ENVIRONMENTAL LAW & POLICY CENTER

TO: **ELPC Directors and Colleagues**

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

RE: **FY 2021 Audit (July 1, 2020 – June 30, 2021)**

DATE: **February 11, 2022**

Enclosed is the Environmental Law & Policy Center's (ELPC) audited financial statements for our Fiscal Year 2021 (July 1, 2020 through June 30, 2021). 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 2021 with "real" revenues of $10,790,000 compared to the FASB revenues of $10,066,800 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 2022. https://elpc.org/about/careers/

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 2021 income to be $10,066,800 compared to expenses of $7,886,627 (see page 4 of the audit). The audit shows a surplus of $5,580,500 of which $3,400,327 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, 2021.

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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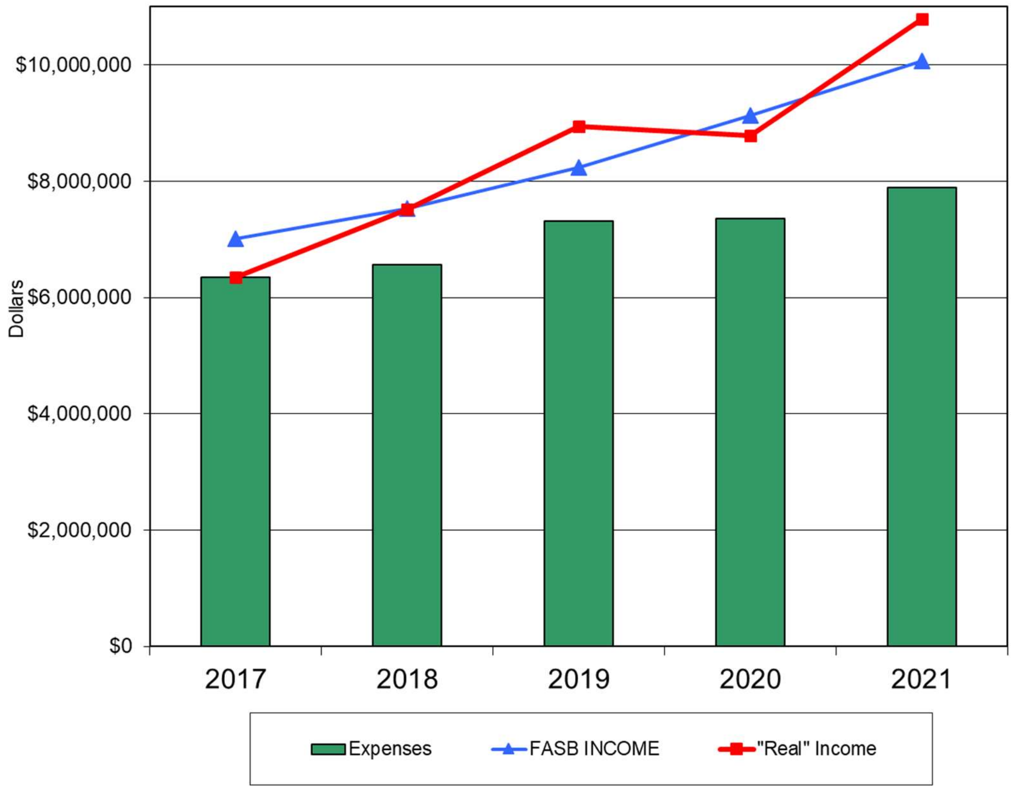
use was intended by the donor…Total revenue intended for use in 2021 per management's internal accounting records was approximately $10,790,000 as opposed to the approximate $10,066,000 of total revenue reflected in the schedule of activities under U.S. GAAP.

These fluctuations in FASB-defined income can be seen graphically below.



Please call me if you have any questions regarding the FY 2021 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, 2021

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Independent Auditor's Report

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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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 4, 2021. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2020, 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 9, 2022

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Financial Position
June 30, 2021 (with Comparative Totals for 2020)

	2021	2020
Assets		
Cash	**$ 961,897**	$ 1,423,010
Investments	**26,259,294**	20,482,770
Foundation grants receivable	**2,749,876**	2,787,804
Prepaid expenses	**119,992**	79,799
Property and equipment, net	**82,457**	201,497
	$ 30,173,516	$ 24,974,880
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 545,550**	$ 595,888
Deferred revenue	**40,000**	226,020
Deferred rent	**142,493**	295,741
Loan payable—Paycheck Protection Program loan	**884,260**	876,518
	1,612,303	1,994,167
Net assets:		
Without donor restrictions:		
Undesignated	**21,314,666**	15,679,318
Board designated (Midwest Advocates Fund)	**4,499,911**	3,555,405
	25,814,577	19,234,723
With donor restrictions	**2,746,636**	3,745,990
	28,561,213	22,980,713
	$ 30,173,516	$ 24,974,880

See notes to consolidated financial statements.

