ELR), a periodical published by the Institute, are recognized as revenue ratably over the subscription period.

# Environmental Law Institute

## Notes to Financial Statements

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Revenue from publication sales is recorded at the time the item is shipped.

Revenue from membership dues is recognized ratably over the applicable membership period.

Revenues and costs relating to conferences and the annual award dinner are recorded as revenue and expense at the time the events are held.

**Concentrations:** Approximately 13% of the Institute's revenue was derived from federal awards received from the Environmental Protection Agency (EPA) for the year ended December 31, 2015. The current level of the Institute's operations and program services may be impacted if funding is not renewed. There were no concentrations of revenue for the year ended December 31, 2014.

As of December 31, 2015 and 2014, approximately, 18% and 14% of the Institute's accounts receivable are due from the EPA, respectively.

**Federal awards:** Costs charged to federal awards are subject to audit by the EPA. The Institute has been audited by the EPA through December 31, 1983. In the opinion of management, any adjustment resulting from an audit of the costs for the years 1984 through 2015 will not have a material adverse effect on the Institute's financial position or its future operations. In September 2010, the EPA conducted a limited scope review of the Institute's administrative and financial management system for managing the federal awards, and no findings were noted that had a financial statement impact.

**Functional expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries are charged directly to the programs served. Fringe benefits are allocated to the programs based on each program's proportionate share of total salaries.

# Environmental Law Institute

## Notes to Financial Statements

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**Tax status:** The Institute is incorporated as a nonprofit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a publicly-supported organization.

**Uncertainties in income taxes:** The Institute evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2015 and 2014, there are no accruals for uncertain tax positions. If applicable, the Institute records interest and penalties as a component of income tax expense. Tax years from 2012 through the current year remain open for examination by federal and state tax authorities.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash flow classification of donated financial assets:** Cash receipts from the sale of donated securities that upon receipt were converted nearly immediately into cash and with no donor-imposed restrictions are included in the operating section of the Statement of Cash Flows, while cash receipts from the sale of donated securities with donor-imposed long-term restriction are classified as financing activities. Otherwise, receipts from the sale of donated financial assets are classified as cash flows from investing activities.

**Subsequent events:** Management has evaluated subsequent events for disclosure in these financial statements through April 8, 2016, which is the date the financial statements were available to be issued.

# Environmental Law Institute

## Notes to Financial Statements

- 2. Contributions and foundation grants receivable** Contributions and foundation grants receivable are summarized as follows at December 31:

	2015	2014
Contributions and foundation grants receivable to be collected in:		
Less than one year	\$ 295,789	\$ 540,399
One year to five years	377,800	-
<b>Total</b>	<b>\$ 673,589</b>	<b>\$ 540,399</b>

- 3. Investments** Investments of the Institute as of December 31, 2015 and 2014, are as follows:

	2015	2014
Mutual funds:		
Money market	\$ 25,996	\$ 497,018
Domestic equities	1,512,509	1,608,950
International equities	384,111	674,822
Income allocation equities	-	646,407
Real estate	56,584	-
Domestic bonds	133,811	604,185
International bonds	231,644	226,438
Exchange traded funds:		
Equities international	432,162	-
Bonds domestic	958,478	-
<b>Total investments</b>	<b>\$ 3,735,295</b>	<b>\$ 4,257,820</b>

- 4. Fair value** The Institute values investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

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

# Environmental Law Institute

## Notes to Financial Statements

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at December 31, 2015 and 2014.

		<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2015</b>	<b>Total</b>			
Mutual funds:				
Money market	\$ 25,996	\$ 25,996	\$ -	\$ -
Domestic equities	1,512,509	1,512,509	-	-
International equities	384,111	384,111	-	-
Real estate	56,584	56,584	-	-
Domestic bonds	133,811	133,811	-	-
International bonds	231,644	231,644	-	-
Exchange traded funds:				
International equities	432,162	432,162	-	-
Domestic bonds	958,478	958,478	-	-
<b>Total</b>	<b>\$ 3,735,295</b>	<b>\$ 3,735,295</b>	<b>\$ -</b>	<b>\$ -</b>



# Environmental Law Institute

## Notes to Financial Statements

December 31, 2014	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual fund:				
Money market	\$ 497,018	\$ 497,018	\$ -	\$ -
Domestic equities	1,608,950	1,608,950	-	-
International equities	674,822	674,822	-	-
Income allocation equities	646,407	646,407	-	-
Domestic bonds	604,185	604,185	-	-
International bonds	226,438	226,438	-	-
<hr/>				
<b>Total</b>	<b>\$ 4,257,820</b>	<b>\$ 4,257,820</b>	<b>\$ -</b>	<b>\$ -</b>

**5. Risks and uncertainties**

The Institute invests in various investment securities that are exposed to different risks such as interest rate, credit and market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect ELI's account balances and amounts reported in the Statements of Financial Position.

