

ENVIRONMENTAL LAW INSTITUTE
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

Environmental Law Institute

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Audited Financial Statements	
Statements of Financial Position	3 - 4
Statements of Activities and Changes in Net Assets	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 24



Independent Auditor's Report

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

111 Rockville Pike
Suite 600
Rockville, Maryland 20850

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

Opinion

We have audited the accompanying financial statements of **Environmental Law Institute** (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2021 and 2020, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Environmental Law Institute** as of December 31, 2021, and 2020 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Environmental Law Institute** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Environmental Law Institute's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (Continued)

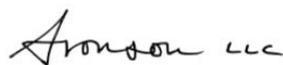
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Environmental Law Institute's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Environmental Law Institute's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Rockville, Maryland
May 23, 2022

Environmental Law Institute

Statements of Financial Position

<i>December 31,</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 3,513,949	\$ 2,882,444
Accounts receivable		
Contracts	96,861	67,877
Other	8,368	6,171
Contributions receivable, net	1,006,079	500,255
Investments	6,455,030	5,698,662
Prepaid expenses and inventory	162,225	176,471
Total current assets	11,242,512	9,331,880
Deferred compensation plan assets	82,824	45,690
Property and equipment, at cost		
Furniture, equipment and software	466,280	450,166
Leasehold improvements	1,010,393	1,010,393
Total	1,476,673	1,460,559
Less: Accumulated depreciation and amortization	(851,017)	(736,516)
Property and equipment, net	625,656	724,043
Other assets		
Security deposit	65,604	65,604
Total assets	\$ 12,016,596	\$ 10,167,217

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

Environmental Law Institute

Statements of Financial Position (continued)

	2021	2020
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 230,621	\$ 227,191
Accrued payroll and vacation	818,708	560,274
Deferred revenue	440,014	258,651
Refundable advances	1,338,373	522,890
Deferred rent, current portion	122,587	-
Total current liabilities	2,950,303	1,569,006
Deferred compensation plan liability	83,323	45,865
Deferred rent, net of current portion	881,743	1,090,155
Total liabilities	3,915,369	2,705,026
Net assets		
Net assets without donor restrictions	6,237,785	5,759,582
Net assets with donor restrictions	1,863,442	1,702,609
Total net assets	8,101,227	7,462,191
Total liabilities and net assets	\$ 12,016,596	\$ 10,167,217

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, 2021</i>	Without Donor Restrictions	Board Designated	Total Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues					
Contributions					
Federal government	\$ 586,269	\$ -	\$ 586,269	\$ -	\$ 586,269
Foundation	559,107	-	559,107	1,598,399	2,157,506
Corporations and individuals	789,293	-	789,293	281,300	1,070,593
Contributed services	730,416	-	730,416	-	730,416
Award dinner	327,020	-	327,020	-	327,020
Less direct donor benefit	(99,862)	-	(99,862)	-	(99,862)
PPP loan forgiveness	745,000	-	745,000	-	745,000
Exchange transactions					
Federal government	232,423	-	232,423	-	232,423
Non-government	544,592	-	544,592	-	544,592
Publication sales and subscriptions	236,608	-	236,608	-	236,608
Membership	468,598	-	468,598	-	468,598
Conferences and meetings	121,440	-	121,440	-	121,440
Other revenue	245,425	-	245,425	-	245,425
Net assets released from restriction	1,718,866	-	1,718,866	(1,718,866)	-
Total operating revenues	7,205,195	-	7,205,195	160,833	7,366,028
Operating expenses					
Program services					
Research, policy and training	3,273,671	274,915	3,548,586	-	3,548,586
Associate membership	567,735	-	567,735	-	567,735
Education	236,818	-	236,818	-	236,818
Publications	661,853	-	661,853	-	661,853
Other projects	521,626	-	521,626	-	521,626
Total program services	5,261,703	274,915	5,536,618	-	5,536,618
Supporting services					
Fundraising	388,598	-	388,598	-	388,598
Management and general	1,562,499	-	1,562,499	-	1,562,499
Total supporting services	1,951,097	-	1,951,097	-	1,951,097
Total operating expenses	7,212,800	274,915	7,487,715	-	7,487,715
Net operating income (loss)	(7,605)	(274,915)	(282,520)	160,833	(121,687)
Investment return	760,723	-	760,723	-	760,723
Changes in net assets	753,118	(274,915)	478,203	160,833	639,036
Transfer between net assets without donor restrictions	(228,250)	228,250	-	-	-
Net assets, beginning of year	4,976,792	782,790	5,759,582	1,702,609	7,462,191
Net assets, end of year	\$ 5,501,660	\$ 736,125	\$ 6,237,785	\$ 1,863,442	\$ 8,101,227