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Activities
Year Ended June 30, 2021 (with Comparative Totals for 2020)

	2021			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2020
Revenue:				
Contributions	**$ 462,474**	**$ 6,725**	**$ 469,199**	$ 782,599
Foundation grants	**2,544,606**	**4,016,916**	**6,561,522**	6,990,839
Special events, net of costs of direct benefit to donors of $25,278 in 2021	**235,806**	**-**	**235,806**	-
Investment income	**1,638,126**	**-**	**1,638,126**	421,072
Forgiveness of payroll protection program loan	**881,657**	**-**	**881,657**	-
Other income	**62,849**	**217,641**	**280,490**	942,224
Transfer of net assets arising from satisfaction of restrictions	**5,240,636**	**(5,240,636)**	**-**	-
	11,066,154	**(999,354)**	**10,066,800**	9,136,734
Expenses:				
Program service expenses	**6,555,796**	**-**	**6,555,796**	6,258,893
General and administrative	**549,891**	**-**	**549,891**	518,165
Marketing	**209,652**	**-**	**209,652**	173,798
Fundraising	**571,288**	**-**	**571,288**	403,318
	7,886,627	**-**	**7,886,627**	7,354,174
Increase in net assets before other items	**3,179,527**	**(999,354)**	**2,180,173**	1,782,560
Unrealized gain on investments	**3,400,327**	**-**	**3,400,327**	1,088,688
Increase in net assets	**6,579,854**	**(999,354)**	**5,580,500**	2,871,248
Net assets:				
Beginning of year	**19,234,723**	**3,745,990**	**22,980,713**	20,109,465
End of year	**$ 25,814,577**	**$ 2,746,636**	**$ 28,561,213**	$ 22,980,713

See notes to consolidated financial statements.

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021 (with Comparative Totals for 2020)

	Program Services				
	Energy	Transportation	Natural Resources/ Clean Water	Climate Change/ Other Projects	Total
Salaries, benefits and payroll taxes	$ 2,347,339	$ 546,886	$ 1,794,631	$ 267,639	$ 4,956,495
Consultants	404,870	66,569	152,058	25,878	649,375
Equipment and furniture	900	285	578	482	2,245
Training/recruitment	2,298	559	1,925	270	5,052
Travel	15,775	650	933	266	17,624
Conferences and meetings	1,370	258	1,337	168	3,133
Outside services	67,479	2,121	56,762	971	127,333
Subscriptions and publications	22,696	4,156	13,636	2,034	42,522
Dues, licenses and fees	31,122	2,679	19,872	2,044	55,717
Telephone	12,707	3,304	9,267	1,682	26,960
Photocopy and printing	3,637	301	1,152	148	5,238
Postage and deliveries	3,312	143	9,892	47	13,394
Public awareness	65,718	-	1,388	12,000	79,106
Occupancy	117,724	27,427	90,223	13,903	249,277
General insurance	10,117	2,357	7,735	1,153	21,362
Supplies	775	79	781	67	1,702
Miscellaneous	2,148	384	1,469	388	4,389
Grants	210,000	-	-	39,641	249,641
	3,319,987	658,158	2,163,639	368,781	6,510,565
Depreciation and amortization	21,421	4,991	16,377	2,442	45,231
	$ 3,341,408	$ 663,149	$ 2,180,016	$ 371,223	$ 6,555,796

(Continued)

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2021 (with Comparative Totals for 2020)

	Supporting Services					
	General and Administrative	Marketing	Fundraising	Total	**2021 Total**	2020 Total
Salaries, benefits and payroll taxes	$ 409,663	$ 139,801	$ 452,748	$ 1,002,212	**$ 5,958,707**	$ 5,673,213
Consultants	14,864	1,710	41,301	57,875	**707,250**	511,905
Equipment and furniture	873	(119)	138	892	**3,137**	12,441
Training/recruitment	3,014	142	462	3,618	**8,670**	5,681
Travel	615	132	324	1,071	**18,695**	136,436
Conferences and meetings	2,597	212	593	3,402	**6,535**	40,970
Outside services	769	19,728	6,796	27,293	**154,626**	96,126
Subscriptions and publications	3,176	6,194	21,484	30,854	**73,376**	71,388
Dues, licenses and fees	59,621	1,118	7,656	68,395	**124,112**	93,507
Telephone	3,491	722	3,458	7,671	**34,631**	36,511
Photocopy and printing	652	77	5,084	5,813	**11,051**	21,599
Postage and deliveries	2,049	24	1,458	3,531	**16,925**	6,051
Public awareness	1,202	29,452	-	30,654	**109,760**	67,322
Occupancy	21,980	7,011	23,106	52,097	**301,374**	374,058
General insurance	1,766	602	1,951	4,319	**25,681**	16,499
Supplies	1,745	22	279	2,046	**3,748**	18,785
Miscellaneous	18,076	1,548	318	19,942	**24,331**	11,207
Grants	-	-	-	-	**249,641**	113,859
	546,153	208,376	567,156	1,321,685	**7,832,250**	7,307,558
Depreciation and amortization	3,738	1,276	4,132	9,146	**54,377**	46,616
	$ 549,891	$ 209,652	$ 571,288	$ 1,330,831	**$ 7,886,627**	$ 7,354,174

