



## **ENVIRONMENTAL LAW & POLICY CENTER**

**Protecting the Midwest's Environment and Natural Heritage**

**TO: Foundation Supporters – Environmental Law & Policy Center**

**FROM: Howard A. Learner, Executive Director**

**RE: FY 2015 Audit (July 1, 2014 – June 30, 2015)**

**DATE: November 19, 2015**

Enclosed for your review is the Environmental Law & Policy Center's (ELPC) audited financial statement for our Fiscal Year 2015 (July 1, 2014 through June 30, 2015). As in past years, ELPC has received a clean, unqualified audit report and opinion letter.

ELPC ended FY 2015 with “real” revenues of \$6,171,000 and expenses of \$6,100,000, leaving us with a modest surplus of approximately \$71,000. ELPC is in strong overall financial shape in challenging times.

Because of the accounting treatment of large multi-year grants required by the Financial Accounting Standards Board (FASB) accounting rules, the audit shows a paper surplus of \$614,557 for FY 2015. However, FASB's accounting approach is of limited value in terms of presenting a fair picture of the financial position of groups like ELPC. FASB Standard 116 requires not-for-profit organizations to recognize all revenue from a multi-year grant in the year that the grant is committed, regardless of the time period over which the grantor intends the funds to be used. Thus, for example, if ELPC receives a grant commitment of \$600,000 to be paid out over two years to support our Energy Project, then ELPC is required to recognize as income the entire \$600,000 in the year when the grant commitment letter is issued. For internal management purposes, however, we treat this grant as \$300,000 of “real” income in each of two years to cover Energy Project expenses. (If ELPC were to spend all \$600,000 in the first year, then how would we pay for the project expenses in the second year?)

Under FASB 116, the audit shows ELPC's FY 2015 income to be \$6,714,615 compared to expenses of \$6,100,058 (see page 4 of the audit). The audit shows a surplus of \$875,598 after taking into account the \$261,041 unrealized gain on investments. However, ELPC's “real” income for FY 2015 was about \$6,171,000, which is only \$71,000 more than our expenses. As for the unrealized gains on investments, these earnings and losses fluctuate from year to year and simply reflect a snapshot of the stock market on June 30, 2015.

Our auditors recognize this FASB 116 complication in ELPC's financial reporting and thus Note 1 on page 9 of the audit clarifies the situation as follows:

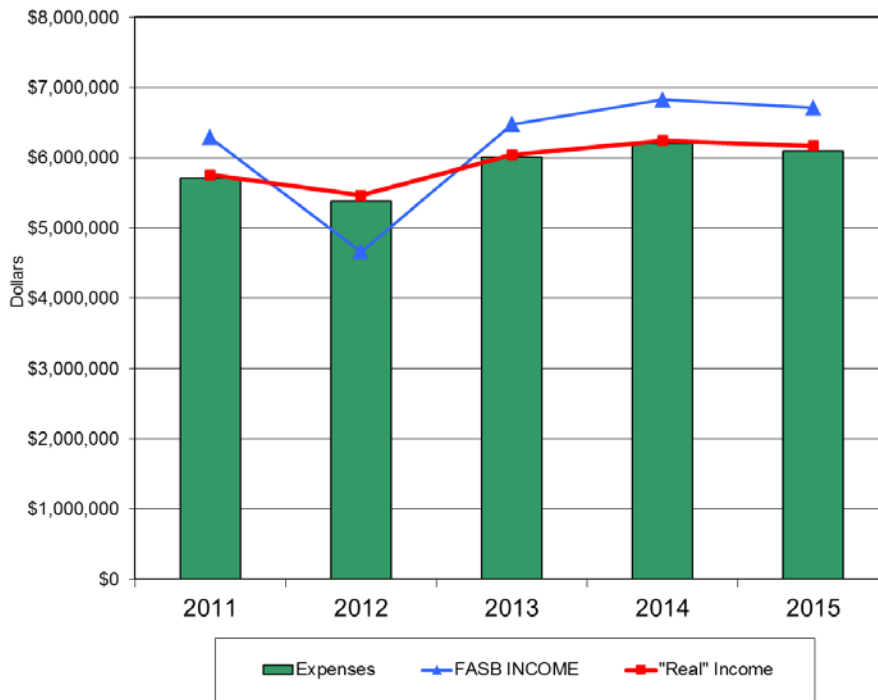
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David C. Wilhelm, Chairperson • Howard A. Learner, Executive Director

