ENVIRONMENTAL LAW
& POLICY CENTER

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

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

RE: **FY 2020 Audit (July 1, 2019 – June 30, 2020)**

DATE: **February 4, 2021**

Enclosed for your review are the Environmental Law & Policy Center's (ELPC) audited financial statements for our Fiscal Year 2020 (July 1, 2019 through June 30, 2020). As in past years, ELPC has received a clean, unqualified audit report and opinion letter.

ELPC is in strong overall financial shape in challenging times. ELPC ended FY 2020 with "real" revenues of $8,784,000 compared to the FASB revenues of $9,136,734 as shown in the audit. ELPC is hiring talented additional public interest attorneys, analysts and other program staff to address environmental challenges in these extraordinary times. ELPC's expenses are growing accordingly in FY 2021 and the following year.

The Financial Accounting Standards Board (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 2020 income to be $9,136,734 compared to expenses of $7,354,174 (see page 4 of the audit). The audit shows a surplus of $2,871,248 of which $1,088,688 is unrealized gain on investments. These unrealized gains (and sometimes losses) fluctuate from year to year and simply reflect a snapshot of the stock market on June 30, 2020.

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:

> *Management maintains internal accounting records for the Center which track contribution and grant revenue according to the year for which its expenditure or*

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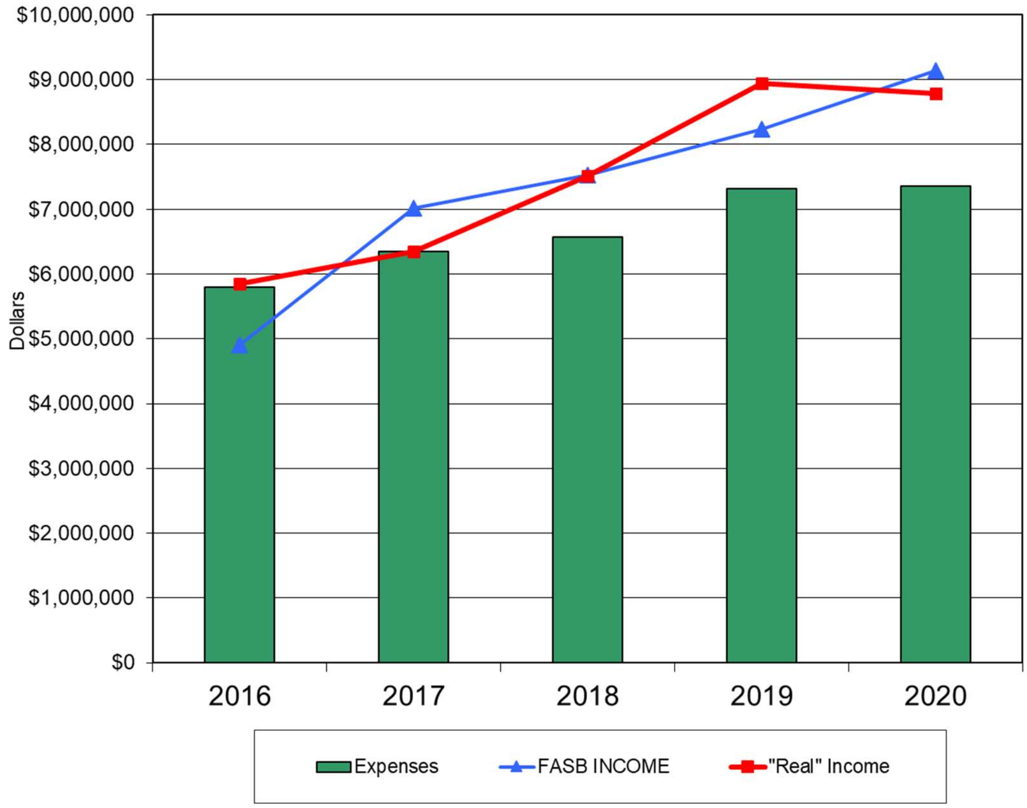
use was intended by the donor…Total revenue intended for use in 2020 per management's internal accounting records was approximately $8,784,000 as opposed to the approximate $9,137,000 of total revenue reflected in the schedule of activities under U.S. GAAP.

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 2020 audit or ELPC's overall finances. Thank you for your support of ELPC's success.

Environmental Law and Policy Center of the Midwest

Consolidated Financial Report
June 30, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
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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, 2020, 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 (collectively, the financial statements).

