Environmental Working Group

Financial Statements

For the Years Ended December 31, 2017 and 2016

and
Report Thereon

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Environmental Working Group

We have audited the accompanying financial statements of the Environmental Working Group, which comprise the statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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
June 21, 2018

ENVIRONMENTAL WORKING GROUP

STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 3,199,253	$ 2,716,379
Due from related entities	52,063	33,007
Prepaid expenses and deposits	283,048	244,156
Grants and contributions receivable	1,250,228	1,850,316
Investments	2,643,745	1,130,440
Property and equipment, net	203,369	353,283
TOTAL ASSETS	$ 7,631,706	$ 6,327,581
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 632,046	$ 484,795
Deferred rent and leasehold allowances	140,290	61,271
TOTAL LIABILITIES	772,336	546,066
Net Assets		
Unrestricted	5,319,123	3,296,128
Temporarily restricted	1,540,247	2,485,387
TOTAL NET ASSETS	6,859,370	5,781,515
TOTAL LIABILITIES AND NET ASSETS	$ 7,631,706	$ 6,327,581

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

ENVIRONMENTAL WORKING GROUP

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Grants and contributions	$ 8,128,991	$ 1,506,931	$ 9,635,922	$ 7,365,581	$ 2,555,841	$ 9,921,422
In-kind contributions	802,273	-	802,273	1,156,929	-	1,156,929
Administrative and consulting fees	653,760	-	653,760	514,211	-	514,211
Special events	285,326	-	285,326	390,868	-	390,868
Rental income	66,864	-	66,864	-	-	-
Other income	53,384	-	53,384	35,107	-	35,107
Investment income	9,487	-	9,487	21,033	-	21,033
Net assets released from restrictions:						
Satisfaction of program restrictions	2,452,071	(2,452,071)	-	2,763,812	(2,763,812)	-
Satisfaction of time restrictions	-	-	-	350,000	(350,000)	-
TOTAL REVENUE AND SUPPORT	12,452,156	(945,140)	11,507,016	12,597,541	(557,971)	12,039,570
EXPENSES						
Program Services:						
Toxics and human health	4,093,468	-	4,093,468	4,570,247	-	4,570,247
Water and agriculture	2,625,943	-	2,625,943	3,294,216	-	3,294,216
Children's health	633,958	-	633,958	1,386,743	-	1,386,743
Licensing and marketing	810,849	-	810,849	754,702	-	754,702
Energy	122,388	-	122,388	-	-	-
Natural resources	120,466	-	120,466	173,081	-	173,081
Total Program Services	8,407,072	-	8,407,072	10,178,989	-	10,178,989
Supporting Services:						
Fundraising – other	861,364	-	861,364	1,028,555	-	1,028,555
Administrative services	839,378	-	839,378	945,381	-	945,381
Fundraising – cost of direct benefit to donor	321,347	-	321,347	254,497	-	254,497
TOTAL EXPENSES	10,429,161	-	10,429,161	12,407,422	-	12,407,422
CHANGE IN NET ASSETS	2,022,995	(945,140)	1,077,855	190,119	(557,971)	(367,852)
NET ASSETS, BEGINNING OF YEAR	3,296,128	2,485,387	5,781,515	3,106,009	3,043,358	6,149,367
NET ASSETS, END OF YEAR	$ 5,319,123	$ 1,540,247	$ 6,859,370	$ 3,296,128	$ 2,485,387	$ 5,781,515

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

ENVIRONMENTAL WORKING GROUP

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,077,855	$ (367,852)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	172,697	157,168
Net realized and unrealized (gains) losses	12,422	(9,776)
Changes in assets and liabilities:		
Due from related entities	(19,056)	211,769
Prepaid expenses and deposits	(38,892)	18,613
Grants and contributions receivable	600,088	(28,096)
Accounts payable and accrued expenses	147,251	(209,063)
Security deposit	-	(7,607)
Deferred rent and leasehold allowances	79,019	43,847
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,031,384	(190,997)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(22,783)	(118,825)
Proceeds from sales of investments	2,109,492	1,409,422
Purchases of investments	(3,635,219)	(508,866)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,548,510)	781,731
Proceeds from line of credit	-	100,000
Payments on line of credit	-	(100,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	482,874	590,734
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,716,379	2,125,645
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,199,253	$ 2,716,379
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	$ -	$ 1,052

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 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

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, 2017 and 2016, 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 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:

- 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.

