Environmental Working Group

Financial Statements

For the Years Ended December 31, 2019 and 2018

and
Report Thereon

ENVIRONMENTAL WORKING GROUP

TABLE OF CONTENTS
For the Years Ended December 31, 2019 and 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Environmental Working Group

Report on the Financial Statements

We have audited the accompanying financial statements of the Environmental Working Group, which comprise the statements of financial position as of December 31, 2019 and 2018, related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Environmental Working Group as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

Washington, DC
July 15, 2020

ENVIRONMENTAL WORKING GROUP

STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 3,057,085	$ 4,132,014
Due from related entities	25,970	24,782
Prepaid expenses and deposits	437,414	233,357
Accounts receivable	132,340	129,976
Grants and contributions receivable	2,844,031	3,841,831
Investments	4,410,475	3,166,740
Property and equipment, net	131,054	171,365
TOTAL ASSETS	$ 11,038,369	$ 11,700,065
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 892,824	$ 512,779
Deferred rent and leasehold allowances	122,025	148,417
Deferred revenue	20,000	-
TOTAL LIABILITIES	1,034,849	661,196
Net Assets		
Without donor restrictions	6,120,490	6,652,890
With donor restrictions	3,883,030	4,385,979
TOTAL NET ASSETS	10,003,520	11,038,869
TOTAL LIABILITIES AND NET ASSETS	$ 11,038,369	$ 11,700,065

The accompanying notes are an integral part of these financial statements.

ENVIRONMENTAL WORKING GROUP

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and contributions	$ 6,387,409	$ 3,140,000	$ 9,527,409	$ 8,637,369	$ 4,840,225	$ 13,477,594
Consulting and administrative fees	1,261,464	-	1,261,464	1,073,925	-	1,073,925
Special events	547,805	-	547,805	401,272	-	401,272
In-kind contributions	546,420	-	546,420	321,994	-	321,994
Other income	-	-	-	11,786	-	11,786
Investment income, net	89,633	-	89,633	51,574	-	51,574
Rental income	19,193	-	19,193	75,248	-	75,248
Net assets released from restrictions:						
Satisfaction of program restrictions	2,530,449	(2,530,449)	-	1,994,493	(1,994,493)	-
Satisfaction of time restrictions	1,112,500	(1,112,500)	-	-	-	-
TOTAL REVENUE AND SUPPORT	12,494,873	(502,949)	11,991,924	12,567,661	2,845,732	15,413,393
EXPENSES						
Program Services:						
Toxics and human health	5,688,950	-	5,688,950	5,008,562	-	5,008,562
Food and agriculture	2,824,451	-	2,824,451	2,782,555	-	2,782,555
Licensing	1,547,928	-	1,547,928	1,182,371	-	1,182,371
Energy and natural resources	557,234	-	557,234	352,710	-	352,710
Total Program Services	10,618,563	-	10,618,563	9,326,198	-	9,326,198
Supporting Services:						
Management and general	770,157	-	770,157	790,745	-	790,745
Fundraising:						
Fundraising – other	1,267,838	-	1,267,838	759,178	-	759,178
Fundraising – cost of direct benefit to donor	370,715	-	370,715	357,773	-	357,773
Total Fundraising	1,638,553	-	1,638,553	1,116,951	-	1,116,951
Total Supporting Services	2,408,710	-	2,408,710	1,907,696	-	1,907,696
TOTAL EXPENSES	13,027,273	-	13,027,273	11,233,894	-	11,233,894
CHANGE IN NET ASSETS	(532,400)	(502,949)	(1,035,349)	1,333,767	2,845,732	4,179,499
NET ASSETS, BEGINNING OF YEAR	6,652,890	4,385,979	11,038,869	5,319,123	1,540,247	6,859,370
NET ASSETS, END OF YEAR	$ 6,120,490	$ 3,883,030	$ 10,003,520	$ 6,652,890	$ 4,385,979	$ 11,038,869

The accompanying notes are an integral part of these financial statements.

