



Environmental Working Group
Financial Statements

For the Years Ended December 31, 2021 and 2020



and
Report Thereon



ENVIRONMENTAL WORKING GROUP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Environmental Working Group

Opinion

We have audited the financial statements of the Environmental Working Group (EWG), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EWG as of December 31, 2021 and 2020, 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.

Basis for Opinion

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

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 EWG's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 EWG'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 EWG'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Marcum LLP

Washington, DC
June 9, 2022

ENVIRONMENTAL WORKING GROUP
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 4,071,549	\$ 4,513,635
Due from related entities	-	7,244
Prepaid expenses and deposits	535,991	355,136
Accounts receivable	584,908	507,771
Grants and contributions receivable	3,002,734	2,004,443
Investments	5,693,279	4,659,830
Property and equipment, net	<u>796,697</u>	<u>328,826</u>
TOTAL ASSETS	<u><u>\$ 14,685,158</u></u>	<u><u>\$ 12,376,885</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 666,347	\$ 625,686
Note payable – PPP	-	1,156,800
Deferred rent and leasehold allowances	153,668	72,982
Deferred revenue	<u>-</u>	<u>54,000</u>
TOTAL LIABILITIES	<u>820,015</u>	<u>1,909,468</u>
Net Assets		
Without donor restrictions	10,579,089	7,752,614
With donor restrictions	<u>3,286,054</u>	<u>2,714,803</u>
TOTAL NET ASSETS	<u>13,865,143</u>	<u>10,467,417</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,685,158</u></u>	<u><u>\$ 12,376,885</u></u>

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

ENVIRONMENTAL WORKING GROUP
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 9,001,870	\$ 3,567,425	\$ 12,569,295	\$ 6,712,772	\$ 3,250,000	\$ 9,962,772
Program income – EWG Verified and Reviewed	1,561,914	-	1,561,914	1,960,430	-	1,960,430
In-kind contributions	531,482	-	531,482	493,468	-	493,468
Special events	601,165	-	601,165	260,330	-	260,330
Consulting and administrative fees	180,429	-	180,429	159,393	-	159,393
Other income	4,055	-	4,055	900	-	900
Investment income (loss), net	(9,485)	-	(9,485)	49,884	-	49,884
Net assets released from restrictions:						
Satisfaction of program restrictions	2,996,174	(2,996,174)	-	2,630,727	(2,630,727)	-
Satisfaction of time restrictions	-	-	-	1,787,500	(1,787,500)	-
	<u>14,867,604</u>	<u>571,251</u>	<u>15,438,855</u>	<u>14,055,404</u>	<u>(1,168,227)</u>	<u>12,887,177</u>
TOTAL REVENUE AND SUPPORT						
EXPENSES						
Program Services:						
Toxics and human health	5,578,983	-	5,578,983	4,986,812	-	4,986,812
Food and agriculture	2,646,761	-	2,646,761	2,896,832	-	2,896,832
Licensing	1,855,815	-	1,855,815	2,004,820	-	2,004,820
Energy and natural resources	814,785	-	814,785	505,063	-	505,063
Total Program Services	10,896,344	-	10,896,344	10,393,527	-	10,393,527
Supporting Services:						
Management and general	732,546	-	732,546	810,382	-	810,382
Fundraising:						
Fundraising – other	1,412,843	-	1,412,843	1,126,638	-	1,126,638
Fundraising – cost of direct benefit to donor	156,196	-	156,196	92,733	-	92,733
Total Fundraising	1,569,039	-	1,569,039	1,219,371	-	1,219,371
Total Supporting Services	2,301,585	-	2,301,585	2,029,753	-	2,029,753
TOTAL EXPENSES	<u>13,197,929</u>	<u>-</u>	<u>13,197,929</u>	<u>12,423,280</u>	<u>-</u>	<u>12,423,280</u>
Change in Net Assets from Operations	1,669,675	571,251	2,240,926	1,632,124	(1,168,227)	463,897
NONOPERATING ACTIVITIES						
Forgiveness of note payable – PPP Loan	1,156,800	-	1,156,800	-	-	-
CHANGE IN NET ASSETS	2,826,475	571,251	3,397,726	1,632,124	(1,168,227)	463,897
NET ASSETS, BEGINNING OF YEAR	<u>7,752,614</u>	<u>2,714,803</u>	<u>10,467,417</u>	<u>6,120,490</u>	<u>3,883,030</u>	<u>10,003,520</u>
NET ASSETS, END OF YEAR	<u>\$ 10,579,089</u>	<u>\$ 3,286,054</u>	<u>\$ 13,865,143</u>	<u>\$ 7,752,614</u>	<u>\$ 2,714,803</u>	<u>\$ 10,467,417</u>

