ENVIRONMENTAL LAW INSTITUTE

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Environmental Law Institute

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aronson LLC
ASSURANCE | TAX | CONSULTING

111 Rockville Pike
Suite 600
Rockville, Maryland 20850

301.231.6200
301.231.7630
www.aronsonllc.com
info@aronsonllc.com

Independent Auditor's Report

Board of Directors
Environmental Law Institute
Washington, D.C.

We have audited the accompanying financial statements of the **Environmental Law Institute** (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2019, and the related Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the year 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 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 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2019, **Environmental Law Institute** adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*, and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. Our opinion is not modified with respect to these matters.

Aronson LLC

Rockville, Maryland
April 29, 2020

December 31,	**2019**
Assets	
Current assets	
Cash and cash equivalents	**$ 1,790,528**
Accounts receivable	
Contracts	**70,841**
Other	**2,637**
Contributions receivable, net	**877,272**
Investments	**5,151,565**
Prepaid expenses and inventory	**90,480**
Total current assets	**7,983,323**
Deferred compensation plan assets	**16,309**
Property and equipment, at cost	
Furniture, equipment and software	**434,999**
Leasehold improvements	**748,408**
Total	**1,183,407**
Less: Accumulated depreciation and amortization	**(626,522)**
Property and equipment, net	**556,885**
Other assets	
Security deposit	**65,023**
Total assets	**$ 8,621,540**

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

Environmental Law Institute

Statement of Financial Position (continued)

		2019
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$	**237,897**
Accrued payroll and vacation		**458,932**
Deferred revenue		**339,419**
Refundable advances		**66,185**
Deferred rent, current portion		**118,821**
Total current liabilities		**1,221,254**
Deferred compensation plan liability		**17,201**
Deferred rent, net of current portion		**600,606**
Total liabilities		**1,839,061**
Net assets		
Net assets without donor restrictions		**5,392,882**
Net assets with donor restrictions		**1,389,597**
Total net assets		**6,782,479**
Total liabilities and net assets	**$**	**8,621,540**

Environmental Law Institute

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019	Without Donor Restrictions	Board Designated	Total Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues					
Contributions					
Federal government	$ 1,044,710	$ -	$ 1,044,710	$ -	**$ 1,044,710**
Foundation	-	-	-	1,376,862	**1,376,862**
Corporations and individuals	960,355	-	960,355	324,123	**1,284,478**
Contributed services	267,516	-	267,516	-	**267,516**
Award dinner	487,970	-	487,970	-	**487,970**
Less direct donor benefit	(141,398)	-	(141,398)	-	**(141,398)**
Exchange transactions					
Federal government	266,493	-	266,493	-	**266,493**
Non-government	340,019	-	340,019	-	**340,019**
Publication sales and subscriptions	326,159	-	326,159	-	**326,159**
Membership	434,336	-	434,336	-	**434,336**
Conferences and meetings	273,239	-	273,239	-	**273,239**
Other revenue	198,856	-	198,856	-	**198,856**
Net assets released from restriction	2,284,713	-	2,284,713	(2,284,713)	**-**
Total operating revenues	6,742,968	-	6,742,968	(583,728)	**6,159,240**
Operating expenses					
Program services					
Research, policy and training	2,967,742	316,110	3,283,852	-	**3,283,852**
Associate membership	485,056	-	485,056	-	**485,056**
Education	165,657	-	165,657	-	**165,657**
Publications	509,945	-	509,945	-	**509,945**
Other projects	544,370		544,370	-	**544,370**
Total program services	4,672,770	316,110	4,988,880	-	**4,988,880**
Supporting services					
Fundraising	307,415	-	307,415	-	**307,415**
Management and general	1,450,877	-	1,450,877	-	**1,450,877**
Total supporting services	1,758,292	-	1,758,292	-	**1,758,292**
Total operating expenses	6,431,062	316,110	6,747,172	-	**6,747,172**
Net operating income (loss)	311,906	(316,110)	(4,204)	(583,728)	**(587,932)**
Investment return	826,941	-	826,941	-	**826,941**
Changes in net assets	1,138,847	(316,110)	822,737	(583,728)	**239,009**
Transfer between net assets without donor restrictions	(695,000)	695,000	-	-	**-**
Net assets, beginning of year	4,281,887	405,664	4,687,551	1,973,325	**6,660,876**
ASC 606 cumulative effect adjustment	(117,406)	-	(117,406)	-	**(117,406)**
Net assets, end of year	**$ 4,608,328**	**$ 784,554**	**$ 5,392,882**	**$ 1,389,597**	**$ 6,782,479**

