TO: ELPC Directors and Colleagues

FROM: Howard A. Learner, Executive Director

RE: FY 2023 Audit (July 1, 2022 – June 30, 2023)

DATE: April 2, 2024

Enclosed is the Environmental Law & Policy Center's (ELPC) audited financial statements for our Fiscal Year 2023 (July 1, 2022 through June 30, 2023). 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 2023 with "real" revenues of $10,200,000 and expenses of $7,988,592. While this "real" revenue is less than in FY 2022, that year had several unusual one-time revenue sources, including a large fee award and forgiveness of a Paycheck Protection Program loan. Our FY 2023 expenses were lower than anticipated due to the unusually tight labor market which resulted in delays hiring the talented staff we need to win. FY 2024 expenses will be significantly higher since they will reflect ELPC's five net new staff hires and salary increases that took effect on July 1, 2024. There are additional new hires planned for FY 2024 that will also impact expenses.

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?)

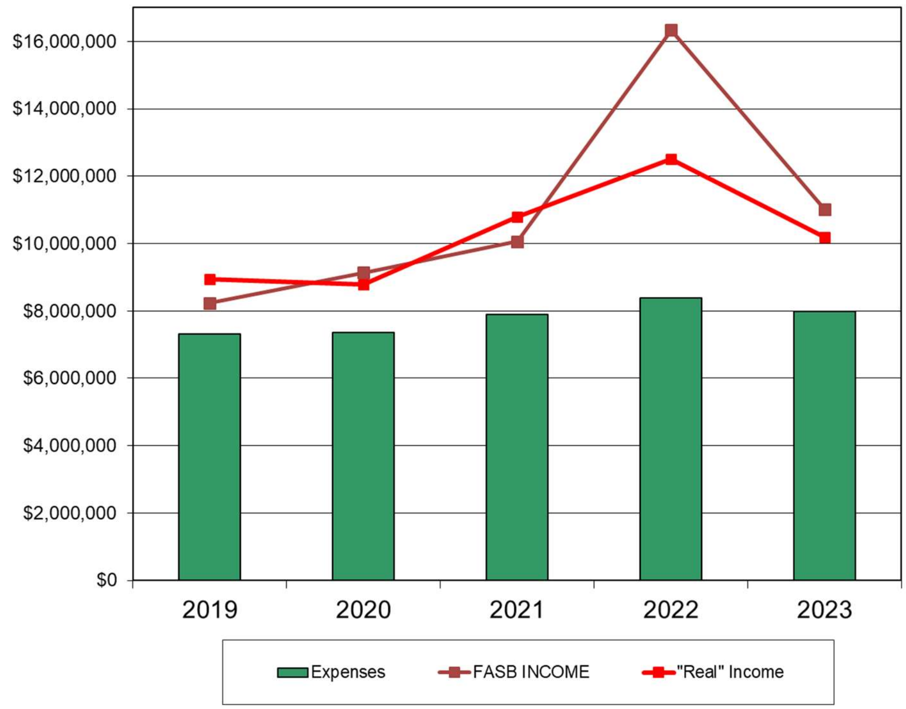
Under FASB 116, the audit shows ELPC's FY 2023 income to be $11,017,495 compared to expenses of $7,988,592 (see page 4 of the audit). The audit shows a surplus of $4,777,859, which includes $1,748,956 in unrealized gain on investments. These unrealized gains (and sometimes losses) fluctuate from year to year and simply reflect a snapshot of the highly-fluctuating stock market equity prices on June 30, 2023.

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 use was intended by the donor…Total revenue intended for use in 2023 per*

management's internal accounting records was approximately $10,200,000 as opposed to the approximate $11,050,000 of total revenue reflected in the schedule of activities under accounting principles generally accepted in the United States of America (U.S. GAAP).