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

ENVIRONMENTAL WORKING GROUP
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	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	\$ 4,147,587	\$ 1,763,931	\$ 983,619	\$ 560,141	\$ 7,455,278	\$ 467,985	\$ 572,350	\$ 1,040,335	\$ 8,495,613
Marketing and advertising	125,406	43,922	54,093	20,559	243,980	12,512	553,386	565,898	809,878
Events and travel	114,850	36,012	28,131	24,214	203,207	7,980	161,299	169,279	372,486
Professional fees	236,000	315,114	576,923	86,844	1,214,881	93,623	37,281	130,904	1,345,785
Bank and credit card fees	-	-	9,674	-	9,674	9,089	116,506	125,595	135,269
Occupancy	403,594	194,664	90,334	53,843	742,435	43,170	53,336	96,506	838,941
Donated advertising	259,307	109,077	59,630	33,176	461,190	28,118	42,173	70,291	531,481
Other	33,814	14,503	7,763	4,537	60,617	32,338	4,530	36,868	97,485
Information technology	122,648	73,950	24,677	18,779	240,054	15,839	11,690	27,529	267,583
Research and data	107,879	84,827	13,678	10,059	216,443	17,144	9,834	26,978	243,421
Supplies	27,898	10,761	7,293	2,633	48,585	4,748	6,654	11,402	59,987
TOTAL EXPENSES	\$ 5,578,983	\$ 2,646,761	\$ 1,855,815	\$ 814,785	\$ 10,896,344	\$ 732,546	\$ 1,569,039	\$ 2,301,585	\$ 13,197,929

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

ENVIRONMENTAL WORKING GROUP
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	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	\$ 3,621,196	\$ 2,050,990	\$ 885,114	\$ 404,946	\$ 6,962,246	\$ 423,038	\$ 493,182	\$ 916,220	\$ 7,878,466
Marketing and advertising	158,083	49,445	50,381	6,878	264,787	7,999	393,257	401,256	666,043
Events and travel	66,896	13,591	122,783	1,614	204,884	20,398	96,153	116,551	321,435
Professional fees	153,996	36,695	666,926	5,567	863,184	59,458	18,667	78,125	941,309
Bank and credit card fees	29	17	7,730	3	7,779	12,058	106,871	118,929	126,708
Occupancy	342,752	203,420	80,085	35,523	661,780	217,560	42,689	260,249	922,029
Donated advertising	222,914	206,976	57,437	23,223	510,550	25,495	37,487	62,982	573,532
Other	41,274	38,528	89,591	3,704	173,097	21,068	4,485	25,553	198,650
Information technology	135,933	168,639	28,842	8,577	341,991	13,480	11,259	24,739	366,730
Research and data	217,531	117,740	11,343	13,248	359,862	7,371	8,991	16,362	376,224
Supplies	26,208	10,791	4,588	1,780	43,367	2,457	6,330	8,787	52,154
TOTAL EXPENSES	\$ 4,986,812	\$ 2,896,832	\$ 2,004,820	\$ 505,063	\$ 10,393,527	\$ 810,382	\$ 1,219,371	\$ 2,029,753	\$ 12,423,280

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

ENVIRONMENTAL WORKING GROUP
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,397,726	\$ 463,897
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	140,428	60,995
Net realized and unrealized losses	86,186	10,152
Forgiveness of note payable – PPP Loan	(1,156,800)	-
Changes in assets and liabilities:		
Due from related entities	7,244	18,726
Prepaid expenses and deposits	(180,855)	82,278
Accounts receivable	(77,137)	(375,431)
Grants and contributions receivable	(998,291)	839,588
Accounts payable and accrued expenses	40,661	(267,138)
Deferred revenue	(54,000)	34,000
Deferred rent and leasehold allowances	(47,280)	(49,043)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,157,882</u>	<u>818,024</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(480,333)	(258,767)
Proceeds from sales of investments	6,684,242	11,781,719
Purchases of investments	<u>(11,076,397)</u>	<u>(8,794,089)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(4,872,488)</u>	<u>2,728,863</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable – PPP	<u>-</u>	<u>1,156,800</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>1,156,800</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,714,606)	4,703,687
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,028,110</u>	<u>3,324,423</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 4,313,504</u></u>	<u><u>\$ 8,028,110</u></u>
CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 4,071,549	\$ 4,513,635
Cash and cash equivalents held within investments	<u>241,955</u>	<u>3,514,475</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 4,313,504</u></u>	<u><u>\$ 8,028,110</u></u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment acquired with leasehold incentive	<u>\$ 127,966</u>	<u>\$ -</u>
Forgiveness of note payable – PPP Loan	<u><u>\$ 1,156,800</u></u>	<u><u>\$ -</u></u>