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*The Center's management maintains internal accounting records for the Center which track contribution and grant revenue according to the year for which its expenditure or use was intended by the donor. . . . Revenue intended for use in 2015 was approximately \$6,171,000 as opposed to the approximate \$6,715,000 total revenue reflected in the consolidating schedule of activities under Financial Accounting Standards Board (FASB) principles. **Although total revenue levels may fluctuate significantly by fiscal year, the amount of revenue intended for each year corresponds more closely with annual expense levels.** (emphasis added)*

These fluctuations in FASB-defined income can be seen graphically below. Although ELPC's "FASB" income fluctuates significantly – often due to the timing of large, multi-year grants – ELPC's "real" income is much more stable and has exceeded expenses every year under our fairly conservative approach to financial management.



Please call me if you have any questions regarding the FY 2015 audit or ELPC's overall finances. Thank you for your support of ELPC's success.

# **Environmental Law and Policy Center of the Midwest**

Financial Report  
June 30, 2015

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## Independent Auditor's Report

RSM US LLP

To the Board of Directors  
Environmental Law and Policy Center of the Midwest  
Chicago, Illinois

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Environmental Law and Policy Center of the Midwest which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Environmental Law and Policy Center of the Midwest as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Environmental Law and Policy Center of the Midwest's June 30, 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 26, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Chicago, Illinois  
November 16, 2015

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Financial Position  
June 30, 2015 (With Comparative Totals for 2014)

|                                       | 2015                 | 2014                 |
|---------------------------------------|----------------------|----------------------|
| <b>Assets</b>                         |                      |                      |
| Cash                                  | \$ 1,171,949         | \$ 1,101,571         |
| Investments                           | 12,419,809           | 11,803,940           |
| Foundation grants receivable          | 3,051,193            | 2,936,520            |
| Prepaid expenses                      | 70,804               | 50,331               |
| Property and equipment, net           | 825,157              | 959,029              |
|                                       | <u>\$ 17,538,912</u> | <u>\$ 16,851,391</u> |
| <b>Liabilities and Net Assets</b>     |                      |                      |
| Liabilities                           |                      |                      |
| Accounts payable and accrued expenses | \$ 290,024           | \$ 386,211           |
| Deferred rent                         | 758,453              | 850,343              |
|                                       | <u>1,048,477</u>     | <u>1,236,554</u>     |
| Net assets                            |                      |                      |
| Unrestricted                          |                      |                      |
| Undesignated                          | 8,668,443            | 8,387,412            |
| Designated (Midwest Advocates Fund)   | 3,177,823            | 3,068,080            |
|                                       | <u>11,846,266</u>    | <u>11,455,492</u>    |
| Temporarily restricted                | 4,644,169            | 4,159,345            |
|                                       | <u>16,490,435</u>    | <u>15,614,837</u>    |
|                                       | <u>\$ 17,538,912</u> | <u>\$ 16,851,391</u> |

See Notes to Consolidated Financial Statements.

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Activities

Year Ended June 30, 2015 (with Comparative Totals for 2014)