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, 2020</i>	Without Donor Restrictions	Board Designated	Total Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues					
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)	-
Total operating revenues	6,521,180	-	6,521,180	313,012	6,834,192
Operating expenses					
Program services					
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
Total program services	4,449,780	421,764	4,871,544	-	4,871,544
Supporting services					
Fundraising	397,394	-	397,394	-	397,394
Management and general	1,438,201	-	1,438,201	-	1,438,201
Total supporting services	1,835,595	-	1,835,595	-	1,835,595
Total operating expenses	6,285,375	421,764	6,707,139	-	6,707,139
Net operating income (loss)	235,805	(421,764)	(185,959)	313,012	127,053
Investment return	552,659	-	552,659	-	552,659
Changes in net assets	788,464	(421,764)	366,700	313,012	679,712
Transfer between net assets without donor restrictions	(420,000)	420,000	-	-	-
Net assets, beginning of year	4,608,328	784,554	5,392,882	1,389,597	6,782,479
Net assets, end of year	\$ 4,976,792	\$ 782,790	\$ 5,759,582	\$ 1,702,609	\$ 7,462,191

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, 2021</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	\$ 2,085,540	\$ 392,765	\$ 180,006	\$ 406,238	\$ 215,654	\$ 3,280,203	\$ 295,689	\$ 1,063,250	\$ 1,358,939	\$ 4,639,142
Professional fees and expenses	789,646	24,915	7	25,189	46,065	885,822	1,011	37,006	38,017	923,839
Contributed services	328,361	61,839	28,341	63,961	33,954	516,456	46,555	167,405	213,960	730,416
Bank and credit card fees	803	3,531	2,003	1,159	184	7,680	5,986	216	6,202	13,882
Business insurance	8,838	1,665	763	1,722	914	13,902	1,253	6,956	8,209	22,111
Office rent, maintenance, taxes and amortization	184,632	34,771	15,936	35,964	19,092	290,395	26,177	145,316	171,493	461,888
Printing, production and duplication	2,440	28,506	211	64,061	252	95,470	350	1,946	2,296	97,766
Subscriptions and membership	11,159	679	3,535	6,220	25	21,618	35	6,390	6,425	28,043
Postage and delivery	974	5,986	80	12,143	142	19,325	535	1,601	2,136	21,461
Travel and transportation	20,556	-	-	-	70	20,626	75	4,041	4,116	24,742
Conferences and meetings	74,888	8	1,255	8	1,269	77,428	2,288	3,289	5,577	83,005
Supplies	3,382	324	148	508	178	4,540	1,765	1,449	3,214	7,754
Telecommunications	2,145	428	151	356	181	3,261	248	1,646	1,894	5,155
Depreciation	15,853	2,986	1,368	3,088	1,639	24,934	2,248	12,478	14,726	39,660
Computer services	14,599	8,357	1,183	35,911	74,838	134,888	4,297	89,360	93,657	228,545
CLE, state filing	1,492	-	1,459	825	155	3,931	95	9,039	9,134	13,065
Product advertising/non research	205	27	372	-	-	604	-	1,333	1,333	1,937
Staff development/employment	1,680	448	-	-	126,954	129,082	189	480	669	129,751
Bad debt	1,343	-	-	-	-	1,343	-	-	-	1,343
Miscellaneous	50	500	-	4,500	60	5,110	(198)	9,298	9,100	14,210
Total expenses	3,548,586	567,735	236,818	661,853	521,626	5,536,618	388,598	1,562,499	1,951,097	7,487,715
Direct donor benefit	-	-	-	-	-	-	-	-	-	99,862
Total expenses	\$ 3,548,586	\$ 567,735	\$ 236,818	\$ 661,853	\$ 521,626	\$ 5,536,618	\$ 388,598	\$ 1,562,499	\$ 1,951,097	\$ 7,587,577