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

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

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

As required under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 230, *Statement of Cash Flows*, EWG considers highly liquid investments purchased with maturities of three months or less to be cash equivalents.

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

FASB 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.

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020, 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. 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.

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

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

Revenue Recognition (continued)

When the 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 statements of activities.

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.

Revenue from consulting and administrative fees is primarily related to fees for evaluation and certification (qualification of a licensed product) of personal care products under the EWG Verified Program, sublicensing fees under the EWG Verified Program, fees for assessment of formulations of personal care products under EWG Reviewed Program, licensing fees for access to EWG's water database, rental of EWG's mailing list and accounting services to related parties. Evaluation and certification fees revenue under the EWG Verified program is recognized at a point in time EWG notifies the licensee in writing of the product approval following completion of evaluation. Sublicense fee revenue under the EWG Verified Program is for a term of three years and is recognized at a point in time the license agreement is executed which is when the performance obligation has been satisfied. Fees for assessment of personal care product formulations under the EWG Reviewed Program is recognized at a point in time the written report scores and analysis are provided to the customer. The revenue from the mailing list rental license to EWG water database is recognized at the point in time the mailing list and the access to the data base is provided. Revenue for accounting services is recognized over time on a monthly basis as the services are provided and consumed by the related party organization. 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, contributions and ticket sales to attend a special event. Sponsorships and ticket sales are recognized at the point in time 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.

Paycheck Protection Program (PPP) loan forgiveness was recognized as revenue in the period the loan was forgiven by the Small Business Association (SBA).

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

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

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 programs 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.

2. Grants and Contributions Receivable

As of December 31, 2021 and 2020, EWG had recognized grants and contributions receivable of \$3,002,734 and \$2,004,443, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 2,177,734	\$ 1,429,443
Due in one to five years	<u>825,000</u>	<u>575,000</u>
Total Grants and Contributions Receivable	<u>\$ 3,002,734</u>	<u>\$ 2,004,443</u>

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.

3. Investments

EWG's investments, at fair value, consisted of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Bank deposit sweep funds	\$ 241,955	\$ 3,514,475
Fixed income	4,852,440	826,858
Mutual funds – fixed income	319,984	318,497
Equities	<u>278,900</u>	<u>-</u>
Total Investments	<u>\$ 5,693,279</u>	<u>\$ 4,659,830</u>

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

3. Investments (continued)

Investment income was composed of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends, net	\$ 76,701	\$ 60,036
Net realized and unrealized losses	<u>(86,186)</u>	<u>(10,152)</u>
Investment Income, Net	<u>\$ (9,485)</u>	<u>\$ 49,884</u>

Included in interest and dividends income is the interest earned on cash and cash equivalents of \$390 and \$1,103 for the years ended December 31, 2021 and 2020, respectively.

The following table summarizes EWG's investments measured at fair value on a recurring basis, aggregated by the fair value hierarchy level, where applicable, with which those measurements were made, as of December 31, 2021:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments measured at fair value:				
Fixed income:				
Certificates of deposit	\$ 3,983,963	\$ -	\$ 3,983,963	\$ -
Municipal bonds	767,652	-	767,652	-
Corporate bonds	100,825	-	100,825	-
Mutual funds – fixed income:				
Ultrashort bonds	319,984	319,984	-	-
Equities:				
Stocks and ETFs	<u>278,900</u>	<u>278,900</u>	<u>-</u>	<u>-</u>
Total Investments Measured at Fair Value	5,451,324	<u>\$ 598,884</u>	<u>\$ 4,852,440</u>	<u>\$ -</u>
Bank deposit sweep funds ^(a)	<u>241,955</u>			
Total Investments	<u>\$ 5,693,279</u>			