|  | 2015                 |                        |                      | 2014                 |
|--|----------------------|------------------------|----------------------|----------------------|
|  | Unrestricted         | Temporarily Restricted | Total                |                      |
| <b>Revenue:</b>  |                      |                        |                      |                      |
| Contributions  | \$ 459,051           | \$ -                   | \$ 459,051           | \$ 775,557           |
| Special events, net of costs of direct benefits to donors of \$92,507    | -                    | -                      | -                    | 103,218              |
| Foundation grants  | 852,822              | 5,082,135              | 5,934,957            | 5,572,239            |
| Investment income  | 261,860              | -                      | 261,860              | 233,367              |
| Other income   | 58,747               | -                      | 58,747               | 134,715              |
| Transfer of net assets arising from satisfaction of program restrictions | 4,597,311            | (4,597,311)            | -                    | -                    |
|  | <b>6,229,791</b>     | <b>484,824</b>         | <b>6,714,615</b>     | <b>6,819,096</b>     |
| <b>Expenses:</b>   |                      |                        |                      |                      |
| Program service expenses   | 5,194,005            | -                      | 5,194,005            | 5,166,939            |
| General and administrative   | 366,962              | -                      | 366,962              | 448,328              |
| Marketing  | 210,076              | -                      | 210,076              | 183,542              |
| Fundraising  | 329,015              | -                      | 329,015              | 306,443              |
|  | <b>6,100,058</b>     | <b>-</b>               | <b>6,100,058</b>     | <b>6,105,252</b>     |
| <b>Increase in net assets before other items</b>                         | <b>129,733</b>       | <b>484,824</b>         | <b>614,557</b>       | <b>713,844</b>       |
| Unrealized gain on investments   | 261,041              | -                      | 261,041              | 1,346,487            |
| <b>Increase in net assets</b>  | <b>390,774</b>       | <b>484,824</b>         | <b>875,598</b>       | <b>2,060,331</b>     |
| <b>Net assets:</b>   |                      |                        |                      |                      |
| Beginning of year  | 11,455,492           | 4,159,345              | 15,614,837           | 13,554,506           |
| End of year  | <b>\$ 11,846,266</b> | <b>\$ 4,644,169</b>    | <b>\$ 16,490,435</b> | <b>\$ 15,614,837</b> |

See Notes to Consolidated Financial Statements.



Environmental Law and Policy Center of the Midwest

**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2015 (with Comparative Totals for 2014)**

|                                      | Program Services    |                   |                     |                   |                   | Total               |
|--------------------------------------|---------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
|                                      | Energy              | Transportation    | Forest/<br>Land Use | Global<br>Warming | Other<br>Projects |                     |
| Salaries, benefits and payroll taxes | \$ 2,124,294        | \$ 705,719        | \$ 410,303          | \$ 361,547        | \$ 135,387        | \$ 3,737,250        |
| Consultants                          | 65,117              | 93,854            | 34,163              | 130,725           | 650               | 324,509             |
| Computer expense                     | -                   | -                 | -                   | -                 | 756               | 756                 |
| Training/recruitment                 | 6,050               | 2,000             | -                   | -                 | -                 | 8,050               |
| Travel                               | 103,339             | 24,308            | 22,514              | 19,168            | 26,697            | 196,026             |
| Conferences and meetings             | 13,318              | 8,555             | 10,496              | 1,588             | 16,270            | 50,227              |
| Outside services                     | 5,921               | 6,453             | 1,068               | 2,704             | 338               | 16,484              |
| Subscriptions and publications       | 36,025              | 3,634             | 408                 | 346               | 164               | 40,577              |
| Dues, licenses and fees              | 33,051              | 2,157             | 3,734               | 4,020             | 300               | 43,262              |
| Telephone                            | 12,864              | 3,949             | 2,142               | 2,200             | 20,072            | 41,227              |
| Photocopy and printing               | 19,507              | 9,447             | 1,151               | 2,194             | 576               | 32,875              |
| Postage and deliveries               | 2,904               | 1,091             | 952                 | 387               | 294               | 5,628               |
| Public awareness                     | 11,921              | 27,995            | 1,562               | 2,509             | 263               | 44,250              |
| Occupancy                            | 224,980             | 74,078            | 43,329              | 38,393            | 14,684            | 395,464             |
| General insurance                    | 13,024              | 4,300             | 2,514               | 2,228             | 833               | 22,899              |
| Supplies                             | 7,968               | 5,281             | 1,476               | 1,781             | 667               | 17,173              |
| Miscellaneous                        | (1,649)             | (561)             | (328)               | (291)             | (109)             | (2,938)             |
| Re-grants                            | 155,083             | -                 | -                   | 15,000            | -                 | 170,083             |
|                                      | <u>2,833,717</u>    | <u>972,260</u>    | <u>535,484</u>      | <u>584,499</u>    | <u>217,842</u>    | <u>5,143,802</u>    |
| Depreciation                         | 28,552              | 9,426             | 5,513               | 4,885             | 1,827             | 50,203              |
|                                      | <u>\$ 2,862,269</u> | <u>\$ 981,686</u> | <u>\$ 540,997</u>   | <u>\$ 589,384</u> | <u>\$ 219,669</u> | <u>\$ 5,194,005</u> |

See Notes to Consolidated Financial Statements.