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

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

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

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

Opinion
In our opinion, the 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, 2020, and the changes in their net assets and their 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2020. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the 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 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 financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

RSM US LLP

Chicago, Illinois
February 4, 2021

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Financial Position
June 30, 2020 (with Comparative Totals for 2019)

	2020	2019
Assets		
Cash	**$ 1,423,010**	$ 829,322
Investments	**20,482,770**	17,659,576
Foundation grants receivable	**2,787,804**	2,096,889
Prepaid expenses	**79,799**	30,421
Property and equipment, net	**201,497**	319,324
	$ 24,974,880	$ 20,935,532
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 595,888**	$ 500,955
Deferred revenue	**226,020**	-
Deferred rent	**295,741**	325,112
Loan payable - Paycheck Protection Program loan	**876,518**	-
	1,994,167	826,067
Net assets:		
Without donor restrictions:		
Undesignated	**15,679,318**	13,059,838
Board designated (Midwest Advocates Fund)	**3,555,405**	3,555,405
	19,234,723	16,615,243
With donor restrictions	**3,745,990**	3,494,222
	22,980,713	20,109,465
	$ 24,974,880	$ 20,935,532

See notes to consolidated financial statements.

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Activities
Year Ended June 30, 2020 (with Comparative Totals for 2019)

	2020			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2019
Revenue:				
Contributions	**$ 769,484**	**$ 13,115**	**$ 782,599**	$ 516,351
Foundation grants	**3,933,772**	**3,057,067**	**6,990,839**	6,363,657
Special events, net of costs of direct benefit to donors of $145,449 in 2019	**-**	**-**	**-**	315,225
Investment income	**418,185**	**2,887**	**421,072**	646,404
Other income	**797,220**	**145,004**	**942,224**	391,486
Transfer of net assets arising from satisfaction of restrictions	**2,966,305**	**(2,966,305)**	**-**	-
	8,884,966	**251,768**	**9,136,734**	8,233,123
Expenses:				
Program service expenses	**6,258,893**	**-**	**6,258,893**	6,163,411
General and administrative	**518,165**	**-**	**518,165**	469,701
Marketing	**173,798**	**-**	**173,798**	145,867
Fundraising	**403,318**	**-**	**403,318**	533,650
	7,354,174	**-**	**7,354,174**	7,312,629
Increase in net assets before other item	**1,530,792**	**251,768**	**1,782,560**	920,494
Unrealized gain on investments	**1,088,688**	**-**	**1,088,688**	752,827
Increase in net assets	**2,619,480**	**251,768**	**2,871,248**	1,673,321
Net assets:				
Beginning of year	**16,615,243**	**3,494,222**	**20,109,465**	18,436,144
End of year	**$ 19,234,723**	**$ 3,745,990**	**$ 22,980,713**	$ 20,109,465

See notes to consolidated financial statements.

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Functional Expenses
Year Ended June 30, 2020 (with Comparative Totals for 2019)

	Program Services				
	Energy	Transportation	Natural Resources/ Clean Water	Climate Change/ Other Projects	Total
Salaries, benefits and payroll taxes	$ 2,082,647	$ 581,261	$ 1,769,926	$ 385,387	$ 4,819,221
Consultants	313,879	70,814	110,869	6,667	502,229
Equipment and furniture	3,658	699	2,191	464	7,012
Training/recruitment	161	168	54	40	423
Travel	75,830	13,680	22,199	13,830	125,539
Conferences and meetings	13,420	4,805	5,965	3,620	27,810
Outside services	20,227	1,464	44,748	7,708	74,147
Subscriptions and publications	19,764	5,347	16,356	3,546	45,013
Dues, licenses and fees	31,837	1,670	8,382	1,203	43,092
Telephone	13,496	4,211	10,848	2,362	30,917
Photocopy and printing	9,335	1,087	3,787	721	14,930
Postage and deliveries	1,821	146	1,853	120	3,940
Public awareness	17	96	2,133	65,076	67,322
Occupancy	137,039	38,247	116,461	25,359	317,106
General insurance	6,057	1,691	5,148	1,120	14,016
Supplies	4,789	1,254	4,556	764	11,363
Miscellaneous	200	-	656	500	1,356
Grants	-	-	-	113,859	113,859
	2,734,177	726,640	2,126,132	632,346	6,219,295
Depreciation and amortization	17,112	4,776	14,543	3,167	39,598
	$ 2,751,289	$ 731,416	$ 2,140,675	$ 635,513	$ 6,258,893

(Continued)

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2020 (with Comparative Totals for 2019)