ENVIRONMENTAL WORKING GROUP

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services					Supporting Services			
	Toxics and Human Health	Food and Agriculture	Licensing	Energy and Natural Resources	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries, taxes, and benefits	$ 3,929,419	$ 1,900,814	$ 561,560	$ 427,759	$ 6,819,552	$ 504,339	$ 533,885	$ 1,038,224	$ 7,857,776
Events and travel	323,225	69,618	167,202	12,161	572,206	62,384	393,305	455,689	1,027,895
Occupancy	493,933	237,610	66,530	50,385	848,458	59,379	62,567	121,946	970,404
Professional fees	133,996	28,768	602,495	4,109	769,368	37,924	17,835	55,759	825,127
Marketing and advertising	256,804	76,216	78,026	13,995	425,041	17,141	353,043	370,184	795,225
Donated advertising	229,472	97,815	31,528	22,341	381,156	26,868	138,392	165,260	546,416
Information technology	149,117	192,466	19,316	14,611	375,510	18,668	18,815	37,483	412,993
Research and data	97,263	186,888	5,685	4,597	294,433	8,262	12,412	20,674	315,107
Bank and credit card fees	-	-	-	-	-	5,440	96,382	101,822	101,822
Supplies	43,418	18,743	11,010	3,855	77,026	10,859	7,623	18,482	95,508
Other	32,303	15,513	4,576	3,421	55,813	18,893	4,294	23,187	79,000
TOTAL EXPENSES	$ 5,688,950	$ 2,824,451	$ 1,547,928	$ 557,234	$ 10,618,563	$ 770,157	$ 1,638,553	$ 2,408,710	$ 13,027,273

The accompanying notes are an integral part of these financial statements.

ENVIRONMENTAL WORKING GROUP

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services					Supporting Services			
	Toxics and Human Health	Food and Agriculture	Licensing	Energy and Natural Resources	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries, taxes, and benefits	$ 3,356,192	$ 1,817,658	$ 454,587	$ 264,671	$ 5,893,108	$ 525,438	$ 346,639	$ 872,077	$ 6,765,185
Occupancy	489,031	256,615	62,813	38,728	847,187	80,418	44,149	124,567	971,754
Professional fees	217,902	164,176	420,782	1,579	804,439	19,317	18,341	37,658	842,097
Events and travel	119,417	92,192	120,915	10,101	342,625	42,675	374,566	417,241	759,866
Marketing and advertising	433,387	60,349	33,130	9,906	536,772	18,975	193,529	212,504	749,276
Research and data	81,454	165,488	38,438	3,241	288,621	9,425	9,785	19,210	307,831
Donated advertising	135,065	73,291	16,833	10,684	235,873	19,884	15,544	35,428	271,301
Information technology	105,162	105,944	14,640	8,655	234,401	17,756	10,805	28,561	262,962
Bank and credit card fees	48	34	9,417	4	9,503	26,382	93,894	120,276	129,779
Other	38,614	19,681	5,223	3,240	66,758	18,359	6,197	24,556	91,314
Supplies	32,290	27,127	5,593	1,901	66,911	12,116	3,502	15,618	82,529
TOTAL EXPENSES	$ 5,008,562	$ 2,782,555	$ 1,182,371	$ 352,710	$ 9,326,198	$ 790,745	$ 1,116,951	$ 1,907,696	$ 11,233,894

The accompanying notes are an integral part of these financial statements.

ENVIRONMENTAL WORKING GROUP

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,035,349)	$ 4,179,499
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	84,910	111,888
Net realized and unrealized gains	(14,042)	(5,499)
Changes in assets and liabilities:		
Due from related entities	(1,188)	27,281
Prepaid expenses and deposits	(204,057)	49,691
Accounts receivable	(2,364)	(65,387)
Grants and contributions receivable	997,800	(2,656,192)
Accounts payable and accrued expenses	380,045	(119,267)
Deferred revenue	20,000	-
Deferred rent and leasehold allowances	(26,392)	8,127
NET CASH PROVIDED BY OPERATING ACTIVITIES	199,363	1,530,141
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(44,599)	(79,884)
Proceeds from sales of investments	7,629,138	2,500,281
Purchases of investments	(8,858,831)	(3,017,777)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,274,292)	(597,380)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,074,929)	932,761
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,132,014	3,199,253
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,057,085	$ 4,132,014

The accompanying notes are an integral part of these financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The Environmental Working Group (EWG) is the nation's most effective environmental health research and advocacy organization, whose mission is to conduct original, game-changing research that inspires people, businesses and governments to take action to protect human health and the environment. EWG's areas of emphasis include agriculture, air and water pollution, children's health, the public's right to know, and environmental issues. These activities are funded primarily through grants and contributions.