Environmental Law and Policy Center of the Midwest

**Consolidated Statement of Functional Expenses (Continued)**  
**Year Ended June 30, 2015 (with Comparative Totals for 2014)**

|                                      | Supporting Services   |                   |                   |                   | 2015<br>Total       | 2014<br>Total       |
|--------------------------------------|-----------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
|                                      | General               |                   |                   | Total             |                     |                     |
|                                      | and<br>Administrative | Marketing         | Fundraising       |                   |                     |                     |
| Salaries, benefits and payroll taxes | \$ 215,438            | \$ 136,732        | \$ 257,712        | \$ 609,882        | \$ 4,347,132        | \$ 4,428,540        |
| Consultants                          | 15,032                | 17,032            | 1,765             | 33,829            | 358,338             | 382,173             |
| Computer expense                     | 10,823                | -                 | 1,173             | 11,996            | 12,752              | 22,297              |
| Training/recruitment                 | 725                   | -                 | 17                | 742               | 8,792               | -                   |
| Travel                               | 19,048                | 3,140             | 4,924             | 27,112            | 223,138             | 215,459             |
| Conferences and meetings             | 12,642                | 7,340             | 11,647            | 31,629            | 81,856              | 65,061              |
| Outside services                     | 3,739                 | 6,483             | 641               | 10,863            | 27,347              | 16,753              |
| Subscriptions and publications       | 3,464                 | 5,249             | 4,257             | 12,970            | 53,547              | 46,514              |
| Dues, licenses and fees              | 32,315                | 120               | 1,000             | 33,435            | 76,697              | 79,518              |
| Telephone                            | 20,155                | 695               | 1,307             | 22,157            | 63,384              | 57,465              |
| Photocopy and printing               | 1,029                 | 2,869             | 6,896             | 10,794            | 43,669              | 29,301              |
| Postage and deliveries               | 2,439                 | 118               | 2,202             | 4,759             | 10,387              | 10,688              |
| Public awareness                     | 994                   | 11,140            | 2,396             | 14,530            | 58,780              | 47,254              |
| Occupancy                            | 23,524                | 14,518            | 27,242            | 65,284            | 460,748             | 439,118             |
| General insurance                    | 1,319                 | 843               | 1,582             | 3,744             | 26,643              | 25,863              |
| Supplies                             | 5,767                 | 2,010             | 994               | 8,771             | 25,944              | 27,693              |
| Miscellaneous                        | (4,385)               | (60)              | (206)             | (4,651)           | (7,589)             | 12,501              |
| Re-grants                            | -                     | -                 | -                 | -                 | 170,083             | 131,098             |
|                                      | 364,068               | 208,229           | 325,549           | 897,846           | 6,041,648           | 6,037,296           |
| Depreciation                         | 2,894                 | 1,847             | 3,466             | 8,207             | 58,410              | 67,956              |
|                                      | <u>\$ 366,962</u>     | <u>\$ 210,076</u> | <u>\$ 329,015</u> | <u>\$ 906,053</u> | <u>\$ 6,100,058</u> | <u>\$ 6,105,252</u> |

See Notes to Consolidated Financial Statements.

