ENVIRONMENTAL WORKING GROUP

Financial Statements

For the Years Ended December 31, 2014 and 2013

and
Report Thereon

Certified Public Accountants

INDEPENDENT AUDITOR'S 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, 2014 and 2013, and the related statements of activities 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.

Auditor's 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Environmental Working Group as of December 31, 2014 and 2013, 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.

Raffa, P.C.

Raffa, P.C.

Washington, DC
September 10, 2015

ENVIRONMENTAL WORKING GROUP

STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 2,312,588	$ 1,220,783
Due from related entities	150,286	144,398
Prepaid expenses	112,984	149,235
Grants and contributions receivable	1,118,815	1,284,724
Investments	1,653,973	647,401
Property and equipment, net	337,060	124,293
TOTAL ASSETS	$ 5,685,706	$ 3,570,834
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 442,146	$ 367,084
Security deposit	7,607	-
Deferred rent and leasehold allowances	43,073	57,424
TOTAL LIABILITIES	492,826	424,508
Net Assets		
Unrestricted	2,613,470	1,427,770
Temporarily restricted	2,579,410	1,718,556
TOTAL NET ASSETS	5,192,880	3,146,326
TOTAL LIABILITIES AND NET ASSETS	$ 5,685,706	$ 3,570,834

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

ENVIRONMENTAL WORKING GROUP

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Grants and contributions	$ 6,346,631	$ 3,560,190	$ 9,906,821	$ 4,612,213	$ 2,324,025	$ 6,936,238
Special events	405,133	-	405,133	492,688	-	492,688
Contribution received in the acquisition of HCHW	-	160,473	160,473	-	-	-
Administrative and consulting fees	138,020	-	138,020	282,608	-	282,608
In-kind contributions	117,310	-	117,310	119,149	-	119,149
Other income	27,922	-	27,922	10,340	-	10,340
Investment income	4,607	-	4,607	5,849	-	5,849
Net assets released from restrictions:						
Satisfaction of program restrictions	2,459,809	(2,459,809)	-	2,827,315	(2,827,315)	-
Satisfaction of time restrictions	400,000	(400,000)	-	400,000	(400,000)	-
TOTAL REVENUE AND SUPPORT	9,899,432	860,854	10,760,286	8,750,162	(903,290)	7,846,872
EXPENSES						
Program Services:						
Water and agriculture	3,467,012	-	3,467,012	3,096,852	-	3,096,852
Toxics and human health	2,010,641	-	2,010,641	1,979,233	-	1,979,233
Healthy child healthy world	190,134	-	190,134	-	-	-
Energy	162,546	-	162,546	317,761	-	317,761
Natural resources	112,747	-	112,747	291,148	-	291,148
Total Program Services	5,943,080	-	5,943,080	5,684,994	-	5,684,994
Supporting Services:						
Fundraising - other	1,453,500	-	1,453,500	1,160,679	-	1,160,679
Administrative services	960,296	-	960,296	548,723	-	548,723
Fundraising - cost of direct benefit to donor	356,856	-	356,856	302,379	-	302,379
TOTAL EXPENSES	8,713,732	-	8,713,732	7,696,775	-	7,696,775
CHANGE IN NET ASSETS	1,185,700	860,854	2,046,554	1,053,387	(903,290)	150,097
NET ASSETS, BEGINNING OF YEAR	1,427,770	1,718,556	3,146,326	374,383	2,621,846	2,996,229
NET ASSETS, END OF YEAR	$ 2,613,470	$ 2,579,410	$ 5,192,880	$ 1,427,770	$ 1,718,556	$ 3,146,326

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

ENVIRONMENTAL WORKING GROUP

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013
Increase (Decrease) in Cash and Cash Equivalents