	Supporting Services					
	General and Administrative	Marketing	Fundraising	Total	**2020 Total**	2019 Total
Salaries, benefits and payroll taxes	$ 373,295	$ 139,879	$ 340,818	$ 853,992	**$ 5,673,213**	$ 5,325,775
Consultants	4,902	1,531	3,243	9,676	**511,905**	780,945
Equipment and furniture	4,381	638	410	5,429	**12,441**	13,865
Training/recruitment	1,951	4	3,303	5,258	**5,681**	29,646
Travel	8,555	1,604	738	10,897	**136,436**	176,807
Conferences and meetings	9,277	2,883	1,000	13,160	**40,970**	70,534
Outside services	14,374	5,772	1,833	21,979	**96,126**	24,797
Subscriptions and publications	3,639	6,769	15,967	26,375	**71,388**	70,120
Dues, licenses and fees	48,448	709	1,258	50,415	**93,507**	105,009
Telephone	2,288	857	2,449	5,594	**36,511**	38,288
Photocopy and printing	1,849	262	4,558	6,669	**21,599**	33,967
Postage and deliveries	1,408	35	668	2,111	**6,051**	11,735
Public awareness	-	-	-	-	**67,322**	38,384
Occupancy	24,563	9,963	22,426	56,952	**374,058**	490,932
General insurance	1,086	406	991	2,483	**16,499**	16,582
Supplies	5,278	1,337	807	7,422	**18,785**	35,762
Miscellaneous	9,802	-	49	9,851	**11,207**	2,014
Grants	-	-	-	-	**113,859**	2,000
	515,096	172,649	400,518	1,088,263	**7,307,558**	7,267,162
Depreciation and amortization	3,069	1,149	2,800	7,018	**46,616**	45,467
	$ 518,165	$ 173,798	$ 403,318	$ 1,095,281	**$ 7,354,174**	$ 7,312,629

See notes to consolidated financial statements.

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Cash Flows
Year Ended June 30, 2020 (with Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Increase in net assets	**$ 2,871,248**	$ 1,673,321
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**46,616**	45,467
Deferred rent including landlord improvements	**56,436**	(32,396)
Unrealized gain on investments	**(1,088,688)**	(752,827)
Realized gain on investments	**(54,911)**	(285,312)
Changes in:		
Foundation grants receivable	**(690,915)**	256,447
Prepaid expenses	**(49,378)**	41,196
Accounts payable and accrued expenses	**94,933**	88,454
Deferred revenue	**226,020**	-
Net cash provided by operating activities	**1,411,361**	1,034,350
Cash flows from investing activities:		
Purchases of furniture and equipment	**(14,596)**	(11,664)
Purchases of investments	**(3,094,028)**	(2,497,559)
Maturities and redemption of investments	**1,414,433**	1,371,500
Net cash used in investing activities	**(1,694,191)**	(1,137,723)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	**876,518**	-
Net cash provided by financing activities	**876,518**	-
Increase (decrease) in cash	**593,688**	(103,373)
Cash:		
Beginning of year	**829,322**	932,695
End of year	**$ 1,423,010**	$ 829,322

See notes to consolidated financial statements.

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 Iowa, Michigan, Minnesota, Ohio, Washington D.C. and Wisconsin.

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:

Net assets without donor restrictions – Net assets without donor restrictions 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 designated reserve fund.

Net assets with donor restrictions – Net assets with donor restrictions represent assets subject to donor-imposed restrictions which are to be satisfied by the Center's actions or by the passage of time. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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 or loss. 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. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

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.

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. All foundation grants receivable for fiscal year 2020 are due within 12 months.

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 grants receivable at June 30, 2020.

Revenues for special events are recognized when earned, which is generally in the period the event takes place. Amounts received applicable to future events are recorded as deferred revenue. Direct costs are deferred and recognized similarly. A deferred revenue liability was recorded due to the postponement of the 2020 gala triggered by COVID-19.

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, based on management's review of contribution and grant documents and understanding of donors' intentions. Total revenue per these internal accounting records may differ from total revenue as reflected in the consolidated financial statements because, as described above, unconditional grants and contributions are recognized at the time they are pledged, regardless of their payment terms (multi-year installments, for example) or when their use is otherwise intended. Total revenue intended for use in 2020 per management's internal accounting records was approximately $8,784,000 as opposed to the approximate $9,137,000 total revenue reflected in the schedule of activities under U.S. GAAP.

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. In fiscal year 2020, ELPC received a large legal settlement in the amount of $559,000.