**Environmental Law and Policy Center of the Midwest**

**Consolidated Statement of Cash Flows**  
**Year Ended June 30, 2015 (with Comparative Totals for 2014)**

|   | 2015             | 2014             |
|---|------------------|------------------|
| <b>Cash Flows from Operating Activities</b>   |                  |                  |
| Increase in net assets  | \$ 875,598       | \$ 2,060,331     |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities: |                  |                  |
| Depreciation and amortization   | 58,410           | 67,956           |
| Amortization of landlord improvements   | 85,807           | 85,807           |
| Deferred rent   | (6,083)          | (83,508)         |
| Amortization of deferred rent pertaining to landlord improvements                                       | (85,807)         | (85,807)         |
| Unrealized gain on investments  | (261,041)        | (1,346,487)      |
| Realized gain on investments  | (20,318)         | (23,985)         |
| Changes in:   |                  |                  |
| Foundation grants receivable  | (114,673)        | (1,095,720)      |
| Prepaid expenses  | (20,473)         | (483)            |
| Accounts payable and accrued expenses   | (96,187)         | 103,122          |
| <b>Net cash provided by (used in) operating activities</b>  | <b>415,233</b>   | <b>(318,774)</b> |
| <b>Cash Flows from Investing Activities</b>   |                  |                  |
| Purchases of furniture and equipment  | (10,345)         | (24,088)         |
| Purchases of investments  | (1,769,979)      | (1,523,242)      |
| Maturities and redemption of investments  | 1,435,469        | 2,130,954        |
| <b>Net cash (used in) provided by investing activities</b>  | <b>(344,855)</b> | <b>583,624</b>   |
| <b>Increase in cash</b>   | <b>70,378</b>    | <b>264,850</b>   |
| <b>Cash:</b>  |                  |                  |
| Beginning of year   | 1,101,571        | 836,721          |
| End of year   | \$ 1,171,949     | \$ 1,101,571     |

See Notes to Consolidated Financial Statements.

## Environmental Law and Policy Center of the Midwest

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

Environmental Law and Policy Center of the Midwest (“ELPC”) is a nonprofit organization whose mission is to protect and enhance the environment, natural resources and quality of life in Midwestern states and to provide legal representation and other technical support to environmental, civic and governmental organizations involved in cases or policy matters involving environmental, energy and public health policy issues. ELPC’s activities are funded primarily by grants and contributions from various foundations and individuals. ELPC conducts activities from headquarters in Chicago, Illinois and also has offices in Ohio, Iowa, North Dakota, Minnesota, South Dakota, Wisconsin and Washington D.C.

ELPC is exempt from income taxes under Internal Revenue Code (“IRC”) Section 501(c)(3) and applicable state law.

The Environmental Law and Policy Center Action Fund (“the Action Fund”) was established for the promotion of social welfare within the meaning of IRC Section 501(c)(4), including, but not limited to, improving environmental quality and protecting and preserving natural resources by engaging in effective public advocacy, legislative outreach and public education activities.

**Principles of consolidation:** The consolidated financial statements include the accounts of ELPC and of the Action Fund. ELPC has both control and economic interest in the Action Fund. Certain members sit on both boards of directors and the organizations share common management. Inter-organizational balances and all significant intercompany transactions have been eliminated in consolidation. ELPC and the Action Fund are collectively referred to herein as “the Center.”

**Basis of presentation:** The financial statement presentation follows financial reporting requirements for nonprofit organizations. Under those provisions, net assets and activities are classified based on the absence or existence, and nature, of donor-imposed restrictions as follows:

*Unrestricted Net Assets* – Unrestricted net assets are net assets which are not subject to donor-imposed restrictions. This includes the Midwest Advocates Fund, which was established by ELPC’s Board of Directors to serve as a contingency fund.

*Temporarily Restricted Net Assets* – Temporarily restricted net assets represent assets subject to donor-imposed restrictions which are to be satisfied by the Center’s actions or by the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions have been met.

**Investments:** Investments consist of certificates of deposit and shares of mutual funds. Certificates of deposit have original maturities of up to twelve months and are recorded at cost plus accrued interest, which approximates fair value. Mutual fund shares are recorded at fair value. Changes in fair value are recorded as an unrealized gain. Investments are exposed to various risks such as interest rate, market and credit risks. It is at least reasonably possible that changes in values of investments will occur in the near term and that such changes could significantly affect the amounts reported.

**Revenue recognition:** For financial reporting purposes, the Center recognizes grantors’ unconditional promises to give cash and other assets as revenue in the period in which the promises are made. Conditional promises to give are recognized as revenue in the period in which the conditions are met.

## Environmental Law and Policy Center of the Midwest

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Contributions and foundation grants:** Grants receivable have been recorded for amounts recognized as foundation grants revenue where collection is not expected until a future date. Grants receivable due in excess of one year are recorded net of a present value discount, based on a risk adjusted rate of return. The discount is amortized into contribution revenue over the expected collection period.

Management determines an allowance, if any, for uncollectible promises to give by considering such factors as prior collection history with the donor and the type of contribution. Management has determined that no reserve is needed for foundation grant receivables at June 30, 2015.