See notes to consolidated financial statements.

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Cash Flows
Year Ended June 30, 2021 (with Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Increase in net assets	**$ 5,580,500**	$ 2,871,248
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**54,377**	46,616
Deferred rent including landlord improvements	**(67,441)**	56,436
Unrealized gain on investments	**(3,400,327)**	(1,088,688)
Realized gain on investments	**(1,291,161)**	(54,911)
Gain on extinguishment of debt	**(876,518)**	-
Changes in:		
Foundation grants receivable	**37,928**	(690,915)
Prepaid expenses	**(40,193)**	(49,378)
Accounts payable and accrued expenses	**(50,338)**	94,933
Deferred revenue	**(186,020)**	226,020
Net cash (used in) provided by operating activities	**(239,193)**	1,411,361
Cash flows from investing activities:		
Purchases of furniture and equipment	**(21,144)**	(14,596)
Purchases of investments	**(3,928,312)**	(3,094,028)
Maturities and redemption of investments	**2,843,276**	1,414,433
Net cash used in investing activities	**(1,106,180)**	(1,694,191)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	**884,260**	876,518
Net cash provided by financing activities	**884,260**	876,518
Increase (decrease) in cash	**(461,113)**	593,688
Cash:		
Beginning of year	**1,423,010**	829,322
End of year	**$ 961,897**	$ 1,423,010

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 12 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 2021 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, 2021.

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.

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 2021 per management's internal accounting records was approximately $10,790,000 as opposed to the approximate $10,066,000 total revenue reflected in the schedule of activities under accounting principles generally accepted in the United States of America (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.

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 three years, telecommunications equipment is depreciated over five years, photocopiers are depreciated over six years, furniture is depreciated over seven 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 U.S. GAAP 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 2020, from which the summarized information was derived. Certain reclassifications have been made to the balances for the year ended June 30, 2020, with no effect on net assets or the change in net assets, to be consistent with the classification presentation for the year ended June 30, 2021.

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 U.S. GAAP, 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: In May 2014, the Financial Accounting Standards Board (FASB) issues Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standards replaced most existing revenue recognition guidance in U.S. GAAP and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The Organization adopted the new standard effective July 1, 2020, the first day of the Organization's fiscal year using the modified retrospective approach. The Organization does not have any material revenue streams subject to the guidance in ASU 2014-09, and therefore the adoption of the new standard had no impact on the 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 12 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, 2022, 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 9, 2022, the date the consolidated financial statements were available to be issued. See Note 7 for a description of a specific subsequent event.

Note 2. Liquidity and Availability

Financial assets, at year-end:	
Cash	$ 961,897
Investments	26,259,294
Foundation grants receivable	2,749,876
	29,971,067
Less amounts not available to be used within one year:	
Board designated funds	(4,499,911)
Net assets with donor restrictions	(2,746,636)
Financial assets available to meet cash needs for general expenditures within one year	$ 22,724,520

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, 2021, consist of:

	Fair Value	Cost
Investments:		
Certificates of deposit	$ 356,771	$ 356,747
Mutual funds:		
Domestic equity	13,155,639	6,388,432
Fixed income	9,532,514	9,273,152
International equity	2,873,724	2,482,257
Blended	340,646	268,143
	$ 26,259,294	$ 18,768,731

Note 3. Investments (Continued)

Certificates of deposit mature in July 2021, with an interest rate of 0.04% per annum.

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

Interest	$ 1,054
Dividends	345,911
Realized gains	1,291,161
	1,638,126
Unrealized gains	3,400,327
	$ 5,038,453

Note 4. Fair Value Disclosures

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance 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. Under this guidance, assets and liabilities carried at fair value must 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 $25,902,523 and are entirely Level 1 values at June 30, 2021. There have been no changes in the methodology used at June 30, 2021.

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

Certificates of deposit amount to $356,771 and are valued at amortized cost.