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

Year Ended December 31, 2019	Program Services: Research, Policy and Training	Program Services: Associate Membership	Program Services: Education	Program Services: Publications	Program Services: Other Projects	Program Services: Total Program Expenses	Supporting Services: Fundraising	Supporting Services: Management and general	Supporting Services: Total Supporting Services	**Total**
Salaries and benefits	$ 1,648,719	$ 359,176	$ 118,124	$ 298,921	$ 213,430	$ 2,638,370	$ 250,365	$ 952,555	$ 1,202,920	**$ 3,841,290**
Professional fees and expenses	704,065	33,622	155	22,045	121,752	881,639	3,069	47,375	50,444	**932,083**
Contributed services	169,842	-	-	988	4,896	175,726	-	91,790	91,790	**267,516**
Bank and credit card fees	1,571	4,547	1,914	1,643	1,828	11,503	6,404	117	6,521	**18,024**
Business insurance	7,451	1,623	534	1,351	965	11,924	1,131	6,103	7,234	**19,158**
Office rent, maintenance and taxes	153,458	33,431	10,995	27,823	19,865	245,572	23,303	125,698	149,001	**394,573**
Printing, production and duplication	3,261	9,707	1,659	40,922	475	56,024	3,154	6,028	9,182	**65,206**
Subscriptions and membership	9,710	24,172	3,749	42,560	-	80,191	3,049	7,257	10,306	**90,497**
Postage and delivery	2,036	8,593	322	12,754	1,067	24,772	1,102	2,205	3,307	**28,079**
Travel and transportation	82,352	2,175	9,282	1,845	25,147	120,801	3,467	8,637	12,104	**132,905**
Conferences and meetings	463,561	1,459	14,419	3,333	141,588	624,360	2,252	8,423	10,675	**635,035**
Supplies	7,544	1,312	405	1,084	4,594	14,939	3,200	4,900	8,100	**23,039**
Telecommunications	5,075	895	303	745	740	7,758	904	3,669	4,573	**12,331**
Depreciation and amortization	9,598	2,091	688	1,740	1,242	15,359	1,457	7,862	9,319	**24,678**
Computer services	9,852	1,451	477	52,005	1,499	65,284	3,606	147,583	151,189	**216,473**
CLE, state filing	5,046	300	2,535	25	1,185	9,091	37	8,191	8,228	**17,319**
Product advertising/non research	48	-	-	40	2,078	2,166	-	13	13	**2,179**
Staff development/employment	405	-	95	120	-	620	913	3,247	4,160	**4,780**
Bad debt	-	-	-	-	-	-	-	18,000	18,000	**18,000**
Miscellaneous	258	502	1	1	2,019	2,781	2	1,224	1,226	**4,007**
Total expenses by function	**$ 3,283,852**	**$ 485,056**	**$ 165,657**	**$ 509,945**	**$ 544,370**	**$ 4,988,880**	**$ 307,415**	**$ 1,450,877**	**$ 1,758,292**	**$ 6,747,172**
Direct donor benefit	-	-	-	-	-	-	-	-	-	141,398
Total expenses	$ 3,283,852	$ 485,056	$ 165,657	$ 509,945	$ 544,370	$ 4,988,880	$ 307,415	$ 1,450,877	$ 1,758,292	$ 6,888,570