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

3. Investments (continued)

The following table summarizes EWG's investments measured at fair value on a recurring basis, aggregated by the fair value hierarchy level, where applicable, with which those measurements were made, as of December 31, 2020:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments measured at fair value:				
Fixed income:				
Certificates of deposit	\$ 701,949	\$ -	\$ 701,949	\$ -
Municipal bonds	75,808	-	75,808	-
Government bonds	49,101	-	49,101	-
Mutual funds – fixed income:				
Ultrashort bonds	<u>318,497</u>	<u>318,497</u>	<u>-</u>	<u>-</u>
Total Investments Measured at Fair Value	1,145,355	<u>\$ 318,497</u>	<u>\$ 826,858</u>	<u>\$ -</u>
Bank deposit sweep funds ^(a)	<u>3,514,475</u>			
Total Investments	<u>\$ 4,659,830</u>			

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

EWG used the following methods and significant assumptions to estimate fair value for assets recorded at fair value as of December 31, 2021 and 2020:

Fixed income (certificates of deposit and municipal, corporate and government 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.

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

4. Property and Equipment

EWG held the following property and equipment as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 281,809	\$ 566,441
Leasehold improvements	28,587	284,979
Website and database development costs	614,963	769,860
Furniture and equipment	<u>195,886</u>	<u>229,984</u>
Total Property and Equipment	1,121,245	1,851,264
Less: Accumulated Depreciation and Amortization	<u>(324,548)</u>	<u>(1,522,438)</u>
Property and Equipment, Net	<u>\$ 796,697</u>	<u>\$ 328,826</u>

For the years ended December 31, 2021 and 2020, depreciation and amortization expense was \$140,428 and \$60,995, and 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. On July 7, 2011, EWG entered into another office space lease agreement with the same landlord to lease additional office space which expired simultaneously with the original lease on July 31, 2016. On March 12, 2015, the lease terms of the existing lease agreements were 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. This lease expired during the year ended December 31, 2021 and was not renewed.

On March 11, 2021, EWG entered into a noncancelable operating lease for office space, in Washington, D.C., which is scheduled to commence on January 1, 2022 and is scheduled to expire on December 31, 2033. Under the terms of the office space lease, the base rent is \$71,545 per month and provides for annual increases of 2.5%. The lease provides EWG with rent abatement for the first 24 months following the commencement date totaling \$1,738,535, an improvement allowances totaling \$2,069,685 for construction, furniture, fixtures and equipment, moving expenses and a demolition allowance of \$29,050. During the year ended December 31, 2021, \$127,966 of the improvement allowance had been used and is include in deferred rent and leasehold allowances in the accompanying statement of financial position. The lease provisions require a deposit of \$75,166 and EWG's share of property taxes and other operating expenses.

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

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

5. Commitments and Risks (continued)

Office Space (continued)

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.

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, which was used in full in 2018.

Additionally, EWG leases office space in Iowa on a month-to-month basis at \$2,150 per month.

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 \$644,332 and \$782,673 for the years ended December 31, 2021 and 2020, respectively, and is included in occupancy in the accompanying statements of functional expenses.

As of December 31, 2021, the future minimum lease payments required under the noncancelable operating leases were as follows:

For the Year Ending December 31,	
2022	\$ 227,216
2023	50,254
2024	902,004
2025	924,552
2026	947,664
Thereafter	<u>7,331,232</u>
Total	<u>\$ 10,382,922</u>

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, 2021 and 2020, EWG had demand deposit securities which exceeded the maximum limit insured by the FDIC by approximately \$3,646,000 and \$7,129,000, respectively. EWG monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

5. Commitments and Risks (continued)

Concentration of Credit Risk (continued)

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.

Construction Contract

On June 18, 2021, EWG entered into an agreement for construction services totaling \$1,178,682, related to the renovation of EWG's new leased office space in Washington D.C. Renovation of EWG's new leased office space is expected to commence in January 2022.