The Center's management maintains internal accounting records for the Center which track contribution and grant revenue according to the year for which its expenditure or use was intended by the donor. That revenue may differ from total revenue as reflected in the consolidated financial statements because of the recognition effects given to grants receivable, as described above, and other restricted contributions received in advance. Revenue intended for use in 2015 was approximately \$6,171,000 as opposed to the approximate \$6,715,000 total revenue reflected in the consolidating schedule of activities under Financial Accounting Standards Board (FASB) principles. Although total revenue levels may fluctuate significantly by fiscal year, the amount of revenue intended for each year corresponds more closely with annual expense levels. Revenue intended for use in 2015 of \$6,171,000 was similar to operating expenses for ELPC of \$6,100,058, as reflected in the consolidated statement of activities. One foundation, which pools grant dollars from several foundations, provided approximately 28 percent of the revenue intended for use in 2015.

**Re-grants:** Re-grants consist of grants made to other organizations in pursuit of ELPC's mission.

**Other income:** Other income consists primarily of fee awards, which represent reimbursement for legal fees incurred in successful litigation activities, and contract income, which represents amounts received for services provided under terms of contract agreements.

**Functional expenses:** Operating expenses directly identifiable with a functional area are charged to that area and, where those expenses affect more than one area, they are allocated on the basis of estimates made by management.

**Property and equipment:** Additions and significant improvements to existing property in excess of \$1,000 are capitalized, while general maintenance and repairs are charged to expense. Depreciation and amortization is being provided using the straight-line method over the estimated useful lives of the assets. Computers are depreciated over a useful life of 3 years, telecommunications equipment is depreciated over 5 years, photocopiers are depreciated over 6 years, furniture is depreciated over 7 years, and leasehold improvements are amortized over the life of the office lease. Improvements funded by the landlord are discussed below.

**Deferred rent:** Rent expense is recognized on a straight-line basis over the lease term. Deferred rent is recorded for the difference between cash paid and straight-line rent expense. Improvements funded by the landlord as a rental incentive but considered to be owned by the Center are capitalized as landlord improvements, with an equivalent amount included in the deferred rent liability; each is amortized over the term of the lease, and included in rental expense.

## Environmental Law and Policy Center of the Midwest

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Comparative data:** The consolidated financial statements include certain prior year summarized comparative information, in total but not by asset class. That information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America because it does not present changes in net assets by class of net assets. Accordingly, this information should be read in connection with the Center's consolidated financial statements for 2014 from which the summarized information was derived. Certain amounts have been reclassified to conform to the current year presentation without affecting previously reported net assets or changes in net assets.

**Tax status:** The Center follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Center may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Center and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the financial reporting period projected in these consolidated financial statements.

The Center files Forms 990 in the U.S. federal jurisdiction and the State of Illinois. The Center is generally no longer subject to examination by the Internal Revenue Service for tax years before 2012.

**Management estimates:** In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** The Center has evaluated subsequent events for potential recognition and/or disclosure through November 16, 2015, the date the consolidated financial statements were available to be issued.

#### Note 2. Investments and Accrued Interest Receivable

Investments at June 30, 2015 consist of:

|                         | Fair Value           | Cost                |
|-------------------------|----------------------|---------------------|
| Investments:            |                      |                     |
| Certificates of deposit | \$ 1,058,000         | \$ 1,057,352        |
| Mutual funds            | 11,361,809           | 8,883,953           |
|                         | <u>\$ 12,419,809</u> | <u>\$ 9,941,305</u> |

Certificates of deposit mature on various dates through December 2015, with interest rates ranging from 0.12 percent to 0.30 percent per annum.

Investment income of \$261,860 on the consolidated statement of activities consists of dividends, interest and realized capital gains.

## Environmental Law and Policy Center of the Midwest

### Notes to Consolidated Financial Statements

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#### Note 3. Fair Value Disclosures

The provisions of the Fair Value Measurements and Disclosures ASC Topic of the FASB Accounting Standards Codification (“the Topic”) applies to all assets and liabilities that are being measured and reported at fair value and requires disclosure that establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Topic defines fair value as the price that would be received upon a sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Other observable inputs, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that can be corroborated by observable market data.