Revenue Recognition

EWG recognizes all unconditional contributed support in the period in which the commitment to give 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.

Continued

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

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.

Contributions 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 assets' 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 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, 2017 and 2016, EWG had recognized grants and contributions receivable of $1,250,228 and $1,850,316, 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, 2017 and 2016:

	2017	2016
Due in less than one year	$ 1,150,228	$ 1,500,316
Due in one to five years	100,000	350,000
Total Grants and Contributions Receivable	$ 1,250,228	$ 1,850,316

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, 2017 and 2016:

	2017	2016
Fixed income	$ 1,482,643	$ 713,072
Bank deposit sweep funds	845,386	116,450
Mutual funds – fixed income	313,064	298,905
Equities	2,652	2,013
Total Investments	$ 2,643,745	$ 1,130,440

Investment income was composed of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividends	$ 21,909	$ 11,257
Net realized and unrealized gains (losses)	(12,422)	9,776
Investment Income, Net	$ 9,487	$ 21,033

Included in interest and dividends income is the interest earned on cash and cash equivalents of $219 and $4,050 for the years ended December 31, 2017 and 2016, respectively.

The following table summarizes EWG's investments measured at fair value on a recurring basis as of December 31, 2017:

	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	$ 532,800	$ -	$ 532,800	$ -
Government bonds	498,107	-	498,107	-
Corporate bonds	326,445	-	326,445	-
Municipal bonds	125,291	-	125,291	-
Mutual funds – fixed income:				
Ultrashort bonds	313,064	313,064	-	-
Equities:				
Large value	2,652	2,652	-	-
Total Investments Measured at Fair Value	1,798,359	$ 315,716	$ 1,482,643	$ -
Bank deposit sweep funds[a]	845,386			
Total Investments	$ 2,643,745			

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

Continued

3. Investments (continued)

The following table summarizes EWG's investments measured at fair value on a recurring basis as of December 31, 2016:

	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	$ 445,228	$ -	$ 445,228	$ -
Corporate bonds	180,223	-	180,223	-
Municipal bonds	87,621	-	87,621	-
Mutual funds – fixed income:				
Ultrashort bonds	298,905	298,905	-	-
Equities:				
Large value	2,013	2,013	-	-
Total Investments Measured at Fair Value	1,013,990	$ 300,918	$ 713,072	$ -
Bank deposit sweep funds[(a)]	116,450			
Total Investments	$ 1,130,440			

(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, 2017 and 2016:

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, 2017 and 2016:

	2017	2016
Computer equipment	$ 484,914	$ 467,471
Computer software	333,046	373,376
Leasehold improvements	268,904	268,904
Website development costs	199,134	193,793
Furniture and equipment	185,231	185,231
Total Property and Equipment	1,471,229	1,488,775
Less: Accumulated Depreciation and Amortization	(1,267,860)	(1,135,492)
Property and Equipment, Net	$ 203,369	$ 353,283

For the years ended December 31, 2017 and 2016, depreciation and amortization expense was $172,697 and $157,168, 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 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 old 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. 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 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.

EWG also leases office space in California and Iowa. 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 12 months commencing on March 1, 2014, and terminating on February 28, 2015, with base rent of $4,400 per month. The California lease operates on a

Continued

5. Commitments and Risks (continued)

Office Space (continued)

month-to-month basis since its expiration on February 28, 2015. 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.

The total rent expense for all of the leases discussed above was $820,890 and $677,880 for the years ended December 31, 2017 and 2016, respectively.

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 is set to expire in January 2020 and includes a parking space as well as yearly rental increases.