Basis of Accounting

EWG's financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

EWG considers all highly liquid investments with maturities of three months or less to be cash equivalents, except for certificates of deposit that have maturities of three months or less, which are held for investment purposes.

Investments

Investments are composed of mutual funds; equities; bank deposit sweep funds; municipal, government and corporate bonds; and certificates of deposit held for investment purposes as intended by EWG's management. These investments are reported at fair value, which 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.

Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (GAAP) and requires disclosures about fair value measurements for assets and liabilities that are measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Continued

1. Organization and Summary of Significant Accounting Policies *(*continued)

Fair Value of Financial Instruments (continued)

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2019 and 2018, only EWG's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives of two to eight years, with no salvage value. Software and website development costs incurred for planning and operating the websites and applications are expensed, whereas costs incurred in developing the applications and infrastructure are capitalized and amortized on a straight-line basis over an estimated useful life of three years. Leasehold improvements are stated at cost and are amortized over the lesser of the life of the asset or the life of the lease. EWG capitalizes all expenditures for property and equipment that are more than $1,000 and have an economic life in excess of one year. Expenditures for major repairs and improvements are capitalized. Expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of the assets, the cost and the accumulated depreciation or amortization are eliminated from the accounts, and the resulting gain or loss is included in the accompanying statements of activities.

Classification of Net Assets

EWG's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of EWG's operations and amounts designated by the Board of Directors for special purposes.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time.

Revenue Recognition

EWG recognizes all unconditional contributed support in the accounting period in which the commitment to give is made. Conditional promises to give, that is those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met. Unconditional grants and contributions are considered without donor restrictions and available for general operations, unless specifically restricted by the donor. EWG reports unconditional grants and contributions of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to a particular purpose or to a specific period of time. When the

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at net present value when the discount is significant to the financial statements. Amortization of the discount is included in grants and contributions in the accompanying statement of activities.

Revenue from consulting and administrative fees is primarily related to fees for certification of products, licensing fees for access to EWG's water database, rental of EWG's mailing list and accounting services to related parties. The fees are recognized when the service is provided which for the certification fees, licensing fees and mailing list rental is when the certification is awarded, the access to the data base is provided or the mailing list is provided and for the accounting services is on a monthly basis as the services are provided. Revenue recognized for which payments have not been received is reflected as accounts receivable or due from related entities in the accompanying statements of financial position. Any contract payments received in advance of satisfying the performance obligations are included in deferred revenue in the accompanying statements of financial position.

Special events revenue consists of sponsorships and ticket sales to attend a special event. Ticket sales are recognized when the event takes place.

In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value at the date of donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Expenses directly attributed to a specific program or supporting service are reported as expenses of that category, while shared costs that benefit multiple functional areas have been allocated among the various programs and supporting services based on estimates determined by management to be equitable. Salaries and benefits are allocated based on time and effort reports while overhead costs included in occupancy, online engagement fees, in-kind expense, information technology and other expenses are allocated based on the direct labor allocated to the program or supporting services.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU is effective for nonprofit organizations for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption was permitted. EWG adopted ASU 2014-09 and related amendments on January 1, 2019, using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, subject to other guidance, and determining whether a contribution is conditional. The ASU is effective for nonprofit organizations for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption was permitted. EWG adopted ASU 2018-08 on January 1, 2019, using the modified prospective basis and the adoption of the standard did not impact EWG's results of operations or its change in net assets.

2. Grants and Contributions Receivable

As of December 31, 2019 and 2018, EWG had recognized grants and contributions receivable of $2,844,031 and $3,841,831, respectively, which were owed by various foundations and individual donors. All amounts were deemed fully collectible. Grants and contributions receivable consisted of amounts due as follows as of December 31, 2019 and 2018:

	2019	2018
Due in less than one year	$ 2,844,031	$ 2,866,831
Due in one to five years	-	975,000
Total Grants and Contributions Receivable	$ 2,844,031	$ 3,841,831

The present value factor of grants and contributions receivable due in one to five years was not considered significant to EWG's financial statements and, accordingly, not recognized in these financial statements.

Continued

3. Investments

EWG's investments, at fair value, consisted of the following as of December 31, 2019 and 2018:

	2019	2018
Fixed income	$ 3,818,358	$ 2,801,746
Bank deposit sweep funds	267,338	48,493
Mutual funds – fixed income	316,133	306,544
Equities	8,646	9,957
Total Investments	$ 4,410,475	$ 3,166,740

Investment income was composed of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividends, net	$ 75,591	$ 46,075
Net realized and unrealized gains	14,042	5,499
Investment Income, Net	$ 89,633	$ 51,574

Included in interest and dividends income is the interest earned on cash and cash equivalents of $5,166 and $280 for the years ended December 31, 2019 and 2018, respectively.