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



Please call me or ELPC's Deputy Director Kevin Brubaker if you have any questions regarding the FY 2023 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, 2023

Contents

Independent Auditor's Report

Board of Directors
Environmental Law and Policy Center of the Midwest

Opinion

We have audited the consolidated financial statements of Environmental Law and Policy Center of the Midwest, which comprise the consolidated statement of financial position as of June 30, 2023, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Environmental Law and Policy Center of the Midwest as of June 30, 2023, 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.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Center adopted Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 842, Leases, as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Environmental Law and Policy Center of the Midwest's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Environmental Law and Policy Center of the Midwest's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Environmental Law and Policy Center of the Midwest's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2023. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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 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 audits 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
April 2, 2024

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Financial Position
June 30, 2023 (With Comparative Totals for 2022)

	2023	2022
Assets		
Cash	**$ 2,106,762**	$ 1,889,592
Investments	**29,304,077**	24,575,940
Foundation grants receivable	**5,609,873**	5,329,962
Prepaid expenses	**120,615**	72,459
Property and equipment, net	**21,961**	10,981
Right-of-use asset—operating lease	**1,531,042**	-
	$ 38,694,330	$ 31,878,934
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,049,148**	$ 569,514
Lease liabilities—operating lease	**1,567,578**	-
Deferred rent	**-**	9,675
	2,616,726	579,189
Net assets:		
Without donor restrictions:		
Undesignated	**25,268,207**	21,297,417
Board designated (Midwest Advocates Fund)	**3,954,490**	3,954,490
	29,222,697	25,251,907
With donor restrictions	**6,854,907**	6,047,838
	36,077,604	31,299,745
	$ 38,694,330	$ 31,878,934

See notes to consolidated financial statements.

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Activities
Year Ended June 30, 2023 (With Comparative Totals for 2022)

	2023			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2022
Revenue:				
Contributions	**$ 614,757**	**$ -**	**$ 614,757**	$ 2,319,488
Foundation grants	**1,703,393**	**6,145,671**	**7,849,064**	9,914,684
Special events, net of costs of direct benefit to donors of $182,275 in 2023	**261,417**	**-**	**261,417**	494,907
Investment income	**1,192,563**	**-**	**1,192,563**	1,308,083
Forgiveness of payroll protection program loan	**-**	**-**	**-**	884,260
Other income	**1,080,476**	**19,218**	**1,099,694**	1,419,182
Transfer of net assets arising from satisfaction of restrictions	**5,375,517**	**(5,375,517)**	**-**	-
	10,228,123	**789,372**	**11,017,495**	16,340,604
Expenses:				
Program service expenses	**6,197,407**	**-**	**6,197,407**	6,703,263
General and administrative	**884,751**	**-**	**884,751**	754,854
Marketing	**184,158**	**-**	**184,158**	177,401
Fundraising	**722,276**	**-**	**722,276**	745,882
	7,988,592	**-**	**7,988,592**	8,381,400
Increase in net assets before other items	**2,239,531**	**789,372**	**3,028,903**	7,959,204
Unrealized (loss) gain on investments	**1,731,259**	**17,697**	**1,748,956**	(5,220,672)
(Decrease) increase in net assets	**3,970,790**	**807,069**	**4,777,859**	2,738,532
Net assets:				
Beginning of year	**25,251,907**	**6,047,838**	**31,299,745**	28,561,213
End of year	**$ 29,222,697**	**$ 6,854,907**	**$ 36,077,604**	$ 31,299,745

See notes to consolidated financial statements.

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023 (With Comparative Totals for 2022)