As of December 31, 2017, the future minimum lease payments required under the noncancelable operating leases were as follows:

For the Years Ending December 31,	Lease Payments	Sublease Income	Net
2018	$ 697,787	$ (75,681)	$ 622,106
2019	718,719	(77,889)	640,830
2020	740,289	(6,660)	733,629
2021	532,075	-	532,075
2022	167,831	-	167,831
Total	$ 2,856,701	$ (160,230)	$ 2,696,471

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, 2017 and 2016, EWG had demand deposits and certificates of deposit which exceeded the maximum limit insured by the FDIC by approximately $3,156,000 and $2,511,000, respectively. EWG monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

Continued

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.

License Agreement

On October 29, 2014, EWG and Health Child Health World (HCHW) entered into an asset transfer and licensing agreement, whereby the respective Boards 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. Under the agreement, HCHW may request that all rights revert back to HCHW. On October 20, 2017 EWG agreed to terminate its license to use HCHW's intellectual property granted to EWG pursuant to this agreement. There were no assets and liabilities related to HCHW as of October 20, 2017 that were required to be returned to HCHW. EWG also removed the HCHW fully depreciated property and equipment from the statement of financial position as of October 20, 2017.

6. Net Assets

Net assets consisted of the following as of December 31, 2017 and 2016:

Unrestricted Net Assets

	2017	2016
Undesignated – operating	$ 3,176,378	$ 2,166,468
Board-designated – reserve fund	2,142,745	1,129,660
Total Unrestricted Net Assets	$ 5,319,123	$ 3,296,128

Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following programs as of December 31, 2017 and 2016:

	2017	2016
Water and agriculture	$ 857,946	$ 606,750
Toxics and human health	599,328	1,771,137
Conservation database	82,973	100,000
Natural resources	-	7,500
Total Temporarily Restricted Net Assets	$ 1,540,247	$ 2,485,387

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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 4.5% and 3.75% as of December 31, 2017 and 2016, respectively. During the year ended December 31, 2017, no money was borrowed or repaid, and as a result, there was no interest paid during the year ended December 31, 2017. During the year ended December 31, 2016, $100,000 was borrowed and repaid, resulting in $1,052 in interest expense during the year. As of December 31, 2017 and 2016, EWG had no outstanding balance under this line of credit.

8. 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, 2017 and 2016, EWG made $217,409 and $261,450, respectively, in employer 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 of the President of EWG. EWGAF, FPA and OV are nonprofit, tax-exempt organizations under 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.

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, 2017 and 2016:

	Amount Billed		Amount Paid		Balance Owed	
	2017	2016	2017	2016	2017	2016
EWGAF	$ 135,690	$ 226,400	$ 117,894	$ 237,177	$ 48,442	$ 30,646
FPA	10,022	6,758	8,562	8,422	2,504	1,044
OV	5,121	24,819	5,321	24,147	1,117*	1,317*
	$ 150,833	$ 257,977	$ 131,777	$ 269,746	$ 52,063	$ 33,007

Continued

9. Related Party Transactions (continued)

* During the years ended December 31, 2017 and 2016, OV provided grants of $240,000 and $300,000, respectively, to EWG to fund its food policy work, which is reported in grants and contributions revenue in the accompanying statements of activities, of which $240,000 and $500,000, respectively, was paid during the year, including payments on awards from the prior year. As of December 31, 2017, there was no outstanding grant balance included in due from related entities.

10. 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, 2017 and 2016, 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 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, 2017 and 2016, 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, 2017, the statute of limitations for tax years ended December 31, 2014, through December 31, 2016, 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 uncertainty in income taxes, if any, in income tax expense. As of December 31, 2017 and 2016, EWG had no accrual for interest and/or penalties.

11. Reclassification

Certain 2016 amounts have been reclassified to conform to the 2017 financial statement presentation.

12. Subsequent Events

In preparing these financial statements, EWG has evaluated events and transactions for potential recognition or disclosure through June 21, 2018, the date the financial statements were available to be issued. There were no subsequent events identified through June 21, 2018, that require recognition or disclosure in these financial statements.