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. The expenses that are allocated include salaries, benefits, payroll taxes, telephone, subscriptions, publications, dues, licenses, and fees, which are allocated based on employee hours.

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 shorter of useful life or term of 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 cumulative 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.

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 2019, from which the summarized information was derived.

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 consolidated 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 consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the financial reporting period presented in these consolidated financial statements.

The Center files Forms 990 in the U.S. federal jurisdiction and the state of Illinois.

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.

Adopted accounting pronouncement: The Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* provides guidance surrounding the categorization of certain transactions as contributions or exchange transactions. It further clarifies when contributions should be deemed conditional. The Center adopted the contributions received portion of the new standard in fiscal year 2020. A certain foundation grant which is receivable in annual installments no longer qualified as a conditional contribution, and as a result, the Center recognized contribution revenue for the one remaining future annual installment, in addition to the annual installment received, in fiscal year 2020. The portion of the new standard for contributions paid is effective for the Center's fiscal year 2021 consolidated financial statements.

Recent accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard will be effective for the Center in the fiscal year ending June 30, 2023. Early adoption is permitted.

The Center is currently evaluating the impact on its consolidated financial statements of implementing this ASU.

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

COVID-19: On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. Effective March 16, 2020, the Center transitioned all employees to working remotely.

The extent to which the coronavirus impacts the Center’s fiscal year ending June 30, 2021, results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. Management continues to closely monitor developments in this area and will take steps to mitigate any future impact.

Subsequent events: The Center has evaluated subsequent events for potential recognition and/or disclosure through February 4, 2021, the date the consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability

Financial assets, at year-end:	
Cash	$ 1,423,010
Investments	20,482,770
Foundation grants receivable	2,787,804
	24,693,584
Less amounts not available to be used within one year:	
Board designated funds	(3,555,405)
Net assets with donor restrictions	(3,745,990)
Financial assets available to meet cash needs for general expenditures within one year	$ 17,392,189

The Center’s conservative financial management has allowed it to build a substantial asset base. Moreover, the Center receives grants and contributions without donor restrictions in advance of expenses to carry out its work. The Center’s investment policy calls for straightforward mutual fund investments, which are readily available if needed to meet cash flow or unforeseen advocacy needs. However, it is not the Center’s intent to substantially draw down these reserves to meet anticipated operating expenses.

Note 3. Investments

Investments at June 30, 2020, consist of:

	Fair Value	Cost
Investments:		
Certificates of deposit	$ 459,384	$ 458,694
Mutual funds:		
Domestic equity	9,519,301	5,428,766
Fixed income	8,316,538	7,789,186
International equity	250,894	227,699
Blended	1,936,653	1,452,775
	$ 20,482,770	$ 15,357,120

Certificates of deposit mature in September 2020, with interest rates of up to 1.45% per annum.

Note 3. Investments (Continued)

Investment income on the consolidated statement of activities consists of following:

Interest	$ 5,226
Dividends	360,935
Realized gains	54,911
	421,072
Unrealized gains	1,088,688
	$ 1,509,760

Note 4. Fair Value Disclosures

The provisions of the Fair Value Measurements and Disclosures Accounting Standards Codification (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 in equities and fixed income are stated at the daily closing price on the day of valuation. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Center are deemed to be actively traded. The fair value of the mutual funds amount to $20,023,386 and are entirely Level 1 values at June 30, 2020. There have been no changes in the methodology used at June 30, 2020.

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

Certificates of deposit amount to $459,384 and are valued at amortized cost.

Note 5. Property and Equipment

Property and equipment at June 30, 2020 consist of:

Furniture and equipment	$	229,377
Leasehold improvements		381,832
Landlord improvements		986,775
		1,597,984
Accumulated depreciation		(1,396,487)
	$	201,497

Depreciation and amortization expense amounted to $46,616 plus amortization of landlord improvements of $85,807.

Note 6. Lease Commitments

The Center's headquarters is subject to a lease with terms through December 2031. The lease includes scheduled rent increases throughout the term and certain rent abatements. The lease also provides incentives for leasehold (landlord) improvements, which are recorded on the consolidated statement of financial position as a capital asset and deferred rent liability. Landlord 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, Michigan, Minnesota, Ohio and Wisconsin) and Washington D.C. under annual and month-to-month agreements expiring on various dates through December 2023.