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,046,554	$ 150,097
Adjustments to reconcile change in net assets to net cash provided by in operating activities:		
Depreciation and amortization	82,163	69,879
Property and equipment received from HCHW	(44,263)	-
Net realized and unrealized losses	3,494	1,961
Changes in assets and liabilities:		
Due from related entities	(5,888)	(107,363)
Prepaid expenses and deposits	36,251	(79,018)
Grants and contributions receivable	165,909	562,914
Accounts payable and accrued expenses	75,062	4,989
Security deposit	7,607	-
Deferred revenue	-	(5,000)
Deferred rent and leasehold allowances	(14,351)	(3,504)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,352,538	594,955
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(250,667)	(27,179)
Proceeds from sales of investments	986,531	1,288,553
Purchases of investments	(1,996,597)	(948,350)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,260,733)	313,024
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,091,805	907,979
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,220,783	312,804
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,312,588	$ 1,220,783
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Operating and investing activities:		
EWG acquisition of HCHW:		
Fair value of assets transferred	$ 192,300	$ -
Liabilities assumed	(31,827)	-
		-
Contribution received in acquisition of HCHW	$ 160,473	$ -
NONCASH TRANSACTIONS		
Noncash investing activities:		
Property and equipment transferred from acquisition of HCHW	$ 44,263	$ -

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, bank deposit sweep funds, government bonds and certificates of deposits 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

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles 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

Continued

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

Fair Value of Financial Instruments (continued)

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.
>
> *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, 2014 and 2013, 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

Computer equipment, computer software, and furniture 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. 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 is 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:

- Unrestricted net assets 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.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Continued

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

Revenue Recognition

EWG recognizes all unconditional contributed support in the period in which the commitment is made. Grants and contributions are considered unrestricted and available for general operations, unless specifically restricted by the donor. EWG reports grants and contributions of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets for a particular purpose or for a specific period of time. When the stipulated time restriction ends or the purpose of the restriction is met, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

In-Kind Contributions

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.

Contribution of Long-Lived Assets

EWG's policy is to report contributions of long-lived assets without donor restrictions on the use of the long-lived assets as unrestricted revenue. Contributions of cash or other assets restricted to acquisition of long-lived assets are recorded as temporarily restricted contributions. Once the long-lived assets are acquired and if there are no donor restrictions on the long-lived asset's use, the donor restrictions are considered met and the temporarily restricted net assets are released and reclassified to unrestricted net assets.

Functional Allocation of Expenses

The costs of the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

2. Grants and Contributions Receivable

As of December 31, 2014 and 2013, EWG has recognized grants and contributions receivable of $1,118,815 and $1,284,724 respectively, which are owed from various foundations and individual donors. All amounts are deemed fully collectible. Grants and contributions receivable consisted of amounts due as follows as of December 31, 2014 and 2013:

	2014	2013
Due in less than one year	$ 1,118,815	$ 1,234,724
Due in one to five years	-	50,000
Total Grants and Contributions Receivable	$ 1,118,815	$ 1,284,724

3. Investments

EWG's investments, at fair value, consisted of the following as of December 31, 2014 and 2013:

	2014	2013
Fixed income	$ 816,834	$ 199,987
Bank deposit sweep funds	544,395	156,267
Mutual funds – fixed income	292,744	291,147
Total Investments	$ 1,653,973	$ 647,401

Investment income is composed of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Interest and dividends	$ 8,101	$ 7,810
Net realized and unrealized losses	(3,494)	(1,961)
Investment Income, Net	$ 4,607	$ 5,849

Included in interest and dividends income is the interest earned on cash and cash equivalents of $4,595 and $5,400 for the years ended December 31, 2014 and 2013, respectively.

Continued

3. Investments (continued)

The following table summarizes EWG's investments measured at fair value on a recurring basis as of December 31, 2014:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Fixed income:			
Certificates of deposit	$ 636,994	$ -	$ 636,994
Government bonds	179,840	-	179,840
Bank deposit sweep funds	544,395	544,395	-
Mutual fund – fixed income:			
Ultrashort bonds	292,744	292,744	-
Total	$ 1,653,973	$ 837,139	$ 816,834

The following table summarizes EWG's investments measured at fair value on a recurring basis as of December 31, 2013:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Fixed income:			
Certificates of deposit	$ 199,987	$ -	$ 199,987
Bank deposit sweep funds	156,267	156,267	-
Mutual fund – fixed income:			
Ultrashort bonds	291,147	291,147	-
Total	$ 647,401	$ 447,414	$ 199,987

EWG used the following methods and significant assumptions to estimate fair value for assets recorded at fair value as of December 31, 2014 and 2013:

Fixed income (Certificates of Deposit and Government bonds) – Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations, considering the creditworthiness of the issuer.

Continued

3. Investments (continued)

Bank deposit sweep funds – Cash held within interest bearing deposit accounts.