The following table summarizes EWG's investments measured at fair value on a recurring basis as of December 31, 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Fixed income:				
Certificates of deposit	$ 2,708,719	$ -	$ 2,708,719	$ -
Government bonds	1,109,639	-	1,109,639	-
Mutual funds – fixed income:				
Ultrashort bonds	316,133	316,133	-	-
Equities:				
Large value	8,646	8,646	-	-
Total Investments Measured at Fair Value	4,143,137	$ 324,779	$ 3,818,358	$ -

Continued

3. Investments (continued)

(continued)	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bank deposit sweep funds[(a)]	$ 267,338			
Total Investments	$ 4,410,475			

The following table summarizes EWG's investments measured at fair value on a recurring basis as of December 31, 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Fixed income:				
Certificates of deposit	$ 1,411,778	$ -	$ 1,411,778	$ -
Government bonds	892,508	-	892,508	-
Corporate bonds	497,460	-	497,460	-
Mutual funds – fixed income:				
Ultrashort bonds	306,544	306,544	-	-
Equities:				
Large value	9,957	9,957	-	-
Total Investments Measured at Fair Value	3,118,247	$ 316,501	$ 2,801,746	$ -
Bank deposit sweep funds[(a)]	48,493			
Total Investments	$ 3,166,740			

[(a)] Not valued using the fair value measurement hierarchy.

Continued

3. Investments (continued)

EWG used the following methods and significant assumptions to estimate fair value for assets recorded at fair value as of December 31, 2019 and 2018:

Fixed income (certificates of deposit and municipal, government and corporate bonds) – Valued by discounting the related cash flows based on current yields of similar instruments with comparable durations, considering the creditworthiness of the issuer.

Mutual funds – fixed income – Value derived from the net asset value of shares held at year-end and based on quoted market prices in active markets.

Equities – Valued at the closing price reported in the active market in which the individual stocks are traded.

4. Property and Equipment

EWG held the following fixed assets as of December 31, 2019 and 2018:

	2019	2018
Computer equipment	$ 545,354	$ 523,205
Computer software	333,046	333,046
Leasehold improvements	284,979	272,529
Website development costs	199,134	199,134
Furniture and equipment	229,984	219,984
Total Property and Equipment	1,592,497	1,547,898
Less: Accumulated Depreciation and Amortization	(1,461,443)	(1,376,533)
Property and Equipment, Net	$ 131,054	$ 171,365

For the years ended December 31, 2019 and 2018, depreciation and amortization expense was $84,910 and $111,888, and it is included in occupancy in the accompanying statements of functional expenses.

5. Commitments and Risks

Office Space

On January 30, 2009, EWG entered into a noncancelable operating lease for office space, in Washington, D.C., which commenced on August 1, 2009, and was scheduled to end on July 31, 2016. Under the terms of the office space lease, the base rent was $21,842 per month and provided for 3% annual increases. On July 7, 2011, EWG entered into another office space lease agreement with the same landlord to lease additional office space. The additional office space lease commenced on September 1, 2011, and expired simultaneously with the

Continued

5. Commitments and Risks (continued)

Office Space (continued)

original lease on July 31, 2016. The base rent under this new office space lease was $5,072 per month and provided for 3% annual increases. On March 12, 2015, the lease term of the existing lease agreement was amended to exercise EWG's option to extend the leases for an additional five years year beginning on August 1, 2016, and expiring on July 31, 2021. The base rent under the amended lease is $39,753. The old office space lease also provided EWG with improvement allowances totaling $85,000 for construction, alteration and improvements, which have all been used.

EWG also leases office space in California, Iowa and Minnesota. In July 2016, EWG entered into a new noncancelable six-year operating lease with an expiration date of September 30, 2022, for office space located in California. The lease commenced on October 6, 2016, requiring a base rent of $16,085 per month and a security deposit of $32,178. The lease provisions also provide for 3% annual increases, as well as a three-month rent abatement upon commencement of the lease term and allows for a reduction of the required deposit amount by approximately one-half after the third lease year, which would be $16,085.