	Program Services					
	Energy	Transportation	Great Lakes/ Great Places	Clean Water	Clean Air/Climate Other	Total
Salaries, benefits and payroll taxes	$ 1,714,617	$ 595,448	$ 1,212,981	$ 740,497	$ 585,649	$ 4,849,192
Consultants	342,810	63,963	73,895	118,843	1,995	601,506
Equipment and furniture	879	1,549	352	613	170	3,563
Training/recruitment	-	-	-	-	-	-
Travel	43,465	10,169	18,625	4,303	13,115	89,677
Conferences and meetings	1,837	783	6,457	773	10,712	20,562
Outside services	3,239	5,192	20,902	1,140	1,251	31,724
Subscriptions and publications	19,420	6,774	13,768	8,387	6,633	54,982
Dues, licenses and fees	21,955	713	6,715	1,606	4,461	35,450
Telephone	10,072	3,798	7,125	4,349	3,560	28,904
Photocopy and printing	1,069	344	707	428	338	2,886
Postage and deliveries	1,146	106	1,032	107	115	2,506
Public awareness	228	-	2,525	-	37,509	40,262
Occupancy	141,540	49,154	100,131	61,127	48,345	400,297
General insurance	8,031	2,789	5,682	3,468	2,744	22,714
Supplies	3,143	896	1,996	1,124	888	8,047
Miscellaneous	-	-	500	-	1,000	1,500
Grants	-	-	-	2,000	-	2,000
	2,313,451	741,678	1,473,393	948,765	718,485	6,195,772
Depreciation and amortization	578	201	409	250	197	1,635
	$ 2,314,029	$ 741,879	$ 1,473,802	$ 949,015	$ 718,682	$ 6,197,407

(Continued)

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2023 (With Comparative Totals for 2022)

	Supporting Services					
	General and Administrative	Marketing	Fundraising	Total	**2023 Total**	2022 Total
Salaries, benefits and payroll taxes	$ 643,932	$ 98,421	$ 560,797	$ 1,303,150	**$ 6,152,342**	$ 6,310,399
Consultants	35,009	-	28,707	63,716	**665,222**	442,562
Equipment and furniture	1,188	204	162	1,554	**5,117**	12,460
Training/recruitment	-	-	-	-	**-**	3,992
Travel	8,496	6,080	4,933	19,509	**109,186**	70,751
Conferences and meetings	19,373	5,329	454	25,156	**45,718**	130,786
Outside services	7,762	7,495	20,116	35,373	**67,097**	395,955
Subscriptions and publications	20,617	9,204	14,300	44,121	**99,103**	60,626
Dues, licenses and fees	68,368	3,676	8,512	80,556	**116,006**	188,455
Telephone	5,110	578	3,134	8,822	**37,726**	32,422
Photocopy and printing	901	1,248	10,134	12,283	**15,169**	8,979
Postage and deliveries	589	57	2,350	2,996	**5,502**	4,131
Public awareness	70	35,270	-	35,340	**75,602**	43,806
Occupancy	53,110	8,125	68,718	129,953	**530,250**	455,419
General insurance	3,034	461	2,627	6,122	**28,836**	25,160
Supplies	7,425	7,692	(2,857)	12,260	**20,307**	10,315
Miscellaneous	9,550	285	-	9,835	**11,335**	23,321
Grants	-	-	-	-	**2,000**	106,665
	884,534	184,125	722,087	1,790,746	**7,986,518**	8,326,204
Depreciation and amortization	217	33	189	439	**2,074**	55,196
	$ 884,751	$ 184,158	$ 722,276	$ 1,791,185	**$ 7,988,592**	$ 8,381,400

See notes to consolidated financial statements.

Environmental Law and Policy Center of the Midwest

Consolidated Statement of Cash Flows
Year Ended June 30, 2023 (With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Increase in net assets	**$ 4,777,859**	$ 2,738,532
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**2,074**	55,196
Deferred rent including landlord improvements	**-**	(89,914)
Unrealized loss (gain) on investments	**(1,748,956)**	5,220,672
Realized gain on investments	**(644,048)**	(905,060)
Donated securities	**-**	(473,345)
Gain on extinguishment of debt	**-**	(884,260)
Reduction in carrying amount of operating right-of-use asset	**199,080**	-
Cash paid for operating leases	**(162,544)**	-
Changes in:		
Foundation grants receivable	**(279,911)**	(2,580,086)
Prepaid expenses	**(48,156)**	47,533
Accounts payable and accrued expenses	**479,634**	23,964
Deferred rent	**(9,675)**	(40,000)
Net cash provided by operating activities	**2,565,357**	3,113,232
Cash flows from investing activities:		
Purchases of furniture and equipment	**(13,055)**	(26,624)
Purchases of investments	**(4,199,550)**	(4,341,699)
Maturities and redemption of investments	**1,864,418**	1,719,894
Net cash used in investing activities	**(2,348,187)**	(2,648,429)
Cash flows from financing activities:		
Proceeds from donated securities	**-**	462,892
Net cash provided by financing activities	**-**	462,892
Increase in cash	**217,170**	927,695
Cash:		
Beginning	**1,889,592**	961,897
Ending	**$ 2,106,762**	$ 1,889,592

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. Also included in this category are net assets subject to donor-directed restrictions to be maintained in perpetuity by ELPC.