Mutual fund – fixed income (Ultra short bonds) – Value derived from the net asset value (NAV) of shares held at year-end and based on quoted market prices in active markets.

4. Property and Equipment

EWG held the following fixed assets as of December 31, 2014 and 2013:

	2014	2013
Computer equipment	$ 379,642	$ 328,661
Computer software	267,140	65,000
Leasehold improvements	258,377	258,377
Furniture and equipment	157,046	155,567
Website development costs	110,705	70,375
Total Property and Equipment	1,172,910	877,980
Less: Accumulated Depreciation and Amortization	(835,850)	(753,687)
Property and Equipment, Net	$ 337,060	$ 124,293

For the years ended December 31, 2014 and 2013, depreciation and amortization expense was $82,163 and $69,879, respectively.

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 is scheduled to end on July 31, 2016. Under the terms of the office space lease, the base rent is $21,842 per month and provides 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 is scheduled to expire simultaneously with the old lease on July 31, 2016. The base rent under this new office space lease is $5,072 per month and provides for 3% annual increases. Under generally accepted accounting principles, 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 in the accompanying statements of financial position. The old office space lease also provided EWG with improvement allowances totaling $85,000 for construction, alteration and improvements which have all been used.

Continued

5. Commitments and Risks (continued)

Office Space (continued)

EWG also leases office space in California and Iowa under noncancelable operating leases. On March 28, 2011, EWG renewed its office space lease in Iowa for a term of three years, which commenced on September 1, 2011. The California and Iowa office space leases expired in February 2014 and August 2014, respectively. The terms of the office space lease in California call for a base rent of $3,686 per month and provides for fixed increases over the term of the office space lease. The terms of the office space lease in Iowa calls for a base rent of $1,917 per month and provides for fixed increases over the term of the office space lease. On February 3, 2014, EWG amended its existing lease agreement for the office space located in California. The lease term of the lease was extended for twelve (12) months commencing on March 1, 2014 and terminating on February 28, 2015. The new base rent is $4,400 per month. Additionally, EWG renewed its lease for the office space in Iowa extending it through August 2017. The new base rent is $2,050 per month.

The total rent expense for all of the leases discussed above was $461,955 and $457,033 for the years ended December 31, 2014 and 2013, respectively.

As of December 31, 2014, the future minimum lease payments required under the noncancelable operating leases are as follows:

For the Year Ended December 31,	
2015	$ 405,385
2016	247,121
2017	16,400
Total	$ 668,906

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, 2014 and 2013, EWG had demand deposits and certificates of deposit, which exceeded the maximum limit insured by the FDIC by $2,092,872 and $1,022,266, 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 such changes could materially affect the amounts reported in the financial statements.

6. Net Assets

Net assets consisted of the following as of December 31, 2014 and 2013:

Unrestricted Net Assets

	2014	2013
Undesignated – operating	$ 1,460,257	$ 904,093
Board designated – reserve fund	1,153,213	523,677
Total Unrestricted Net Assets	$ 2,613,470	$ 1,427,770

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs or time periods as of December 31, 2014 and 2013:

	2014	2013
Program restrictions:		
Water and agriculture	$ 1,115,124	$ 876,811
Toxics and human health	582,500	-
Natural resources	177,796	65,000
Mobile applications	146,765	225,000
Healthy child healthy world	115,505	-
Conservation database	41,720	1,745
Energy	-	100,000
Total Program Restrictions	2,179,410	1,268,556
Time restriction	400,000	450,000
Total Temporarily Restricted Net Assets	$ 2,579,410	$ 1,718,556

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 3.25% as of December 31, 2014 and 2013. There were no borrowings made during the years ended December 31, 2014 and 2013 and as a result, there was no interest paid during the years ended December 31, 2014 and 2013. As of December 31, 2014 and 2013, EWG had no outstanding balance under this line of credit.

Continued

8. Retirement Plan

EWG maintains a defined-contribution retirement plan under Section 403(b) of the Internal Revenue Code. 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, 2014 and 2013, EWG paid $179,838 and $162,095, respectively, in such contributions.

9. 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 board membership by the President of EWG. EWGAF, FPA and OV are nonprofit, tax-exempt organizations under Internal Revenue Code 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 about the benefits of organic food.

In order 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, 2014 and 2013.