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

Environmental Law Institute

Statement of Cash Flows

Year Ended December 31,		2019
Cash flows from operating activities		
Changes in net assets	**$**	**239,009**
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Change in allowance for doubtful accounts		**(63,465)**
Net realized and unrealized gain on investments		**(814,766)**
Depreciation and amortization		**99,519**
Recovery of provision for project losses		**(250,000)**
(Increase) decrease in:		
Accounts receivable		**697,242**
Contributions receivable		**56,490**
Prepaid expenses and inventory		**81,482**
Increase (decrease) in:		
Accounts payable and accrued liabilities		**(160,990)**
Accrued payroll and vacation		**11,738**
Deferred revenue		**(18,197)**
Refundable advances		**66,185**
Deferred compensation plan		**17,201**
Deferred rent		**(109,395)**
Net cash used in operating activities		**(147,947)**
Cash flows from investing activities		
Purchases of investments		**(165,408)**
Proceeds from sales of investments		**149,098**
Purchases of property and equipment		**(67,581)**
Net cash used in investing activities		**(83,891)**
Net change in cash and cash equivalents		**(231,838)**
Cash and cash equivalents, beginning of year		**2,022,366**
Cash and cash equivalents, end of year	**$**	**1,790,528**

The accompanying Notes to Financial Statements are an integral part of these 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 was organized in December 1969 and 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 ("GAAP") 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:

N**et assets without donor restrictions** – net assets that are not subject to donor-imposed stipulations.

Board designated net assets – The board may designate the use of net assets without donor restrictions to enhance operational capabilities intended to produce future revenue. For the year ended December 31, 2019, the board designated the use of $695,000, of net assets without donor restrictions for program development and other specific activities.

N**et assets with donor restrictions** – net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Institute or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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.

Accounts receivable: Accounts receivable include all current billed and unbilled costs chargeable to contracts 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 face amount of accounts receivable is reduced by an allowance for doubtful accounts, if necessary. 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. All amounts are considered collectible at December 31, 2019.

Contributions receivable: Contributions receivable consist of unconditional promises to give that are expected to be collected in future years. An allowance for doubtful accounts is allocated on an account by account basis, if necessary. 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 5.

Donated investments 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 is received.

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 (losses) include the Institute's gains and losses on investments bought and sold as well as held during the year.

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.

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, 2019.

Inventory: Inventory consists of books and publications and is valued at the lower of cost or net realizable value. Cost is determined using the average cost method. Inventory totaled $41,283 as of December 31, 2019, and is included in prepaid expenses and inventory on the Statement of Financial Position.

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 valued 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 year ended December 31, 2019 totaled $99,519.

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 Statement 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.

Contributions: The Institute recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Institute has elected the policy to report donor-restricted contributions that were initially conditional contributions (condition has been met) as revenue recognized as support within net assets without donor restrictions.

Consequently, at December 31, 2019, contributions approximating $103,711, have not been recognized in the accompanying Statement of Activities and Changes in Net Assets because the measurable performance related conditions on which they depend have not yet been met. Advance payments totaling $66,185 are recorded in the Statement of Financial Position as refundable advances.

A portion of the Institute's revenue is derived from cost-reimbursable federal grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Institute has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position. The Organization received cost-reimbursable grants of $846,958 that have not been recognized or recorded at December 31, 2019 because qualifying expenditures have not yet been incurred.

Exchange transactions - revenue recognition: The Institute adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), on January 1, 2019. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Federal government and non-government contracts: The Institute receives contracts from government customers and private sector companies and organizations. For most of the contracts, the customer contracts with the Institute to provide a significant service of integrating a complex set of tasks into a single research project with one critical objective or purpose. Therefore, the entire contract has one performance obligation. If a contract is separated into more than one performance obligation, the Institute allocates the total transaction price to each performance obligation in an amount based on the estimated related stand-alone-selling-prices (SSP) of the promised goods or services underlying each performance obligation.