Level 3: Unobservable inputs not corroborated by market data that reflect management’s best estimate of fair value using its own assumptions that market participants would use in pricing an asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Center’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Investments in mutual funds are stated at their net asset value as of the valuation date. There have been no changes in the methodology used at 2015.

Investments are the only assets measured at fair value on a recurring basis.

The fair value of such investments are entirely Level 1 values as defined above at June 30, 2015.

#### Note 4. Foundation Grants Receivable

Foundation grants receivable include multi-year grants which are expected to be collected in future installments. The total receivable is reflected on the consolidated statement of financial position net of a discount to present value. The expected collections by fiscal year and discount at June 30, 2015 are as follows:

|   |              |
|---|--------------|
| Year ending June 30,  |              |
| 2016  | \$ 2,518,330 |
| 2017  | 550,180      |
|   | <hr/>        |
|   | 3,068,510    |
| Discount to present value at 3.25 percent for post-2016 receivables | (17,317)     |
|   | <hr/>        |
|   | \$ 3,051,193 |
|   | <hr/>        |

## Environmental Law and Policy Center of the Midwest

### Notes to Consolidated Financial Statements

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#### Note 5. Property and Equipment

Property and equipment at June 30, 2015 consist of:

|                          |                   |
|--------------------------|-------------------|
| Furniture and equipment  | \$ 324,100        |
| Leasehold improvements   | 375,289           |
| Landlord improvements    | 986,775           |
|                          | <u>1,686,164</u>  |
| Accumulated depreciation | (861,007)         |
|                          | <u>\$ 825,157</u> |

Depreciation and amortization expense amounted to \$58,410 plus amortization of landlord improvements of \$85,807 (Note 6). The Center's office lease incentives provided for leasehold improvements.

#### Note 6. Lease Commitments

The Center's headquarters is subject to a lease with terms through December 2021. The lease includes scheduled rent increases throughout the term and certain rent abatements. The lease also provides incentives for leasehold improvements, which are recorded on the consolidated statement of financial position as a capital asset and deferred rent liability. Leasehold improvements and deferred rent are amortized on a straight-line basis over the term of the lease.

The Center leases additional office space in other Midwestern states (Iowa, Minnesota, North Dakota, Ohio, South Dakota, and Wisconsin) and Washington D.C. under annual and month-to-month agreements expiring on various dates through December 2015.

Approximate future minimum annual lease payments under the leases are as follows:

|                      |                     |
|----------------------|---------------------|
| Year ending June 30, |                     |
| 2016                 | \$ 375,000          |
| 2017                 | 382,000             |
| 2018                 | 388,000             |
| 2019                 | 395,000             |
| 2020                 | 401,000             |
| Thereafter           | 615,000             |
|                      | <u>\$ 2,556,000</u> |

Rental expense reported on the consolidated financial statements for fiscal year 2015 consists of the following:

|  |                   |
|--|-------------------|
| Cash rent paid   | \$ 455,729        |
| Utilities  | 6,999             |
| Repairs, maintenance and equipment rental                              | 4,104             |
| Incremental effect of straight-line rental recognition (deferred rent) | (6,083)           |
| Amortization of landlord improvements                                  | 85,807            |
| Amortization of deferred rent pertaining to landlord improvements      | (85,807)          |
|  | <u>\$ 460,749</u> |



## Environmental Law and Policy Center of the Midwest

### Notes to Consolidated Financial Statements

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#### Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2015:

|                                     |                     |
|-------------------------------------|---------------------|
| Energy                              | \$ 1,947,544        |
| Wild and natural places             | 242,988             |
| Transportation/air quality/land use | 639,204             |
| Climate change                      | 15,040              |
| Other projects                      | 50,000              |
| ELPC Action Fund                    | 309,393             |
| General support for future periods  | 1,440,000           |
|                                     | <u>\$ 4,644,169</u> |

Temporarily restricted net assets were released from restrictions for the following purposes for the year ended June 30, 2015:

|                                     |                     |
|-------------------------------------|---------------------|
| Energy                              | \$ 2,418,846        |
| Wild and natural places             | 353,512             |
| Transportation/air quality/land use | 1,009,828           |
| Climate change                      | 261,725             |
| Other projects                      | 154,999             |
| ELPC Action Fund                    | 140,901             |
| General support                     | 116,599             |
|                                     | <u>\$ 4,456,410</u> |

#### Note 8. Pension Plan

The Center maintains a defined contribution annuity plan which provides participants with salary deferral options and discretionary matching contributions made by the Center. Essentially all employees are eligible to participate in the plan and they become fully vested upon joining the plan. The Center's contribution for fiscal year 2015 was \$235,461.