	Amount Billed		Amount Paid		Balance Owed	
	2014	2013	2014	2013	2014	2013
EWGAF	$ 46,065	$ 81,462	$ 28,917	$ 117,430	$ 18,215	$ 1,067
FPA	26,346	137,733	162,589	-	1,490	137,733
OV	5,580	52,952	5,597	47,354	130,581	5,598
	$ 77,991	$ 272,147	$ 197,103	$ 164,784	$ 150,286	$ 144,398

During the year ended December 31, 2014, Organic Voices (OV) provided a grant of $500,000 to EWG to fund its food policy work which is reported in grants and contributions revenue in the accompanying statements of activities. As of December 31, 2014, $125,000 of this grant was outstanding and is included in grants and contributions receivable in the accompanying statements of financial position. For the year ended December 31, 2013, OV provided two (2) individual grants totaling $500,000 which were fully paid during the year ended December 31, 2013.

10. Business Combination - Acquisition of Healthy Child Healthy World (HCHW)

Healthy Child Healthy World (HCHW) is a California nonprofit, nonpartisan organization whose tax-exempt purpose and mission is to empower parents to take action and protect children from harmful environment toxins and chemicals. On October 29, 2014, EWG and HCHW, entered into an asset transfer and licensing agreement, whereby the respective Board of Directors of EWG and HCHW considered it advantageous and in the best interest of the individual organizations to improve efficiency and effectiveness of their programs by combining their respective assets and operations. Both organizations share common purposes and goals, in particular the critical need to protect children's health and have increasingly worked together to achieve these goals. As required by the agreement, EWG intends to continue the activities and programs of HCHW as a key program area of EWG for approximately three (3) years from the effective date of the agreement and HCHW has granted and assigned in full to EWG rights, title, and interest in and all of its assets, except certain intellectual properties. The exclusive rights to the intellectual properties were instead licensed to EWG for a period of the earlier of the dissolution of HCHW or three (3) years from November 30, 2014, the effective date of asset transfer and license agreement. If EWG fails to substantially invest (i.e., provides less than $150,000 in annual support) or undertake activities to maintain the HCHW programs as key programs of EWG, HCHW may request that all rights may revert back to HCHW; however, upon expiration of the license agreement, all rights, title and interest in the intellectual property will be transferred to EWG automatically. Accordingly, the fair market value of the intellectual property will not be recognized and reported in the accompanying statement of financial position until such events have occurred. The licensed intellectual property includes all of HCHW trademarks, service marks, trade names, logos, and domain names.

The following table summarizes the values of the assets acquired and liabilities assumed on the acquisition date of November 30, 2014:

Recognized amounts of identifiable assets acquired and liabilities assumed:

Cash	$ 37,430
Accounts receivable	93,748
Prepaid expense	16,858
Property, plant and equipment, net (i)	44,264
Accounts payable and accrued expenses	(31,827)
Total Identifiable Net Assets	$ 160,473

(i) Includes intellectual property costs of $40,331 incurred and capitalized by HCHW. The excess of the fair market value over the book value upon full transfer of rights and interest will be recognized as contribution revenue by EWG in the year the transfer takes place.

10. Business Combination - Acquisition of Healthy Child Healthy World (HCHW) (continued)

EWG followed FASB 958-805, *Nonprofit Entities: Business Combinations,* to account for its acquisition of HCHW. According to the standard, an inherent contribution received will be measured as the excess of assets acquired over liabilities assumed. Accordingly, for the year ended December 31, 2014, EWG recognized and reported an inherent contribution in the amount of $160,473 in the accompanying statement of activities.

EWG incurred acquisition-related costs consisting of fees for legal services totaling $11,083, which are reported as administrative costs in the accompanying statements of activities.

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 Internal Revenue Code. As of December 31, 2014 and 2013, no tax provision was made, as EWG had no net unrelated business income.

EWG follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *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 uncertain tax positions for the years ended December 31, 2014 and 2013, 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, 2014, the statute of limitations for tax years ended December 31, 2011 through December 31, 2013 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which EWG files tax returns. It is EWG's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2014 and 2013, EWG had no accrual for interest and/or penalties.

12. Subsequent Events

In preparing these financial statements, EWG has evaluated events and transactions for potential recognition or disclosure through September 10, 2015, the date the financial statements were available to be issued. There were no subsequent events identified through September 10, 2015 that require recognition or disclosure in these financial statements.