Note 5. Property and Equipment

Property and equipment at June 30, 2021, consist of:

Furniture and equipment	$	250,521
Leasehold improvements		381,832
Landlord improvements		986,775
		1,619,128
Accumulated depreciation		(1,536,671)
	$	82,457

Depreciation and amortization expense amounted to $54,377 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,		
2022	$	315,000
2023		198,000
2024		194,000
2025		191,000
2026		197,000
Thereafter		1,203,000
	$	2,298,000

Occupancy expense reported in the consolidated financial statements for fiscal year 2021 consists of the following:

Cash rentals paid	$	338,787
Utilities		4,645
Repairs, maintenance and equipment rental		3,000
Incremental effect of straight-line rental recognition (deferred rent)		(45,058)
Amortization of landlord improvements		85,807
Amortization of deferred rent pertaining to landlord improvements		(85,807)
	$	301,374

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. In November 2020, the Center received notice that the Small Business Administration (SBA) fully approved forgiveness of the loan. As such, the entire loan balance including unpaid interest of $5,139 was recorded as income for the year ended June 30, 2021.

The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) was signed into law on December 27, 2020. The Economic Aid Act extending the authority to make PPP loans through March 31, 2021, revising certain PPP requirements, and permitting second draw PPP loans. In February 2021, the Center received an additional PPP loan totaling $884,260. The loan matures five years from the disbursement date and bears interest of 1% per annum, payable monthly commencing on June 1, 2021. The outstanding PPP loan balance was $884,260 at June 30, 2021.

On October 29, 2021, the Center received notification from BMO Harris that the Center's second PPP loan forgiveness application was approved by the SBA.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2021:

Energy	$ 1,006,000
Wild and natural places	972,508
Transportation/air quality/land use	150,000
ELPC Action Fund	618,128
	$ 2,746,636

Net assets with donor restrictions were released from restrictions for the following purposes for the year ended June 30, 2021:

Energy	$ 1,960,454
Wild and natural places	1,063,568
Transportation/air quality/land use	115,075
Other projects	57,495
ELPC Action Fund	329,044
General support	1,715,000
	$ 5,240,636

Note 8. Net Assets with Donor Restrictions (Continued)

General support of $1,715,000 consists of $1,865,000 of net assets released from donor restrictions for general support during fiscal year 2021 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 $321,045.

Supplementary Information

Environmental Law and Policy Center of the Midwest

Consolidating Schedule of Activities
Year Ended June 30, 2021

	ELPC							
	Without Donor Restrictions							
	Undesignated	Midwest Advocates Fund	Total	With Donor Restrictions	2021 Total	ELPC Action Fund	Eliminations	2021 Consolidated Total
Revenue:								
Contributions	$ 462,474	$ -	$ 462,474	$ 3,500	$ 465,974	$ 3,225	$ -	$ 469,199
Foundation grants	2,544,606	-	2,544,606	4,016,916	6,561,522	-	-	6,561,522
Special events, net of costs of direct benefit to donors of $25,278	235,806	-	235,806	-	235,806	-	-	235,806
Investment income	1,638,126	-	1,638,126	-	1,638,126	-	-	1,638,126
Forgivenss for payroll protection program loan	-	881,657	881,657	-	881,657	-	-	881,657
Other income	-	62,849	62,849	217,641	280,490	-	-	280,490
Transfer of net assets arising from satisfaction of restrictions	5,390,636	-	5,390,636	(5,061,592)	329,044	150,000	(479,044)	-
	10,271,648	944,506	11,216,154	(823,535)	10,392,619	153,225	(479,044)	10,066,800
Expenses:								
Program service expenses	6,705,796	-	6,705,796	-	6,705,796	329,044	(479,044)	6,555,796
General and administrative	549,891	-	549,891	-	549,891	-	-	549,891
Marketing	209,652	-	209,652	-	209,652	-	-	209,652
Fundraising	571,288	-	571,288	-	571,288	-	-	571,288
	8,036,627	-	8,036,627	-	8,036,627	329,044	(479,044)	7,886,627
Increase in net assets before other items	2,235,021	944,506	3,179,527	(823,535)	2,355,992	(175,819)	-	2,180,173
Unrealized gain on investments	3,400,327	-	3,400,327	-	3,400,327	-	-	3,400,327
Increase in net assets	5,635,348	944,506	6,579,854	(823,535)	5,756,319	(175,819)	-	5,580,500
Net assets:								
Beginning of year	15,679,318	3,555,405	19,234,723	2,952,043	22,186,766	793,947	-	22,980,713
End of year	$ 21,314,666	$ 4,499,911	$ 25,814,577	$ 2,128,508	$ 27,943,085	$ 618,128	$ -	$ 28,561,213