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				
	Research, Policy and Training	Associate Membership	Education	Publications	Other Projects	Total Program Expenses	Fundraising	Management and general	Total Supporting Services	Total
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, taxes and amortization	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
Total expenses	\$ 3,077,255	\$ 553,917	\$ 158,846	\$ 619,324	\$ 462,202	\$ 4,871,544	\$ 397,394	\$ 1,438,201	\$ 1,835,595	\$ 6,707,139

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>	2021	2020
Cash flows from operating activities		
Changes in net assets	\$ 639,036	\$ 679,712
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Change in allowance for doubtful accounts	-	(5,000)
Net realized and unrealized gain on investments	(589,055)	(547,097)
Amortization	74,841	74,841
Depreciation	39,660	42,162
(Increase) decrease in:		
Accounts receivable	(31,181)	(570)
Contributions receivable	(505,824)	382,017
Prepaid expenses and inventory	14,246	(85,991)
Security deposit	-	(581)
Increase (decrease) in:		
Accounts payable and accrued liabilities	3,430	(10,706)
Accrued payroll and vacation	258,434	101,342
Deferred revenue	181,363	(80,768)
Refundable advances	815,483	456,705
Deferred compensation plan	37,458	28,664
Deferred rent	(85,825)	370,728
Net cash provided by operating activities	852,066	1,405,458
Cash flows from investing activities		
Purchases of investments	(241,970)	(161,757)
Proceeds from sales of investments	37,523	132,376
Purchases of property and equipment	(16,114)	(284,161)
Net cash used in investing activities	(220,561)	(313,542)
Net change in cash and cash equivalents	631,505	1,091,916
Cash and cash equivalents, beginning of year	2,882,444	1,790,528
Cash and cash equivalents, end of year	\$ 3,513,949	\$ 2,882,444

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, 2021 and 2020, the board designated the use of \$228,250 and \$420,000 of net assets without donor restrictions for program development and other specific activities, respectively. Total board designated net assets without donor restriction for the years ended December 31, 2021 and 2020, was \$736,125 and \$782,790, 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, 2021 and 2020.

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

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, 2021 and 2020.

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. Investments also include cash that are valued at cost which approximates fair value.

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

Environmental Law Institute

Notes to Financial Statements

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, 2021.

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 \$24,222 and \$30,456 as of December 31, 2021 and 2020, 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, 2021 and 2020 totaled \$114,501 and \$117,003, 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, 2021 and 2020, 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

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, 2021 and 2020, contributions of \$2,276,854 and \$993,815, 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 \$1,338,373 and \$522,890 are recorded in the Statements of Financial Position as refundable advances at December 31, 2021 and 2020, 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 \$1,457,481 and \$853,708 that have not been recognized or recorded at December 31, 2021 and 2020, 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

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 \$67,894 and \$168,714, respectively, for the year ended December 31, 2021. Publication sales and subscription sales totaled \$46,023 and \$214,518, respectively, for the year ended December 31, 2020.

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:

	2021	2020
Performance obligations satisfied at a point in time	\$ 115,402	\$ 62,722
Performance obligations satisfied over time	353,196	363,975
Total	\$ 468,598	\$ 426,697

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 costs: Contract costs generally include direct costs, such as compensation expenses for program personnel and other direct costs incurred as well as indirect costs identifiable with and allocable to the contract program. Costs are expensed as incurred. ELI does not incur significant incremental costs to acquire contracts.

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:

	2021	2020
Deferred revenue paid in advance, beginning of the year	\$ 258,651	\$ 339,419
Revenue recognized that was included in deferred revenue at the beginning of the year	(258,651)	(339,419)
Increase in deferred revenue due to cash received during the year	440,014	258,651
Deferred revenue paid in advance, end of the year	\$ 440,014	\$ 258,651

Environmental Law Institute

Notes to Financial Statements

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, 2020. A similar concentration did not exist for the year ended December 31, 2021.

As of December 31, 2021, receivables from three donors represented 48% of the total receivables balance. As of December 31, 2020, receivables from four donors represented 62% 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.

Environmental Law Institute

Notes to Financial Statements

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, 2021, 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 2018 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 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 Financial Accounting Standards Board (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.