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. As of June 30, 2023, pledges receivable of $2,570,000 is expected to be received within one year with the remaining contributions to be received within five years.

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, 2023.

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 2023 per management's internal accounting records was approximately $10,200,000 as opposed to the approximate $11,050,000 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.

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

Leases: Prior to July 1, 2022, the Center followed the lease accounting guidance in FASB ASC Topic 840. Effective July 1, 2022, the Center follows the lease accounting guidance in FASB ASC Topic 842. The Center determines if an arrangement is a lease at inception of the contract. Under Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Center's contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Center has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

Leases are classified as either operating or finance. For both operating and finance leases, the Center recognizes a lease liability equal to the present value of the remaining lease payments, and a right-of-use asset equal to the lease liability, subject to certain adjustments, such as for prepaid rents. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Center will exercise such option. When the rate implicit in the lease is not readily determinable, the Center has made a policy election to use a risk-free rate, based on the United States Treasury rates, to determine the present value of the lease payments for all classes of assets.

The Center defines a short-term lease as any lease arrangement with a lease term of 12 months or less that does not include an option to purchase the underlying asset. The Center has made a policy election to not recognize right-of-use assets and lease liabilities for short-term leases. For lease contracts that have a maximum possible term of 12 months or less at commencement, the Center recognizes the short-term payments as expense based on the provisions of the lease contract.

Operating leases result in a straight-line lease expenses, while finance leases result in front-loaded expense patterns. The Center's lease agreements do not contain residual value guarantees or restrictive covenants

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 2022, 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.

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

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: The FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in FASB ASC Topic 840, *Leases,* which is intended to increase transparency and comparability among organizations related to their leasing arrangements. The new lease standard, including all the related amendments subsequent to its issuance, supersedes the current guidance for lease accounting and requires lessees to recognize a right-of-use asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term for substantially all leases, as well as disclose key quantitative and qualitative information about lease arrangements.

The Center adopted ASU 2016-02 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior period financial statements. Under this transition provision, the Center has applied ASU 2016-02 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the legacy guidance under ASC Topic 840, Leases. The adoption did not result in a cumulative-effect adjustment to the opening balance of net assets.

In addition to the policy election choices, FASB ASC Topic 842 includes practical expedient choices. The Center elected the package of practical expedients available in the standard and, as a result, did not reassess the lease classification of existing leases, whether a pre-existing contract is deemed to be or to include a lease or the initial direct costs associated with existing leases. The Center did not elect the hindsight practical expedient, and so did not re-evaluate lease terms for existing leases and will measure the right-of-use asset and lease liability using the remaining portion of the lease term at adoption on July 1, 2022.

The adoption did not result in a cumulative-effect adjustment to the opening balance of net assets without donor restrictions. Adoption of the new lease standard resulted in the recording of operating lease right-of-use assets of $1,688,721 and operating lease liabilities of $1,698,404 as of July 1, 2022.

Subsequent events: The Center is involved as a defendant in certain litigation claims arising in the ordinary course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Center’s net assets. The Center has evaluated subsequent events for potential recognition and/or disclosure through April 2, 2024, the date the consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability

Financial assets, at year-end:	
Cash	$ 2,106,762
Investments	29,304,077
Foundation grants receivable	5,609,873
Less amounts not available to be used within one year:	
Board designated funds	(3,954,490)
Net assets with donor restrictions, net of grant receivables collectible within a year	(4,284,907)
Financial assets available to meet cash needs for general expenditures within one year	$ 28,781,315

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, 2023, consist of:

	Fair Value	Cost
Investments:		
Certificates of deposit	$ 209,553	$ 209,545
Mutual funds:		
Domestic equity	15,683,292	10,041,720
Fixed income	10,251,539	11,743,354
Blended	433,475	436,082
International equity	2,726,218	2,102,230
	$ 29,304,077	$ 24,532,931

Certificates of deposit matured in July and August 2023, with an interest rate of 3.965% and 4.21% per annum, respectively.