## **Supplementary Information**

Environmental Law and Policy Center of the Midwest

Consolidating Schedule of Activities  
Year Ended June 30, 2015

|  | ELPC                |                              |                      |                         |                      |                     |                  |                               |
|--|---------------------|------------------------------|----------------------|-------------------------|----------------------|---------------------|------------------|-------------------------------|
|  | Unrestricted        |                              |                      | Temporary<br>Restricted | 2015<br>Total        | ELPC<br>Action Fund | Eliminations     | 2015<br>Consolidated<br>Total |
|  | Undesignated        | Midwest<br>Advocates<br>Fund | Total                |                         |                      |                     |                  |                               |
| <b>Revenue:</b>  |                     |                              |                      |                         |                      |                     |                  |                               |
| Contributions  | \$ 459,051          | \$ -                         | \$ 459,051           | \$ -                    | \$ 459,051           | \$ -                | \$ -             | \$ 459,051                    |
| Foundation grants  | 852,822             | -                            | 852,822              | 5,173,630               | 6,026,452            | 146,005             | (237,500)        | 5,934,957                     |
| Investment income  | 179,131             | 82,729                       | 261,860              | -                       | 261,860              | -                   | -                | 261,860                       |
| Other income   | 58,747              | -                            | 58,747               | -                       | 58,747               | -                   | -                | 58,747                        |
| Transfer of net assets arising<br>from satisfaction of program<br>restrictions | 4,834,811           | -                            | 4,834,811            | (4,693,910)             | 140,901              | -                   | (140,901)        | -                             |
|  | <u>6,384,562</u>    | <u>82,729</u>                | <u>6,467,291</u>     | <u>479,720</u>          | <u>6,947,011</u>     | <u>146,005</u>      | <u>(378,401)</u> | <u>6,714,615</u>              |
| <b>Expenses:</b>   |                     |                              |                      |                         |                      |                     |                  |                               |
| Program service expenses   | 5,431,505           | -                            | 5,431,505            | -                       | 5,431,505            | 140,901             | (378,401)        | 5,194,005                     |
| General and administrative   | 366,962             | -                            | 366,962              | -                       | 366,962              | -                   | -                | 366,962                       |
| Marketing  | 210,076             | -                            | 210,076              | -                       | 210,076              | -                   | -                | 210,076                       |
| Fundraising  | 329,015             | -                            | 329,015              | -                       | 329,015              | -                   | -                | 329,015                       |
|  | <u>6,337,558</u>    | <u>-</u>                     | <u>6,337,558</u>     | <u>-</u>                | <u>6,337,558</u>     | <u>140,901</u>      | <u>(378,401)</u> | <u>6,100,058</u>              |
| <b>Increase in net assets<br/>before other items</b>                           | 47,004              | 82,729                       | 129,733              | 479,720                 | 609,453              | 5,104               | -                | 614,557                       |
| Unrealized gain on investments   | 234,027             | 27,014                       | 261,041              | -                       | 261,041              | -                   | -                | 261,041                       |
| <b>Increase in net assets</b>  | 281,031             | 109,743                      | 390,774              | 479,720                 | 870,494              | 5,104               | -                | 875,598                       |
| <b>Net assets:</b>   |                     |                              |                      |                         |                      |                     |                  |                               |
| Beginning of year  | 8,387,412           | 3,068,080                    | 11,455,492           | 3,855,056               | 15,310,548           | 304,289             | -                | 15,614,837                    |
| End of year  | <u>\$ 8,668,443</u> | <u>\$ 3,177,823</u>          | <u>\$ 11,846,266</u> | <u>\$ 4,334,776</u>     | <u>\$ 16,181,042</u> | <u>\$ 309,393</u>   | <u>\$ -</u>      | <u>\$ 16,490,435</u>          |