Additionally, EWG renewed its lease for the office space in Iowa, extending the lease through August 2017. The new base rent is $2,050 per month. Starting September 1, 2017, EWG continued the Iowa lease on a month-to-month basis at $2,150 per month. In May 2018, EWG entered into a noncancelable lease for office space in the Minneapolis, Minnesota, which commenced July 16, 2018, and is scheduled to expire on October 31, 2023. Under the terms of the agreement, EWG was required to provide a security deposit of $4,564, which is equivalent to the sum of the monthly base rent and EWG's share of monthly operating costs and provides for 3% annual increases in rent. The lease also provided a three month abatement of rent and an improvement allowance up to $64,890. As of December 31, 2018, all of the improvement allowance had been used.

In February 2017, EWG entered into a three-year noncancelable operating sublease with an organization for one suite in the office space located in Washington, D.C. The sublease was scheduled to expire in January 2020 and included a parking space as well as yearly rental increases. The lease agreement was mutually terminated in April 2019.

Under GAAP, lease incentives and scheduled rent increases over a lease term are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent and leasehold allowances in the accompanying statements of financial position.

The total rent expense for all of the leases discussed above was $829,106 and $804,810 for the years ended December 31, 2019 and 2018, respectively, and is included in occupancy in the accompanying statement of functional expenses. Total rental income from sublease income was $19,193 and $75,248 for years ended December 31, 2019 and 2018, respectively, and is included in the rental income in the accompanying statements of activities.

Continued

5. Commitments and Risks (continued)

Office Space (continued)

As of December 31, 2019, the future minimum lease payments required under the noncancelable operating leases were as follows:

For the Year Ending December 31,	
2020	$ 797,511
2021	590,379
2022	227,216
2023	50,254
Total	$ 1,665,360

Concentration of Credit Risk

EWG maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of December 31, 2019 and 2018, EWG had demand deposits and certificates of deposit which exceeded the maximum limit insured by the FDIC by approximately $2,929,000 and $1,129,000, respectively. EWG monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

EWG also invests in various investment securities that are exposed to various risks, including market, interest rate and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

6. Net Assets

Net Assets Without Donor Restrictions

As of December 31, 2019 and 2018, EWG's net assets without donor restrictions were as follows:

	2019	2018
Undesignated – operating	$ 3,014,138	$ 3,992,036
Board-designated – reserve fund	3,106,352	2,660,854
Total Net Assets Without Donor Restrictions	$ 6,120,490	$ 6,652,890

EWG has set a target of the Board-designated reserve fund to be equivalent to three months of operating expenses. Approval of the Board of Directors is required before EWG can access the reserve.

Continued

6. Net Assets (continued)

Net Assets Without Donor Restrictions (continued)

As of December 31, 2019 and 2018, net assets with donor restrictions were restricted as follows:

	2019	2018
Subject to expenditure for specified purpose:		
Toxics and human health	$ 1,264,584	$ 2,261,804
Water and agriculture	739,280	528,481
Licensing	441,666	595,694
Total Subject to Expenditure for Specified Purpose	2,445,530	3,385,979
Subject to the passage of time:		
General operations for the next year	1,437,500	1,000,000
Total Subject to Expenditure for Passage of Time	1,437,500	1,000,000
Total Net Assets With Donor Restrictions	$ 3,883,030	$ 4,385,979

7. Line of Credit

EWG has a $100,000 unsecured revolving line of credit that automatically renews each year. Amounts drawn on the line of credit accrue interest at the prime rate published in *The Wall Street Journal* plus 3.5%, and are payable on demand over a period of 48 months. The prime rate was 4.75% and 5.5% as of December 31, 2019 and 2018, respectively. During the years ended December 31, 2019 and 2018, no money was borrowed or repaid, and, as a result, there was no interest paid during the years ended December 31, 2019 and 2018.

8. Availability and Liquidity

As part of liquidity management, EWG has a policy to structure its financial assets to be available as its general expenses, liabilities and other obligations come due. In addition, EWG invests cash in excess of monthly requirements in a combination of sweep and short-term investments. Additionally, EWG maintains a board-designated reserve fund to allow for any variations in the timing of grant payments and EWG's required obligations. To manage liquidity, EWG also maintains a line of credit of $100,000 with a bank that is drawn upon as needed during the year to manage cash flow. See Note 7 for further description of this line of credit.

8. Availability and Liquidity (continued)

The following table reflects EWG's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditures within one year.