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

Interest	$ 4,768
Dividends	543,747
Realized gains	644,048
	1,192,563
Unrealized gains	1,748,956
	$ 2,941,519

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 $29,304,071 and are entirely Level 1 values at June 30, 2023. There have been no changes in the methodology used at June 30, 2023.

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

Certificates of deposit amount to $209,547 and are valued at amortized cost.

Note 5. Property and Equipment

Property and equipment at June 30, 2023, consist of:

Furniture and equipment	$ 290,198
Leasehold improvements	381,832
Landlord improvements	986,775
	1,658,805
Accumulated depreciation	(1,636,844)
	$ 21,961

Depreciation and amortization expense amounted to $188,505.

Note 6. Leases

The Center’s headquarters is subject to an operating 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 are amortized on a straight-line basis over the term of the lease. The Center has discounted the future minimum payments using its incremental borrowing rate of 2.88%.

The Center leases additional office space in other Midwestern states (Iowa, Minnesota, Ohio and Wisconsin) under annual and month-to-month agreements expiring on various dates through December 2024.

Under FASB ASC Topic 842, the lease term at the lease commencement date is determined based on the non-cancellable period for which the Center has the right to use the underlying assets, together with any periods covered by an option to extend the lease if the Center is reasonably certain to exercise that option, periods covered by an option to terminate the lease if the Organization is reasonably certain to not exercise that option, and periods covered by an option to extend (or to terminate) the lease in which the exercise of the option is controlled by the lessor. The Center considered a number of factors when evaluating whether the options in its lease contracts were reasonably certain of exercise, such as length of time before option exercise, expected value of the leased asset at the end of the initial lease term, importance of the lease to overall operations, costs to negotiate a new lease and any contractual or economic penalties.

FASB ASC Topic 842 includes a number of reassessment and re-measurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the applicable discount rate. The Center reviewed the reassessment and re-measurement requirements and did not identify any events or conditions during the fiscal year ended June 30, 2023, that required a reassessment or re-measurement. In addition, there were no impairment indicators identified during fiscal year 2023 that required an impairment test for the Center’s right-of-use assets or other long-lived assets in accordance with ASC 360-10.

Operating lease expense related to leases for the fiscal year ended June 30, 2023, was $204,472.

Other lease-related information as of and for the year ended June 30, 2023, is as follows:

Remaining lease term—operating leases	9.52
Discount rate—operating leases	2.88%

Note 6. Leases (Continued)

Future maturities of the operating lease with remaining non-cancelable lease terms in excess of one year at June 30, 2023, are as follows:

Years ending June 30:		
2024	$	184,198
2025		190,777
2026		197,355
2027		221,202
2028		193,243
Thereafter		787,776
	$	1,774,551

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2023:

Energy	$	1,360,064
Wild and natural places		954,191
Transportation/air quality/land use		58,077
Other projects		21,238
ELPC Action Fund		336,005
General support for future periods		3,640,001
Endowment		485,331
	$	6,854,907

Net assets with donor restrictions were released from restrictions for the following purposes for the year ended June 30, 2023:

Energy	$	1,975,034
Wild and natural places		1,546,076
Transportation/air quality/land use		322,558
Other projects		48,762
ELPC Action Fund		46,587
General support		1,436,500
	$	5,375,517