**6. Temporarily restricted net assets**

Temporarily restricted net assets are available for the following purposes as of December 31:

	<b>2015</b>	2014
Research activities	<b>\$ 703,947</b>	\$ 796,013
Training fund	<b>207,437</b>	207,437
Publications fund	<b>150,000</b>	150,000
Time restricted	<b>377,800</b>	-
<hr/>		
<b>Total temporarily restricted net assets</b>	<b>\$ 1,439,184</b>	<b>\$ 1,153,450</b>

# Environmental Law Institute

## Notes to Financial Statements

**7. Contributed resources and services** In 2015 and 2014, the Institute received contributions of labor with a fair value of \$253,053 and \$221,469, respectively. Donated services are recognized when the services are performed for services provided that the Institute would typically have to pay to acquire. The donated services are reflected as a component of contributions and grants on the Statement of Activities and Changes in Net Assets. During 2015 and 2014, labor valued at \$251,542 and \$219,475, respectively, related to the Institute's core programs was allocated to operating expenses, including \$110,369 and \$51,226 respectively, used to meet match requirements on federal projects. The remaining donated labor included \$1,511 and \$1,994, respectively, allocated to management and general expense and the annual award dinner. Contributions of labor are included in unrestricted revenue in the accompanying Statements of Activities and Changes in Net Assets.

**8. Operating leases** The Institute was obligated under an operating lease agreement for office and storage space which ended February 28, 2015. In September 2014, the Institute entered into an operating lease agreement for new office space in Washington D.C. The lease term started in December 2014 and expires in February 2025 with a renewal option to extend the term of the lease. The lease provides for fixed annual increases during the lease term as well as a ten month rent abatement.

Future minimum lease payments under the leases are as follows:

Year Ending December 31	Amount
2016	\$ 391,916
2017	400,734
2018	409,751
2019	418,970
2020	428,397
Thereafter	1,890,503
<b>Total</b>	<b>\$ 3,940,271</b>

Rent expense under the operating leases for the years ended December 31, 2015 and 2014 was \$420,272 and \$376,289, respectively.

**9. Pension plan** The Institute has an Internal Revenue Code Section 403(b) pension plan covering substantially all employees. The Institute matches employees' contributions in an amount equal to the greater of 100% of each employee's annual contribution up to \$1,200, or 50% of the first 3% of compensation. The Institute's contributions were \$67,011 and \$75,427 for the years ended December 31, 2015 and 2014, respectively.

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- 10. Direct costs** Included in program services are the costs of publications sold which were \$63,059 and \$67,441 for the years ended December 31, 2015 and 2014, respectively. Included in fundraising expenses are the direct costs of the Institute's annual dinner which were \$138,482 and \$138,035 for the years ended December 31, 2015 and 2014, respectively.
- 11. Related party transactions** Members of the Institute's Board of Directors contributed \$332,624 and \$150,269 during the years ended December 31, 2015 and 2014, respectively.
- 12. Indirect cost recovery** The Institute receives cost-based grants from agencies of the United States government. Such grants are subject to audit under the provisions of OMB Circular A-133, for awards prior to December 26, 2014, or 2 CFR 200, if such grants were awarded after December 26, 2014. The ultimate determination of amounts received under the United States government grants is based upon the allowance of costs reported to and accepted by the United States government.
- Billings under these cost-based government grants are calculated using provisional rates which permit recovery of indirect costs. These rates could be subject to audit by the government agencies. The determination of the final indirect cost rates is also determined by the government agency. The final rates, if different from the provisional rates, may create a receivable or a liability.
- As of December 31, 2015, the Institute had received final settlements on indirect cost rates through 2014. The Institute periodically reviews its cost estimates and experience rates, and adjustments, if needed, are made and reflected in the period in which the estimates are revised. In the opinion of management, redetermination of any cost-based grants for the open year will not have any material effect on the Institute's financial position or change in net assets.
- 13. Contingency** The federal government is implementing significant changes and reductions to government spending and other programs. The Institute cannot predict the impact on existing, supplemental or replacement grants from potential changes in priorities due to spending levels. The United States government is facing substantial fiscal and economic challenges that are affecting funding for its non-discretionary and discretionary budgets. The funding of United States government programs is subject to an annual Congressional budget authorization and appropriation processes which have not followed normal practice in recent years.

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### **14. Financial condition**

The Institute experienced a decline in net assets of \$430,085 for the year ended December 31, 2015, which includes realized and unrealized losses of \$211,346 resulting from market conditions impacting ELI's reserve fund investments. The remaining loss also reflects approximately \$115,000 expended in the search for a new president, which is included in the decline in operations of \$218,739. The cash outflows were funded from cash and other assets held in the reserve fund. In July 2015, the Institute implemented a reduction in force to address budget challenges, resulting in the elimination of four permanent staff positions and one vice president position. ELI's prior president was confirmed by the US Senate as Assistant Attorney General for Environmental Enforcement in late December 2014 and departed ELI on January 3, 2015. While an acting president was immediately appointed from the existing staff, during the transition period many projects and tasks were put on hold. In September 2015, the Institute brought on its new president who has been tasked with leading a strategic planning process to set the Institute on a strong foundation for the future.

The Board is engaged in the strategic planning process with the goal of ensuring both mission effectiveness and fiscal health. Through the strategic planning process, ELI is examining revenue streams and market niche to best ensure the growth of ELI in the years ahead. It is anticipated that the strategic plan will be finalized by June 2016, and that operationalization and implementation will follow thereafter.

In addition, the "Campaign for ELI," designed to increase base giving by ELI donors, exceeded its 2015 fundraising goal of \$625,000 by approximately \$17,000. The Campaign is scheduled to continue for at least two more years. The combination of last year's cost trimming measures, the Campaign for ELI, and the development opportunities that are expected to be achieved through the strategic plan are being undertaken to position the Institute for a healthier financial outlook.