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

Year ending June 30,		
2021	$	297,000
2022		315,000
2023		198,000
2024		194,000
2025		191,000
Thereafter		1,400,000
	$	2,595,000

Occupancy expense reported in the consolidated financial statements for fiscal year 2020 consists of the following:

Cash rentals paid	$	308,718
Utilities		6,045
Repairs, maintenance and equipment rental		2,859
Incremental effect of straight-line rental recognition (deferred rent)		56,436
Amortization of landlord improvements		85,807
Amortization of deferred rent pertaining to landlord improvements		(85,807)
	$	374,058

Note 7. Loans Payable

The Coronavirus Aid, Relief, and Economic Security Act, signed into law on Friday, March 27, 2020, introduced the Paycheck Protection Program (PPP) to provide funding to small businesses with the goal of preventing job loss and business failures due to losses caused by the COVID-19 pandemic. The PPP loan program was available for eligible small businesses, including nonprofits, to provide a forgivable loan to cover payroll and other costs. Through the Small Business Administration, the PPP loan is a 100% federally guaranteed unsecured loan requiring no collateral. A borrower of a PPP loan is eligible for loan forgiveness up to the full amount of the loan and any accrued interest for costs incurred and payments made during the 24-week period after the lender makes the first disbursement of the PPP loan to the borrower, subject to proper documentation.

The Center was eligible to apply for a PPP loan as a nonprofit organization that employed no more than 500 employees whose principal place of residence is in the United States and was in operation as of February 15, 2020. The Center applied for and received a PPP loan through BMO Harris Bank N.A. in the amount of $876,518. The date of the loan is April 15, 2020, and bears interest at a rate of 1% with a maturity date of two years from the date of the loan. Beginning seven months from the date of the loan, the Center must pay principal and interest payments of $49,327 every month. The outstanding PPP loan balance was $876,518 at June 30, 2020.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2020:

Energy	$	954,600
Wild and natural places		96,864
Other projects		35,579
ELPC Action Fund		793,947
General support for future periods		1,865,000
	$	3,745,990

Net assets with donor restrictions were released from restrictions for the following purposes for the year ended June 30, 2020:

Energy	$	1,592,846
Wild and natural places		624,450
Transportation/air quality/land use		244,917
Other projects		223,516
ELPC Action Fund		81,076
General support		199,500
	$	2,966,305

General support of $199,500 consists of $349,500 of net assets released from donor restrictions for general support during fiscal year 2020 net of $150,000 transferred from ELPC to the Action Fund.

Note 9. 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 beginning on their date of hire and they become fully vested upon joining the plan. The Center's contribution for fiscal year 2020 was $286,416.

Supplementary Information

Environmental Law and Policy Center of the Midwest

Consolidating Schedule of Activities
Year Ended June 30, 2020

	ELPC							
	Without Donor Restrictions							
	Undesignated	Midwest Advocates Fund	Total	With Donor Restrictions	2020 Total	ELPC Action Fund	Eliminations	2020 Consolidated Total
Revenue:								
Contributions	$ 769,484	$ -	$ 769,484	$ 10,000	$ 779,484	$ 3,115	$ -	$ 782,599
Foundation grants	3,933,772	-	3,933,772	3,057,067	6,990,839	-	-	6,990,839
Investment income	418,185	-	418,185	-	418,185	2,887	-	421,072
Other income	797,220	-	797,220	145,004	942,224	-	-	942,224
Transfer of net assets arising from satisfaction of restrictions	3,084,519	-	3,084,519	(3,035,229)	49,290	150,000	(199,290)	-
	9,003,180	-	9,003,180	176,842	9,180,022	156,002	(199,290)	9,136,734
Expenses:								
Program service expenses	6,377,107	-	6,377,107	-	6,377,107	81,076	(199,290)	6,258,893
General and administrative	518,165	-	518,165	-	518,165	-	-	518,165
Marketing	173,798	-	173,798	-	173,798	-	-	173,798
Fundraising	403,318	-	403,318	-	403,318	-	-	403,318
	7,472,388	-	7,472,388	-	7,472,388	81,076	(199,290)	7,354,174
Increase in net assets before other item	1,530,792	-	1,530,792	176,842	1,707,634	74,926	-	1,782,560
Unrealized gain on investments	1,088,688	-	1,088,688	-	1,088,688	-	-	1,088,688
Increase in net assets	2,619,480	-	2,619,480	176,842	2,796,322	74,926	-	2,871,248
Net assets:								
Beginning of year	13,059,838	3,555,405	16,615,243	2,775,201	19,390,444	719,021	-	20,109,465
End of year	$ 15,679,318	$ 3,555,405	$ 19,234,723	$ 2,952,043	$ 22,186,766	$ 793,947	$ -	$ 22,980,713