Note 8. Endowment Funds

The Center's endowment consists of donor-restricted funds established to provide the Center with a permanent revenue stream. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in Illinois on June 30, 2009. The Center's management has interpreted the UPMIFA as requiring the preservation of the purchasing power of the original gift amounts contributed to an endowment fund unless there are donor stipulations to the contrary. As a result of this interpretation, the Center classified as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Center considers a fund to be underwater if its fair value is less than the amount required to be maintained in perpetuity as previously described. The Center has interpreted UPMIFA to permit spending from underwater funds in accordance with the standards of prudence prescribed by UPMIFA. Endowment funds are reclassified to net assets without donor restrictions when they are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Center and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policies of the Center

Return Objectives and Risk Parameters: The Center's investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2023 endowment assets include only those assets of donor-restricted funds that the Center must hold in perpetuity. As approved by the Center's Board of Directors, the endowment assets are invested in a manner that is intended to provide adequate liquidity, maximizing returns on all funds invested and achieving full employment of all available funds as earning assets.

Funds With Deficiencies: From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or Illinois UPMIFA requires the Center to retain as a fund of perpetual duration. There were no deficiencies at June 30, 2023.

Note 8. Endowment Funds (Continued)

Withdrawal Policy: The Center established a withdrawal policy, which allows for the appropriation of up to 7% of the average market value of the endowment over the preceding three years. Appropriated earnings are to be used for the Center's operations and expenses in accordance with donor restrictions, if any. There were no appropriations for the year ended June 30, 2023.

The Center's endowment consisted of the following as of June 30, 2023:

Original corpus	$	473,345
Accumulated gain		11,986
	$	485,331

The following are changes in endowment net assets for the year ended June 30, 2023:

Endowment net assets at June, 30, 2022	$	467,634
Net investment gain		17,697
Endowment net assets at June, 30, 2023	$	485,331

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 2023 was $319,851.

Litigation contingencies: The Organization is involved as a defendant in certain litigation and regulatory claims arising in the ordinary course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Organization's net assets.

Supplementary Information

Environmental Law and Policy Center of the Midwest

Consolidating Schedule of Activities
Year Ended June 30, 2023

	Without Donor Restrictions							
	Undesignated	Midwest Advocates Fund	Total	With Donor Restrictions	2023 Total	With Donor Restrictions Action Fund	Eliminations	2023 Consolidated Total
Revenue:								
Contributions	$ 614,757	$ -	$ 614,757	$ -	$ 614,757	$ -	$ -	$ 614,757
Foundation grants	1,703,393	-	1,703,393	6,145,671	7,849,064	-	-	7,849,064
Special events, net of costs of direct benefit to donors of $182,275	261,417	-	261,417	-	261,417	-	-	261,417
Investment income	1,192,563	-	1,192,563	-	1,192,563	-	-	1,192,563
Forgiveness for payroll protection program loan	-	-	-	-	-	-	-	-
Other income	1,080,476	-	1,080,476	-	1,080,476	319,218	(300,000)	1,099,694
Transfer of net assets arising from satisfaction of restrictions	5,375,517	-	5,375,517	(5,328,930)	46,587	(46,587)	-	-
	10,228,123	-	10,228,123	816,741	11,044,864	272,631	(300,000)	11,017,495
Expenses:								
Program service expenses	6,497,407	-	6,497,407	-	6,497,407	-	(300,000)	6,197,407
General and administrative	884,751	-	884,751	-	884,751	-	-	884,751
Marketing	184,158	-	184,158	-	184,158	-	-	184,158
Fundraising	722,276	-	722,276	-	722,276	-	-	722,276
	8,288,592	-	8,288,592	-	8,288,592	-	(300,000)	7,988,592
Increase in net assets before other items	1,939,531	-	1,939,531	816,741	2,756,272	272,631	-	3,028,903
Unrealized gain on investments	1,731,259	-	1,731,259	17,697	1,748,956	-	-	1,748,956
Increase in net assets	3,670,790	-	3,670,790	834,438	4,505,228	272,631	-	4,777,859
Net assets:								
Beginning of year	21,297,417	3,954,490	25,251,907	5,684,464	30,936,371	363,374	-	31,299,745
End of year	$ 24,968,207	$ 3,954,490	$ 28,922,697	$ 6,518,902	$ 35,441,599	$ 636,005	$ -	$ 36,077,604