6. Note Payable and Forgiveness

On April 2, 2020, EWG entered into a SBA loan with its financial institution under the PPP for the amount of \$1,156,800. The note was scheduled to mature on May 2, 2022, with a fixed interest rate of 1% per annum. Consecutive monthly payments of principal and interest were to commence on one month after the earlier of the following dates: (1) the date the financial institution received the applicable forgiveness amount from the SBA; or (2) the date that was 10 months after the end of the forgiveness covered period, through the maturity date. On April 8, 2021, EWG received notification of the SBA's approval of its application for forgiveness of the full balance of \$1,156,800. As a result, EWG recognized the forgiveness of the note payable as nonoperating revenue in the accompanying statement of activities for the year ended December 31, 2021.

7. Net Assets

Net Assets Without Donor Restrictions

As of December 31, 2021 and 2020, EWG's net assets without donor restrictions were as follows:

	<u>2021</u>	<u>2020</u>
Undesignated – operating	\$ 7,087,553	\$ 4,406,703
Board-designated – reserve fund	<u>3,491,536</u>	<u>3,345,911</u>
Total Net Assets Without Donor Restrictions	<u>\$ 10,579,089</u>	<u>\$ 7,752,614</u>

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.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

7. Net Assets (continued)

Net Assets Without Donor Restrictions (continued)

As of December 31, 2021 and 2020, net assets with donor restrictions were restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Toxics and human health	\$ 2,153,446	\$ 2,395,771
Water and agriculture	788,683	240,000
Licensing	<u>343,925</u>	<u>79,032</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,286,054</u>	<u>\$ 2,714,803</u>

8. 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%. The prime rate was 3.5% and 3.25% as of December 31, 2021 and 2020, respectively. In the event the line of credit is not renewed, the outstanding balance at cancellation will be payable over a period of 48 months. During the years ended December 31, 2021 and 2020, no money was borrowed or repaid, and, as a result, there was no interest paid during the years ended December 31, 2021 and 2020.

9. 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. EWG also 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 may be drawn upon as needed to manage cash flow. See Note 8 for further description of this line of credit.

The following table reflects EWG's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general expenditures within one year.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 4,071,549	\$ 4,513,635
Receivables	3,587,642	2,512,214
Investments	5,693,279	4,659,830
Due from related entities	<u>-</u>	<u>7,244</u>
Financial Assets at Year-End	13,352,470	11,692,923

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

9. Availability and Liquidity (continued)

	<u>2021</u>	<u>2020</u>
(continued)		
Less Donor-Imposed Restrictions:		
Grants and contribution receivable collectible beyond one year	\$ (825,000)	\$ (575,000)
Less Internal Designations:		
Board-designated reserve fund	<u>(3,491,536)</u>	<u>(3,345,911)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 9,035,934</u>	<u>\$ 7,772,012</u>

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, 2021 and 2020, restricted contributions of \$2,461,054 and \$2,139,803, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

10. 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. EWG did not make a discretionary employer matching contribution during the year ended December 31, 2020. For the year ended December 31, 2021, EWG made a discretionary employer matching contribution of \$306,509.

11. 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.

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

11. Related-Party Transaction (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, 2021 and 2020:

	Amount Billed		Amount Paid		Balance Owed	
	2021	2020	2021	2020	2021	2020
EWGAF	\$ 36,599	\$ 72,126	\$ 43,303	\$ 70,975	\$ -	\$ 6,704
FPA	-	48,097	-	67,974*	-	-
OV	1,080	3,240	1,620	3,240	-	540
	<u>\$ 37,679</u>	<u>\$ 123,463</u>	<u>\$ 44,923</u>	<u>\$ 142,189</u>	<u>\$ -</u>	<u>\$ 7,244</u>

* Includes a write-off and loss totaling \$64,856 of balance owed to EWG since FPA closed its operations due to unfortunate financial circumstances as a result of the global pandemic. \$44,979 of the balance written off relates to services provided by EWG during the current year and is reflected as reduction on consulting and administrative fees in the accompanying statements of activities. The remaining \$19,877 balance is reported as other expense in the accompanying statements of functional expenses.

12. 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 Internal Revenue Code. As of December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, EWG had no accrual for interest and/or penalties.

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS **For the Years Ended December 31, 2021 and 2020**

13. Legal Matters

EWG became a defendant in a case filed in the United States District Court Southern District of New York during the year ended December 31, 2019. 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 presently be 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 June 9, 2022, the date the financial statements were available to be issued. Except as described in Note 5 regarding the commencement of the operating lease for office space, there were no subsequent events identified that require recognition or disclosure in the financial statements.