Revenue is generally recognized over time using the cost to cost method for a majority of the performance obligations. The services provided are typically billed on a monthly basis as costs are incurred. The Institute does have a small number of contracts that are recognized at a point in time. Services provided for these contracts are also typically billed on a monthly basis.

Publications and subscriptions: The Institute sells paper and electronic publications. The Institute satisfies its performance obligation and recognizes revenue at the point in time, i.e., when the publication is sold. For subscriptions, the Institute provides news alerts, monthly publications, access to updated archives, and subscriptions to the *Environmental Law Reporter* ("ELR"). These obligations are transferred and recognized evenly over the one year subscription period. Payment is received in advance. Publication sales and subscription sales totaled $67,835 and $258,324, respectively.

Membership: The Institute provides members access to information, discounts on books and reports, online subscriptions to ELR, and an option to attend the annual awards dinner and a three-day Environmental Law Boot Camp at a discounted rate. Membership dues are typically paid in advance and recognized when performance obligations are satisfied. Performance obligations recognized at a point in time include the customer options to attend the annual awards dinner and the three-day Environmental Law Boot Camp at a discounted rate which are recognized when the related event takes place or the option expires. The remaining member benefits are combined into one performance obligation as a series of distinct benefits provided, and are recognized evenly over the one year membership term. The fixed transaction price is allocated to the performance obligations using their stand-alone-selling-prices.

Membership dues are disaggregated when performance obligations are satisfied for the year ended December 31, 2019, as follows:

Performance obligations satisfied at a point in time	**$**	**115,773**
Performance obligations satisfied over time		**318,563**
Total	**$**	**434,336**

Conferences and meetings: The Institute holds conferences and events which are available to members and nonmembers. Payments are typically received in advance and revenue is recognized at a point in time that the related conference or event takes place.

Other revenue: Consists mainly of sales-based royalties and management fees. Payments for sales-based royalties are received quarterly and revenue is recognized as sales are reported to the Institute. Payments for management fees are received monthly when invoiced and revenue is recognized ratably over the time of the agreement.

Contract balances: Accounts receivable include billed and unbilled amounts related to services provided to customers. Contract liabilities include amounts paid by customers for which services have not yet been provided and are included in deferred revenue. The following tables provides information about significant changes in the deferred revenue for the year ended December 31, 2019:

Deferred revenue paid in advance, beginning of the year	**$**	**357,616**
Revenue recognized that was included in deferred revenue at the beginning of the year		**(357,616)**
Increase in deferred revenue due to cash received during the year		**339,419**
Deferred revenue paid in advance, end of the year	**$**	**339,419**

Concentrations: Approximately 12% of the Institute's revenue was derived from federal awards received from the Environmental Protection Agency ("EPA") for the year ended December 31, 2019. The current level of the Institute's operations and program services may be impacted if funding is not renewed.

As of December 31, 2019, receivables from four donors represented 63% of the total receivables balance.

Functional expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement 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 and supporting services. Fringe benefits are allocated based on each program's or supporting service's proportionate share of total salaries.

The expenses that are allocated include the following:

Expenses	Method of Allocation
Salaries and benefits	Time and effort
Business insurance	Time and effort
Office rent, maintenance and taxes	Time and effort
Printing, production and duplication	Time and effort
Postage and delivery	Time and effort
Travel and transportation	Time and effort
Conferences and meetings	Time and effort
Supplies	Time and effort
Telecommunications	Time and effort
Depreciation and amortization	Time and effort
Staff development/employment	Time and effort

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. Management has concluded that the Institute has maintained its exempt status.

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, 2019, 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 2016 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 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 restrictions are classified as financing activities. Otherwise, receipts from the sale of donated financial assets are classified as cash flows from investing activities.

New accounting standard adopted: In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance under ASC 606, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 was effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Institute adopted ASC 606 with a date of the initial application of January 1, 2019.