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 3,057,085	$ 4,132,014
Receivables	2,976,371	3,971,807
Investments	4,410,475	3,166,740
Due from related entities	25,970	24,782
Financial Assets at Year-End	10,469,901	11,295,343
Less Donor-imposed restrictions:		
Grants and contribution receivable collectible beyond one year	-	(975,000)
Less Internal designations:		
Board-designated reserve fund	(3,106,352)	(2,660,854)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	$ 7,363,549	$ 7,659,489

For purposes of analyzing resources available to meet general expenditures over a 12-month period, EWG considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. As a result, for the year ended December 31, 2019 and 2018, restricted contributions of $3,883,030 and $3,410,979, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

9. Retirement Plan

EWG maintains a defined-contribution retirement plan under Section 403(b) of the Internal Revenue Code (the IRC). Employees are eligible to participate in the plan and may elect to make contributions pursuant to a salary reduction beginning the month following employment. Under the terms of the plan, EWG may make a discretionary matching contribution to the plan, and employees are immediately vested in employer contributions. For the years ended December 31, 2019 and 2018, EWG made $280,235 and $255,194, respectively, in employer contributions.

10. Related-Party Transactions

EWG is affiliated through common management with the EWG Action Fund (EWGAF). EWG is affiliated with Food Policy Action (FPA) and Organic Voices (OV) through the President of EWG serving on the board of directors of FPA and OV and EWGAF. EWGAF, FPA and OV are nonprofit, tax-exempt organizations under the IRC Section 501(c)(4). EWGAF was established to promote civic responsibility and effective advocacy for the protection of the environment, FPA was established to advocate for policies on food and farming, and OV was formed to educate and empower consumers regarding the benefits of organic food.

Continued

10. Related-Party Transactions (continued)

In order for the organizations to minimize duplicative expenses and carry out their purposes in the most economical fashion, EWG provides certain management, accounting and administrative services to EWGAF, FPA and OV for a monthly fee based upon direct costs incurred and allocable staff and related costs. The table below summarizes by entity the amounts billed by, paid to and owed to EWG as of December 31, 2019 and 2018:

	Amount Billed		Amount Paid*		Balance Owed	
	2019	2018	2019	2018	2019	2018
EWGAF	$ 82,552	$ 171,882	$ 81,823	$ 215,500	$ 5,553	$ 4,824
FPA	630	105,550	-	88,807	19,877	19,247
OV	3,490	711	3,661	1,117	540	711*
	$ 86,672	$ 278,143	$ 85,484	$ 305,424	$ 25,970	$ 24,782

* During the year ended December 31, 2018, OV provided a grant of $42,500 to EWG to fund its food policy work, which is reported in grants and contributions revenue in the accompanying statements of activities, of which $42,500 was paid during the year, including payments on awards from the prior year. As of December 31, 2019 and 2018, there was no outstanding grant balance included in due from related entities in the accompanying statements of financial position.

11. Income Taxes

EWG is exempt from federal and state income taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. As of December 31, 2019 and 2018, no tax provision was made, as EWG had no significant net unrelated business income.

EWG follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. EWG performed an evaluation of uncertainty in income taxes for the years ended December 31, 2019 and 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2019, the statute of limitations remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which EWG files tax returns; however, there are no examinations pending or in progress. It is EWG's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2019 and 2018, EWG had no accrual for interest and/or penalties.

Continued

12. Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation.

13. Legal matters

Subsequent to year end EWG became a defendant in a case filed in the United States District Court Southern District of New York. The case arose from a claim from a third party in which EWG provided a sublicense for use of intellectual property owned by EWG and EWG elected not to renew the sublicense once it expired in March 2020. The ultimate outcome of this litigation cannot be presently determined. However, EWG plans to vigorously defend these allegations.

14. Subsequent Events

In preparing these financial statements, EWG has evaluated events and transactions for potential recognition or disclosure through July 15, 2020, the date the financial statements were available to be issued. Except for the events described in Note 13 and below, there were no subsequent events identified that require recognition or disclosure in the financial statements.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. EWG has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact EWG's financial condition or results of operations is uncertain and being evaluated by management and the Board.

On May 2, 2020, EWG's Small Business Administration loan application for the amount of $1,156,800 has been approved by a financial institution. The loan will mature on May 2, 2022, with a fixed interest rate of 1% per annum. The payments of principal and interest are deferred during the first six months of the loan. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained.