

**ENVIRONMENTAL LAW INSTITUTE**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

# Environmental Law Institute

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## 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 Statements of Financial Position as of December 31, 2020 and 2019, and the related Statements of Activities and Changes in Net Assets, Functional Expenses 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.

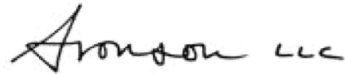
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2020 and 2019, 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 7, 2021

# Environmental Law Institute

## Statements of Financial Position

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,882,444	\$ 1,790,528
Accounts receivable		
Contracts	67,877	70,841
Other	6,171	2,637
Contributions receivable, net	500,255	877,272
Investments	5,698,662	5,151,565
Prepaid expenses and inventory	176,471	90,480
<b>Total current assets</b>	<b>9,331,880</b>	<b>7,983,323</b>
<b>Deferred compensation plan assets</b>	<b>45,690</b>	<b>16,309</b>
<b>Property and equipment, at cost</b>		
Furniture, equipment and software	450,166	434,999
Leasehold improvements	1,010,393	748,408
<b>Total</b>	<b>1,460,559</b>	<b>1,183,407</b>
Less: Accumulated depreciation and amortization	(736,516)	(626,522)
<b>Property and equipment, net</b>	<b>724,043</b>	<b>556,885</b>
<b>Other assets</b>		
Security deposit	65,604	65,023
<b>Total assets</b>	<b>\$ 10,167,217</b>	<b>\$ 8,621,540</b>

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

# Environmental Law Institute

## Statements of Financial Position (continued)

	2020	2019
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 227,191	\$ 237,897
Accrued payroll and vacation	560,274	458,932
Deferred revenue	258,651	339,419
Refundable advances	522,890	66,185
Deferred rent, current portion	-	118,821
<b>Total current liabilities</b>	<b>1,569,006</b>	<b>1,221,254</b>
<b>Deferred compensation plan liability</b>	<b>45,865</b>	<b>17,201</b>
<b>Deferred rent, net of current portion</b>	<b>1,090,155</b>	<b>600,606</b>
<b>Total liabilities</b>	<b>2,705,026</b>	<b>1,839,061</b>
<b>Net assets</b>		
Net assets without donor restrictions	5,759,582	5,392,882
Net assets with donor restrictions	1,702,609	1,389,597
<b>Total net assets</b>	<b>7,462,191</b>	<b>6,782,479</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,167,217</b>	<b>\$ 8,621,540</b>

## Environmental Law Institute

### Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2020</i>	Without Donor Restrictions	Board Designated	Total Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues</b>					
Contributions					
Federal government	\$ 682,365	\$ -	\$ 682,365	\$ -	\$ 682,365
Foundation	373,349	-	373,349	1,610,196	1,983,545
Corporations and individuals	831,833	-	831,833	190,921	1,022,754
Contributed services	405,936	-	405,936	-	405,936
Award dinner	242,700	-	242,700	-	242,700
PPP loan forgiveness	847,500	-	847,500	-	847,500
Exchange transactions					
Federal government	112,482	-	112,482	-	112,482
Non-government	403,524	-	403,524	-	403,524
Publication sales and subscriptions	260,541	-	260,541	-	260,541
Membership	426,697	-	426,697	-	426,697
Conferences and meetings	140,316	-	140,316	-	140,316
Other revenue	305,832	-	305,832	-	305,832
Net assets released from restriction	1,488,105	-	1,488,105	(1,488,105)	-
<b>Total operating revenues</b>	<b>6,521,180</b>	<b>-</b>	<b>6,521,180</b>	<b>313,012</b>	<b>6,834,192</b>
<b>Operating expenses</b>					
<b>Program services</b>					
Research, policy and training	2,655,491	421,764	3,077,255	-	3,077,255
Associate membership	553,917	-	553,917	-	553,917
Education	158,846	-	158,846	-	158,846
Publications	619,324	-	619,324	-	619,324
Other projects	462,202	-	462,202	-	462,202
<b>Total program services</b>	<b>4,449,780</b>	<b>421,764</b>	<b>4,871,544</b>	<b>-</b>	<b>4,871,544</b>
<b>Supporting services</b>					
Fundraising	397,394	-	397,394	-	397,394
Management and general	1,438,201	-	1,438,201	-	1,438,201
<b>Total supporting services</b>	<b>1,835,595</b>	<b>-</b>	<b>1,835,595</b>	<b>-</b>	<b>1,835,595</b>
<b>Total operating expenses</b>	<b>6,285,375</b>	<b>421,764</b>	<b>6,707,139</b>	<b>-</b>	<b>6,707,139</b>
<b>Net operating income (loss)</b>	<b>235,805</b>	<b>(421,764)</b>	<b>(185,959)</b>	<b>313,012</b>	<b>127,053</b>
Investment return	552,659	-	552,659	-	552,659
<b>Changes in net assets</b>	<b>788,464</b>	<b>(421,764)</b>	<b>366,700</b>	<b>313,012</b>	<b>679,712</b>
<b>Transfer between net assets without donor restrictions</b>	<b>(420,000)</b>	<b>420,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, beginning of year</b>	<b>4,608,328</b>	<b>784,554</b>	<b>5,392,882</b>	<b>1,389,597</b>	<b>6,782,479</b>
<b>Net assets, end of year</b>	<b>\$ 4,976,792</b>	<b>\$ 782,790</b>	<b>\$ 5,759,582</b>	<b>\$ 1,702,609</b>	<b>\$ 7,462,191</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, 2019</i>	Without Donor Restrictions	Board Designated	Total Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues</b>					
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	180,019	-	180,019	-	180,019
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	358,856	-	358,856	-	358,856
Net assets released from restriction	2,284,713	-	2,284,713	(2,284,713)	-
<b>Total operating revenues</b>	<b>6,742,968</b>	<b>-</b>	<b>6,742,968</b>	<b>(583,728)</b>	<b>6,159,240</b>
<b>Operating expenses</b>					
<b>Program services</b>					
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
<b>Total program services</b>	<b>4,672,770</b>	<b>316,110</b>	<b>4,988,880</b>	<b>-</b>	<b>4,988,880</b>
<b>Supporting services</b>					
Fundraising	307,415	-	307,415	-	307,415
Management and general	1,450,877	-	1,450,877	-	1,450,877
<b>Total supporting services</b>	<b>1,758,292</b>	<b>-</b>	<b>1,758,292</b>	<b>-</b>	<b>1,758,292</b>
<b>Total operating expenses</b>	<b>6,431,062</b>	<b>316,110</b>	<b>6,747,172</b>	<b>-</b>	<b>6,747,172</b>
<b>Net operating income (loss)</b>	<b>311,906</b>	<b>(316,110)</b>	<b>(4,204)</b>	<b>(583,728)</b>	<b>(587,932)</b>
Investment return	826,941	-	826,941	-	826,941
<b>Changes in net assets</b>	<b>1,138,847</b>	<b>(316,110)</b>	<b>822,737</b>	<b>(583,728)</b>	<b>239,009</b>
<b>Transfer between net assets without donor restrictions</b>					
	(695,000)	695,000	-	-	-
<b>Net assets, beginning of year</b>	<b>4,281,887</b>	<b>405,664</b>	<b>4,687,551</b>	<b>1,973,325</b>	<b>6,660,876</b>
<b>ASC 606 cumulative effect adjustment</b>	<b>(117,406)</b>	<b>-</b>	<b>(117,406)</b>	<b>-</b>	<b>(117,406)</b>
<b>Net assets, end of year</b>	<b>\$ 4,608,328</b>	<b>\$ 784,554</b>	<b>\$ 5,392,882</b>	<b>\$ 1,389,597</b>	<b>\$ 6,782,479</b>

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



**Environmental Law Institute**

**Statement of Functional Expenses**

<i>Year Ended December 31, 2020</i>	Program Services					Supporting Services				<b>Total</b>
	Research, Policy and Training	Associate Membership	Education	Publications	Other Projects	Total Program Expenses	Fundraising	Management and general	Total Supporting Services	
Salaries and benefits	\$ 1,773,590	\$ 412,375	\$ 124,966	\$ 369,262	\$ 286,361	\$ 2,966,554	\$ 319,265	\$ 960,895	\$ 1,280,160	\$ 4,246,714
Professional fees and expenses	847,811	18,967	-	25,657	43,349	935,784	1,000	42,146	43,146	978,930
Contributed services	154,186	35,849	10,864	32,102	24,895	257,896	27,755	120,285	148,040	405,936
Bank and credit card fees	666	2,826	1,436	693	204	5,825	6,574	115	6,689	12,514
Business insurance	8,436	1,961	594	1,756	1,362	14,109	1,518	6,581	8,099	22,208
Office rent, maintenance and taxes	170,277	39,591	11,998	35,452	27,493	284,811	30,652	132,839	163,491	448,302
Printing, production and duplication	2,242	24,298	134	65,734	308	92,716	631	1,552	2,183	94,899
Subscriptions and membership	9,131	1,090	3,014	9,854	33	23,122	77	6,336	6,413	29,535
Postage and delivery	1,537	7,317	116	12,400	413	21,783	650	1,966	2,616	24,399
Travel and transportation	10,033	58	684	29	2,663	13,467	747	1,876	2,623	16,090
Conferences and meetings	61,730	975	820	2,157	65,519	131,201	691	794	1,485	132,686
Supplies	5,081	1,909	257	905	589	8,741	907	3,962	4,869	13,610
Telecommunications	2,941	766	263	589	457	5,016	526	2,659	3,185	8,201
Depreciation	16,014	3,723	1,128	3,334	2,586	26,785	2,883	12,494	15,377	42,162
Computer services	11,875	1,614	399	55,325	5,520	74,733	2,961	133,860	136,821	211,554
CLE, state filing	106	-	1,772	-	-	1,878	265	4,615	4,880	6,758
Product advertising/non research	-	-	400	-	-	400	-	35	35	435
Staff development/employment	725	95	-	-	449	1,269	290	127	417	1,686
Bad debt	845	-	-	-	-	845	-	-	-	845
Miscellaneous	29	503	1	4,075	1	4,609	2	5,064	5,066	9,675
<b>Total expenses</b>	<b>\$ 3,077,255</b>	<b>\$ 553,917</b>	<b>\$ 158,846</b>	<b>\$ 619,324</b>	<b>\$ 462,202</b>	<b>\$ 4,871,544</b>	<b>\$ 397,394</b>	<b>\$ 1,438,201</b>	<b>\$ 1,835,595</b>	<b>\$ 6,707,139</b>

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

**Environmental Law Institute**

**Statement of Functional Expenses**

<i>Year Ended December 31, 2019</i>	Program Services					Supporting Services					Total
	Research, Policy and Training	Associate Membership	Education	Publications	Other Projects	Total Program Expenses	Fundraising	Management and general	Total Supporting Services		
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	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	
<b>Total expenses by function</b>	<b>\$ 3,283,852</b>	<b>\$ 485,056</b>	<b>\$ 165,657</b>	<b>\$ 509,945</b>	<b>\$ 544,370</b>	<b>\$ 4,988,880</b>	<b>\$ 307,415</b>	<b>\$ 1,450,877</b>	<b>\$ 1,758,292</b>	<b>\$ 6,747,172</b>	
<b>Direct donor benefit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,398</b>	
<b>Total expenses</b>	<b>\$ 3,283,852</b>	<b>\$ 485,056</b>	<b>\$ 165,657</b>	<b>\$ 509,945</b>	<b>\$ 544,370</b>	<b>\$ 4,988,880</b>	<b>\$ 307,415</b>	<b>\$ 1,450,877</b>	<b>\$ 1,758,292</b>	<b>\$ 6,888,570</b>	

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

## Environmental Law Institute

### Statements of Cash Flows

<i>Year Ended December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 679,712	\$ 239,009
<b>Adjustments to reconcile changes in net assets to net cash provided (used) in operating activities</b>		
Change in allowance for doubtful accounts	(5,000)	(63,465)
Net realized and unrealized gain on investments	(547,097)	(814,766)
Amortization	74,841	74,841
Depreciation	42,162	24,678
Recovery of provision for project losses	-	(250,000)
<b>(Increase) decrease in:</b>		
Accounts receivable	(570)	697,242
Contributions receivable	382,017	56,490
Prepaid expenses and inventory	(85,991)	81,482
Security deposit	(581)	-
<b>Increase (decrease) in:</b>		
Accounts payable and accrued liabilities	(10,706)	(160,990)
Accrued payroll and vacation	101,342	11,738
Deferred revenue	(80,768)	(18,197)
Refundable advances	456,705	66,185
Deferred compensation plan	28,664	17,201
Deferred rent	370,728	(109,395)
<b>Net cash provided (used) in operating activities</b>	<b>1,405,458</b>	<b>(147,947)</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(161,757)	(165,408)
Proceeds from sales of investments	132,376	149,098
Purchases of property and equipment	(284,161)	(67,581)
<b>Net cash used in investing activities</b>	<b>(313,542)</b>	<b>(83,891)</b>
<b>Net change in cash and cash equivalents</b>	<b>1,091,916</b>	<b>(231,838)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,790,528</b>	<b>2,022,366</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,882,444</b>	<b>\$ 1,790,528</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 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:

**Net 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 years ended December 31, 2020 and 2019, the board designated the use of \$420,000 and \$695,000 of net assets without donor restrictions for program development and other specific activities, respectively.

**Net 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. The Institute has no such perpetual restrictions as of December 31, 2020 and 2019.

**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 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, 2020 and 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.

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 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.

# Environmental Law Institute

## Notes to Financial Statements

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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, 2020.

**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 \$30,456 and \$41,283 as of December 31, 2020 and 2019, and is included in prepaid expenses and inventory on the Statements 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 years ended December 31, 2020 and 2019 totaled \$117,003 and \$99,519, respectively.

**Impairment of long-lived assets:** The Institute reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Institute evaluates the carrying value of its long-lived assets based on whether it is probable that undiscounted future cash flows from its long-lived assets will be less than their net book value. As of December 31, 2020 and 2019, respectively, management does not believe an impairment adjustment is required.

**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.

# Environmental Law Institute

## Notes to Financial Statements

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**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, 2020 and 2019, contributions of \$993,815 and \$103,711, respectively, have not been recognized in the accompanying Statements 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 \$522,890 and \$66,185 are recorded in the Statements of Financial Position as refundable advances at December 31, 2020 and 2019, respectively.

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 Statements of Financial Position. The Organization received cost-reimbursable grants of \$853,708 and \$846,958 that have not been recognized or recorded at December 31, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred.

**Exchange transactions - revenue recognition:** The Institute recognizes certain revenue under Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). 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.

# Environmental Law Institute

## Notes to Financial Statements

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**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 \$46,023 and \$214,518, respectively, for the year ended December 31, 2020. Publication sales and subscription sales totaled \$67,835 and \$258,324, respectively, for the year ended December 31, 2019.

**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.



# Environmental Law Institute

## Notes to Financial Statements

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

	2020	2019
Performance obligations satisfied at a point in time	\$ 62,722	\$ 115,773
Performance obligations satisfied over time	363,975	318,563
Total	\$ 426,697	\$ 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 years ended December 31:

	2020	2019
Deferred revenue paid in advance, beginning of the year	\$ 339,419	\$ 357,616
Revenue recognized that was included in deferred revenue at the beginning of the year	(339,419)	(357,616)
Increase in deferred revenue due to cash received during the year	258,651	339,419
Deferred revenue paid in advance, end of the year	\$ 258,651	\$ 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. A similar concentration did not exist for the year ended December 31, 2020.

# Environmental Law Institute

## Notes to Financial Statements

As of December 31, 2020, receivables from three donors represented 62% of the total receivables balance. 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 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 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:

<u>Expenses</u>	<u>Method of Allocation</u>
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, 2020, 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 2017 through the current year remain open for examination by federal and state tax authorities.

# Environmental Law Institute

## Notes to Financial Statements

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**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 Statements 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 pronouncement not yet adopted:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the existing lease accounting standard and sets out principles for the recognition, measurement, presentation and disclosure of leases. Under the new guidance, a lessee will be required to recognize lease assets and lease liabilities for all leases with lease terms in excess of twelve months. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease. ASU 2016-02 was originally effective for the Institute on January 1, 2021. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which delays the effective date of ASU 2016-02 to annual reporting periods beginning after December 15, 2021. Entities are also allowed to choose to adopt the standard as of the original effective date. The Institute plans to adopt this new standard as of January 1, 2022. The Institute is in the process of evaluating the impact from this new guidance.

**Reclassification:** Certain 2019 balances have been reclassified to reflect 2020 presentation.

**Subsequent events:** Management has evaluated subsequent events for disclosure in these financial statements through April 7, 2021, which is the date the financial statements were available to be issued.

# Environmental Law Institute

## Notes to Financial Statements

### 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:

Financial assets at year-end:	<b>2020</b>	2019
Cash and cash equivalents	\$ 2,882,444	\$ 1,790,528
Investments	5,698,662	5,151,565
Accounts receivable	74,048	73,478
Contributions receivable, net	500,255	877,272
<b>Total financial assets at year-end</b>	<b>9,155,409</b>	7,892,843
Less financial assets restricted for use/not available over the next 12 months:		
Investments held in reserve	<b>(5,698,662)</b>	(5,151,565)
<b>Financial assets available to meet general expenditures over the next twelve months</b>	<b>\$ 3,456,747</b>	\$ 2,741,278

# Environmental Law Institute

## Notes to Financial Statements

The purpose of ELI's reserves 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 reserves to fund six-months of routine operations. Proposals by ELI Staff or the Board to withdraw funds from reserves for special activities will normally be considered and approved during the annual budget cycle. Withdrawals from reserves 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, 2020 and 2019, all contributions receivable are expected to be collected in one year or less. The allowance for uncollectable accounts totaled \$1,535 and \$6,535 as of December 31, 2020 and 2019, respectively.

- 4. Investments** Investments of the Institute as of December 31, are as follows:

	<u>2020</u>	<u>2019</u>
Mutual funds:		
Domestic equities	\$ 2,545,702	\$ 2,186,748
International equities	713,740	653,517
Real estate	76,511	80,569
Domestic bonds	178,540	170,932
International bonds	320,874	306,185
US Treasury Fund	-	25,189
Exchange traded funds:		
International equities	506,948	462,153
Domestic bonds	1,356,347	1,266,272
<b>Total investments</b>	<b>\$ 5,698,662</b>	<b>\$ 5,151,565</b>

# Environmental Law Institute

## Notes to Financial Statements

### 5. Fair value

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

December 31, 2020	Total	Fair Value Measurements Using		
		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	\$ 2,545,702	\$ 2,545,702	\$ -	\$ -
International equities	713,740	713,740	-	-
Real estate	76,511	76,511	-	-
Domestic bonds	178,540	178,540	-	-
International bonds	320,874	320,874	-	-
Exchange traded funds:				
International equities	506,948	506,948	-	-
Domestic bonds	1,356,347	1,356,347	-	-
<b>Total</b>	<b>\$ 5,698,662</b>	<b>\$ 5,698,662</b>	<b>\$ -</b>	<b>\$ -</b>

December 31, 2019	Total	Fair Value Measurements Using		
		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	-	-
<b>Total</b>	<b>\$ 5,151,565</b>	<b>\$ 5,151,565</b>	<b>\$ -</b>	<b>\$ -</b>

# Environmental Law Institute

## Notes to Financial Statements

### 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 Statements of Financial Position.

As a result of the spread of the coronavirus (COVID-19), the Institute has experienced disruptions to daily operations and events in moving to a remote environment. Economic uncertainties have arisen which could negatively impact contribution levels. The operations for certain services, notably seminars, boot camps, trainings, and convenings have been negatively impacted by COVID-19. Other financial impacts 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:

	<u>2020</u>	<u>2019</u>
Research activities	\$ 1,630,568	\$ 1,262,609
Time restricted only	72,041	126,988
<b>Total</b>	<b>\$ 1,702,609</b>	<b>\$ 1,398,597</b>

### 8. Contributed resources and services

The Institute received contributions of labor with a fair value of \$405,936 and \$267,516 in the years ended December 31, 2020 and 2019, respectively. 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 2020 and 2019, labor valued at \$402,747 and \$257,381, respectively, related to the Institute's core programs was allocated to program expenses. The remaining donated labor included \$3,189 and \$10,135 for the years ended December 31, 2020 and 2019, respectively, which was allocated to management and general expense.

### 9. PPP loan

In April 2020, the Institute entered into a note payable agreement with a local bank for a loan in the amount of \$847,500, pursuant to the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP loan has a two-year term and bears interest at a rate of 1.0% per annum. The PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. The CARES Act provides that the PPP loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act.

# Environmental Law Institute

## Notes to Financial Statements

The Institute expects to meet the PPP's eligibility criteria and, therefore, has concluded that the PPP Loan represents, in substance, a grant that is expected to be forgiven. As a result, the Institute has accounted for the PPP Loan in accordance with *FASB ASC 958-605* as a conditional contribution. The Institute initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions are substantially met. During the year ended December 31, 2020, the Institute has used the entire proceeds for purposes consistent with the PPP, resulting in recognition of the entire PPP Loan amount as contribution revenue in the accompanying financial statements.

### 10. 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:

Years Ending December 31:	Amount
2021	\$ 468,388
2022	478,926
2023	489,702
2024	500,720
2025	511,987
Thereafter	2,259,383
<b>Total</b>	<b>\$ 4,709,106</b>

Rent expense under the operating leases for the years ended December 31, 2020 and 2019 was \$370,398 and \$309,576, respectively.



# Environmental Law Institute

## Notes to Financial Statements

**11. 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 \$99,733 and \$88,003 for the years ended December 31, 2020 and 2019, respectively.

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 Statements 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 years ended December 31, 2020 and 2019.

**12. Direct costs** Included in fundraising expenses are the direct costs of the Institute's annual dinner which were \$0 and \$141,398 for the years ended December 31, 2020 and 2019, respectively.

**13. Related party transactions** Members of the Institute's Board of Directors contributed \$310,133 and \$328,461 during the years ended December 31, 2019. During 2020 and 2019, an ELI employee's spouse provided consulting services totaling \$16,648 and \$23,571 to the Institute, respectively.

**14. 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, 2020, the Institute had received final settlements on indirect cost rates through 2018. 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.