The Institute applied ASC 606 using the cumulative effect method, which resulted in recognizing the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets at January 1, 2019.

As part of the adoption of ASC 606, the Institute elected to use the following practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing the first practical expedient. The adoption resulted in a decrease to beginning net assets of $117,406 as of January 1, 2019. The details of the significant changes are discussed below.

Prior to the adoption of ASC 606, the Institute recognized revenue from memberships over the one year membership period and determined there was a single unit of accounting. In accordance with ASC 606, the Institute determined that there are three performance obligations associated with memberships. Two performance obligations for customer options are recognized at points in time and one performance obligation for all other membership benefits is recognized evenly over the one year membership year. This change resulted in an increase in 2019 membership revenue of $117,406 and a decrease of beginning net assets of $117,406. The disclosure of the impact of adoption on the 2019 Statement of Activities and Changes in Net Assets was as follows:

	As reported	Balances without Adoption of ASC 606	Effect of Change Higher/ (Lower)
Membership revenue	$ 434,336	$ 268,214	$ 166,122

The disclosure of the impact of adoption on the 2019 Statement of Financial Position was as follows:

	As reported	Balances without Adoption of ASC 606	Effect of Change Higher/ (Lower)
Deferred revenue	$ 339,419	$ 388,134	$ (48,715)

New accounting standard adopted: In June 2018, the FASB issued Accounting Standards Update 2018-08 ("ASU 2018-08"), *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for resource recipients for annual reporting periods beginning after December 15, 2018 and resource providers one year later. ASU 2018-08 was adopted by the Institute in 2019 and was applied to all agreements not completed as of January 1, 2019. Due to this adoption, all of the Institute's federal government grants are no longer considered exchange transactions and are now deemed contributions (mostly conditional contributions) where revenue recognized equates to the allowable expenses incurred. Contributions that would have been deemed unconditional under previous standards are now considered conditional, increasing the number of conditional contributions received by the Institute. Also, due to this adoption, the Institute bifurcates membership revenue which is partly a contribution and partly an exchange transaction. The amount apportioned to contributions for 2019 memberships totaled $361,145.

New accounting standard adopted: In January 2016, the FASB issued Accounting Standards Update 2016-01 ("ASU 2016-01") *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities– Overall (Subtopic 825-10)*, which improves the reporting model for users of financial information. The update provides an alternative valuation for securities without readily determinable fair values, and addresses impairment issues related to equity securities. ASU 2016-01 did not affect amounts reported or the classification of investments disclosed in the accompanying financial statements.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through April 29, 2020, which is the date the financial statements were available to be issued.

2. Liquidity and the availability of resources

The Institute regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Institute has various sources of liquidity at its disposal, including cash and cash equivalents, as well as marketable debt and equity securities. The Institute strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Institute considers all expenditures related to its ongoing activities of research, publications, membership, and educational programs as well as the conduct of services undertaken to support those activities to be general expenditures.

The Institute receives significant restricted contributions, primarily from foundations, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The following represents the Institute's financial assets at December 31, 2019:

Financial assets at year-end:		
Cash and cash equivalents	$	**1,790,528**
Investments		**5,151,565**
Accounts receivable		**73,478**
Contributions receivable, net		**877,272**
Total financial assets at year-end		**7,892,843**

Less financial assets restricted for use/not available over the next 12 months:

Investments held in reserve fund		**(5,151,565)**
Financial assets available to meet general expenditures over the next twelve months	$	**2,741,278**

The purpose of ELI's reserve fund is to provide for the long-term financial health and growth of ELI. Following ELI's Financial Management Policy, ELI endeavors to maintain sufficient funds in its reserve fund to fund six-months of routine operations. Proposals by ELI Staff or the Board to withdraw funds from the reserve fund for special activities will normally be considered and approved during the annual budget cycle. Withdrawals from the reserve fund for special activities may occur during the year with approval of the Finance & Investment Committee, Executive Committee, and the Board.