Environmental Law Institute

Notes to Financial Statements

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through May 23, 2022, 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:

Financial assets at year-end:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,513,949	\$ 2,882,444
Investments	6,455,030	5,698,662
Accounts receivable	105,229	74,048
Contributions receivable, net	1,006,079	500,255
Total financial assets at year-end	11,176,921	9,155,409
Less financial assets restricted for use/not available over the next 12 months:		
Investments held in reserve	(6,455,030)	(5,698,662)
Financial assets available to meet general expenditures over the next twelve months	\$ 4,721,891	\$ 3,456,747

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, 2021 and 2020, all contributions receivable are expected to be collected in one year or less. The allowance for uncollectable accounts was \$1,535 as of December 31, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Cash		
Mutual funds:	\$ 10,963	\$ -
Domestic equities	2,646,740	2,545,702
International equities	868,112	713,740
Real estate	115,257	76,511
Domestic bonds	518,500	178,540
International bonds	384,895	320,874
Exchange traded funds:		
International equities	579,457	506,948
Domestic bonds	1,331,106	1,356,347
Total investment	\$ 6,455,030	\$ 5,698,662

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, 2021	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	\$ 2,646,740	\$ 2,646,740	\$ -	\$ -
International equities	868,112	868,112	-	-
Real estate	115,257	115,257	-	-
Domestic bonds	518,500	518,500	-	-
International bonds	384,895	384,895	-	-
Exchange traded funds:				
International equities	579,457	579,457	-	-
Domestic bonds	1,331,106	1,331,106	-	-
Total	\$ 6,444,067	\$ 6,444,067	\$ -	\$ -
Reconciling item (money market funds and cash)				
	10,963	10,963	-	-
Total	\$ 6,455,030	\$ 6,455,030	\$ -	\$ -

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	-	-
Total	\$ 5,698,662	\$ 5,698,662	\$ -	\$ -

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>2021</u>	<u>2020</u>
Research activities	\$ 1,734,111	\$ 1,630,568
Time restricted only	129,331	72,041
Total	\$ 1,863,442	\$ 1,702,609

8. Contributed resources and services

The Institute received contributions of labor with a fair value of \$730,416 and \$405,936 in the years ended December 31, 2021 and 2020, 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 2021 and 2020, labor valued at \$721,764 and \$402,747, respectively, related to the Institute's core programs was allocated to program expenses. The remaining donated labor included \$8,652 and \$3,189 for the years ended December 31, 2021 and 2020, respectively, which was allocated to management and general expense.

Environmental Law Institute

Notes to Financial Statements

9. PPP loan

In April 2020, the Institute was granted a \$847,500 loan under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (“SBA”) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. The Institute initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Institute applied for forgiveness and recognized \$847,500 as contribution revenue on the Statements of Activities and Changes in Net Assets for the year ended December 31, 2020. The Institute received notification of their loan forgiveness from the SBA on June 15, 2021.

In January 2021, the Institute was granted a \$745,000 loan under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (“SBA”) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. The Institute initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Institute applied for forgiveness and recognized \$745,000 as contribution revenue on the Statements of Activities and Changes in Net Assets for the year ended December 31, 2021. The Institute received notification of their loan forgiveness from the SBA on November 2, 2021.

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
2022	\$ 478,926
2023	489,702
2024	500,721
2025	511,987
2026	523,506
Thereafter	1,735,877
Total	\$ 4,240,719

Environmental Law Institute

Notes to Financial Statements

Rent expense under the operating leases for the years ended December 31, 2021 and 2020 was \$382,563 and \$370,398, respectively.

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 \$103,204 and \$99,733 for the years ended December 31, 2021 and 2020, respectively.

The Institute has 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, 2021 and 2020.

12. Direct costs

Included in fundraising expenses are the direct costs of the Institute's annual dinner which were \$99,862 and \$0 for the years ended December 31, 2021 and 2020, respectively.

13. Related party transactions

Members of the Institute's Board of Directors contributed \$292,807 and \$310,133 during the years ended December 31, 2021 and 2020. During 2021 and 2020, an ELI employee's spouse provided consulting services totaling \$55,501 and \$16,648 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.

Environmental Law Institute

Notes to Financial Statements

As of December 31, 2021, 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.