



ewg

Environmental Working Group

Financial Statements

For the Years Ended December 31, 2023 and 2022



**and
Report Thereon**



ENVIRONMENTAL WORKING GROUP

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For the Years Ended December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 12, 2024

ENVIRONMENTAL WORKING GROUP
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 6,539,000	\$ 4,067,282
Due from related entity	61,584	-
Accounts receivable, net of expected credit losses of \$150,000 and \$0, respectively	120,119	354,509
Grants and contributions receivable, net	3,033,459	3,389,809
Investments	6,399,392	5,739,796
Prepaid expenses and deposits	440,837	460,737
Operating right-of-use asset	7,394,193	8,069,296
Property and equipment, net	556,071	793,162
TOTAL ASSETS	\$ 24,544,655	\$ 22,874,591
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,069,814	\$ 1,028,007
Operating lease liability	9,340,487	9,199,674
TOTAL LIABILITIES	10,410,301	10,227,681
Net Assets		
Without donor restrictions	11,155,787	10,759,086
With donor restrictions	2,978,567	1,887,824
TOTAL NET ASSETS	14,134,354	12,646,910
TOTAL LIABILITIES AND NET ASSETS	\$ 24,544,655	\$ 22,874,591

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

ENVIRONMENTAL WORKING GROUP
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 10,411,702	\$ 4,894,000	\$ 15,305,702	\$ 8,348,671	\$ 2,739,787	\$ 11,088,458
Program income – EWG Verified and Reviewed	1,342,570	-	1,342,570	1,688,756	-	1,688,756
Special events	773,370	-	773,370	512,093	-	512,093
In-kind contributions	778,839	-	778,839	497,928	-	497,928
Investment income, net	235,681	-	235,681	11,317	-	11,317
Consulting and administrative fees	167,451	-	167,451	97,588	-	97,588
Other income	11,054	-	11,054	11,744	-	11,744
Net assets released from restrictions:						
Satisfaction of program restrictions	3,803,257	(3,803,257)	-	4,138,017	(4,138,017)	-
TOTAL REVENUE AND SUPPORT	<u>17,523,924</u>	<u>1,090,743</u>	<u>18,614,667</u>	<u>15,306,114</u>	<u>(1,398,230)</u>	<u>13,907,884</u>
EXPENSES						
Program Services:						
Toxics and human health	6,932,907	-	6,932,907	5,726,052	-	5,726,052
Licensing	3,022,251	-	3,022,251	2,578,138	-	2,578,138
Food and agriculture	2,351,641	-	2,351,641	2,308,864	-	2,308,864
News	661,922	-	661,922	434,040	-	434,040
Energy and natural resources	519,425	-	519,425	1,246,831	-	1,246,831
Total Program Services	<u>13,488,146</u>	<u>-</u>	<u>13,488,146</u>	<u>12,293,925</u>	<u>-</u>	<u>12,293,925</u>
Supporting Services:						
Management and general	1,250,034	-	1,250,034	943,934	-	943,934
Fundraising:						
Fundraising – other	1,888,667	-	1,888,667	1,688,971	-	1,688,971
Fundraising – cost of direct benefit to donor	500,376	-	500,376	199,287	-	199,287
Total Fundraising	<u>2,389,043</u>	<u>-</u>	<u>2,389,043</u>	<u>1,888,258</u>	<u>-</u>	<u>1,888,258</u>
Total Supporting Services	<u>3,639,077</u>	<u>-</u>	<u>3,639,077</u>	<u>2,832,192</u>	<u>-</u>	<u>2,832,192</u>
TOTAL EXPENSES	<u>17,127,223</u>	<u>-</u>	<u>17,127,223</u>	<u>15,126,117</u>	<u>-</u>	<u>15,126,117</u>
CHANGE IN NET ASSETS	396,701	1,090,743	1,487,444	179,997	(1,398,230)	(1,218,233)
NET ASSETS, BEGINNING OF YEAR	<u>10,759,086</u>	<u>1,887,824</u>	<u>12,646,910</u>	<u>10,579,089</u>	<u>3,286,054</u>	<u>13,865,143</u>
NET ASSETS, END OF YEAR	<u>\$ 11,155,787</u>	<u>\$ 2,978,567</u>	<u>\$ 14,134,354</u>	<u>\$ 10,759,086</u>	<u>\$ 1,887,824</u>	<u>\$ 12,646,910</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, 2023