3. Contributions receivable

As of December 31, 2019, all contributions receivable are expected to be collected in one year or less. The allowance for uncollectable accounts totaled $6,535 as of December 31, 2019.

4. Investments

Investments of the Institute as of December 31, 2019, are as follows:

	2019
Mutual funds:	
Domestic equities	$ 2,186,748
International equities	653,517
Real estate	80,569
Domestic bonds	170,932
International bonds	306,185
US Treasury Fund	25,189
Exchange traded funds:	
International equities	462,153
Domestic bonds	1,266,272
Total investments	**$ 5,151,565**

5. Fair value

Assets were recorded at fair value on a recurring basis as of December 31, 2019 based on the following level of hierarchy:

		Fair Value Measurements Using		
December 31, 2019	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Domestic equities	$ 2,186,748	$ 2,186,748	$ -	$ -
International equities	653,517	653,517	-	-
Real estate	80,569	80,569	-	-
Domestic bonds	170,932	170,932	-	-
International bonds	306,185	306,185	-	-
US treasury fund	25,189	25,189	-	-
Exchange traded funds:				
International equities	462,153	462,153	-	-
Domestic bonds	1,266,272	1,266,272	-	-
Total	**$ 5,151,565**	**$ 5,151,565**	**$ -**	**$ -**

6. 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 Statement of Financial Position.

As a result of the spread of the coronavirus (COVID-19), the Institute has experienced disruptions to daily operations and event cancelations. Economic uncertainties have arisen which could negatively impact contribution levels. The operations for certain services, notably our seminars, boot camps, trainings, and convenings have be negatively impacted by COVID-19. At this time, the Institute's single fundraising event, the Award Dinner, typically held in the Fall, may or may not be held. Other financial impact could occur though such potential impacts are unknown at this time.

7. Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes as of December 31:

		2019
Research activities	$	**1,262,609**
Time restricted only		**126,988**
Total	**$**	**1,398,597**

8. Contributed resources and services

In 2019, the Institute received contributions of labor with a fair value of $267,516. Contributed services are recognized when services require specialized skills, are performed by individuals who possess those skills, and the Institute would typically need to pay for them. During 2019, labor valued at $257,381, related to the Institute's core programs was allocated to program expenses. The remaining donated labor included $10,135, which was allocated to management and general expense.

9. Operating lease

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 was to expire in February 2025 with a renewal option to extend the term of the lease. In December 2019, this lease was renewed and extended through February 2030. The lease provides for fixed annual increases during the lease term as well as a rent abatement.

Future minimum lease payments under the lease are as follows:

Year Ending December 31:	Amount
2020	$ 261,655
2021	468,388
2022	478,926
2023	489,702
2024	500,719
Thereafter	2,771,369
Total	**$ 4,970,759**

Rent expense under the operating leases for the year ended December 31, 2019 was $309,576.

10. 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 $2,000, or the first 2.5% of compensation. The Institute's contributions were $88,003 for the year ended December 31, 2019.

In 2019, the Institute established a nonqualified deferred compensation plan ("457(b) Plan") for members of management. A deferred compensation liability representing employee contributions is included in the accompanying Statement of Financial Position. The assets held for the plan are generally distributed upon termination of employment and until that time, remain subject to the claims of Institute's general creditors. The Institute made no employer contributions to the 457(b) Plan during the year ended December 31, 2019.

11. Direct costs

Included in fundraising expenses are the direct costs of the Institute's annual dinner which were $141,398 for the year ended December 31, 2019.

12. Related party transactions

Members of the Institute's Board of Directors contributed $328,461 during the year ended December 31, 2019. During 2019, an ELI employee's spouse provided consulting services totaling $23,571 to the Institute.

13. 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 2 CFR 200. 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, 2019, the Institute had received final settlements on indirect cost rates through 2017. 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.

14. 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.