	Program Services					Supporting Services				Total
	Toxics and Human Health	Licensing	Food and Agriculture	News	Energy and Natural Resources	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, taxes, and benefits	\$ 4,710,089	\$ 1,805,683	\$ 1,632,710	\$ 462,897	\$ 343,384	\$ 8,954,763	\$ 603,921	\$ 754,473	\$ 1,358,394	\$10,313,157
Occupancy	493,742	174,351	187,245	44,495	33,518	933,351	299,929	73,063	372,992	1,306,343
Events and travel	459,791	149,897	62,798	16,255	12,259	701,000	36,083	568,883	604,966	1,305,966
Professional fees	245,536	485,680	150,027	74,671	78,489	1,034,403	104,424	66,229	170,653	1,205,056
Marketing and advertising	192,446	90,583	82,625	15,271	11,260	392,185	24,251	481,864	506,115	898,300
Donated advertising and other	302,800	82,140	74,571	21,706	15,834	497,051	30,084	251,704	281,788	778,839
Research and data	302,647	40,115	55,215	10,479	10,793	419,249	22,465	25,515	47,980	467,229
Other	78,088	124,150	20,174	4,854	3,656	230,922	12,816	44,317	57,133	288,055
Information technology	116,515	35,438	79,775	9,586	8,090	249,404	13,373	15,438	28,811	278,215
Bank and credit card fees	118	13,651	34	14	12	13,829	100,174	32,564	132,738	146,567
Supplies	31,135	20,563	6,467	1,694	2,130	61,989	2,514	74,993	77,507	139,496
TOTAL EXPENSES	\$ 6,932,907	\$ 3,022,251	\$ 2,351,641	\$ 661,922	\$ 519,425	\$ 13,488,146	\$ 1,250,034	\$ 2,389,043	\$ 3,639,077	\$ 17,127,223

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

ENVIRONMENTAL WORKING GROUP
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services					Supporting Services				
	Toxics and Human Health	Licensing	Food and Agriculture	News	Energy and Natural Resources	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries, taxes, and benefits	\$ 4,124,101	\$ 1,390,843	\$ 1,585,602	\$ 300,135	\$ 786,213	\$ 8,186,894	\$ 504,513	\$ 790,920	\$ 1,295,433	\$ 9,482,327
Occupancy	561,878	182,207	217,218	38,113	109,822	1,109,238	236,670	99,029	335,699	1,444,937
Events and travel	89,751	75,822	44,622	5,463	15,965	231,623	20,119	255,120	275,239	506,862
Professional fees	190,936	621,407	95,044	45,120	209,688	1,162,195	65,020	60,020	125,040	1,287,235
Marketing and advertising	206,496	85,416	85,974	10,258	27,292	415,436	16,546	419,796	436,342	851,778
Donated advertising and goods	207,365	74,197	79,569	15,760	40,421	417,312	23,888	56,728	80,616	497,928
Research and data	155,621	24,951	87,262	5,054	13,730	286,618	21,980	19,582	41,562	328,180
Other	46,179	54,712	17,840	3,368	18,610	140,709	28,265	18,827	47,092	187,801
Information technology	116,322	43,504	89,346	8,471	22,163	279,806	13,983	22,411	36,394	316,200
Bank and credit card fees	56	16,610	-	-	-	16,666	8,218	133,255	141,473	158,139
Supplies	27,347	8,469	6,387	2,298	2,927	47,428	4,732	12,570	17,302	64,730
TOTAL EXPENSES	<u>\$ 5,726,052</u>	<u>\$ 2,578,138</u>	<u>\$ 2,308,864</u>	<u>\$ 434,040</u>	<u>\$ 1,246,831</u>	<u>\$ 12,293,925</u>	<u>\$ 943,934</u>	<u>\$ 1,888,258</u>	<u>\$ 2,832,192</u>	<u>\$ 15,126,117</u>

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

ENVIRONMENTAL WORKING GROUP
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,487,444	\$ (1,218,233)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	239,751	222,660
Amortization of operating right-of-use asset	675,103	688,702
Allowance for expected credit losses	150,000	-
Allowance for expected pledge losses	72,000	-
Net realized and unrealized (gains) losses	(67,574)	117,990
Changes in assets and liabilities:		
Operating right-of-use asset	-	(8,757,998)
Due from related entity	(61,584)	-
Accounts receivable	84,390	230,399
Grants and contributions receivable	284,350	(387,075)
Prepaid expenses and deposits	19,900	75,254
Accounts payable and accrued expenses	41,807	361,660
Operating lease liability	140,813	9,199,674
Deferred rent and leasehold allowances	-	(153,668)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,066,400	379,365
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(2,660)	(219,125)
Proceeds from sales of investments	5,825,443	10,021,651
Purchases of investments	(6,364,532)	(10,416,610)
NET CASH USED IN INVESTING ACTIVITIES	(541,749)	(614,084)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,524,651	(234,719)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,078,785	4,313,504
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,603,436	\$ 4,078,785
CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 6,539,000	\$ 4,067,282
Cash and cash equivalents held within investments	64,436	11,503
TOTAL CASH AND CASH EQUIVALENTS	\$ 6,603,436	\$ 4,078,785
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment acquired with leasehold incentive	\$ -	\$ 186,497

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

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

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 highly liquid investments purchased with maturities of three months or less and money market funds to be cash equivalents.

Accounts Receivable and Credit Policies

Accounts receivable are primarily derived from contracts with customers and are recorded at net realizable value. At each statement of financial position date, EWG recognizes an allowance for expected credit losses. In addition, also at the reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. The estimate is calculated on a pooled basis where similar risk characteristics exist. EWG utilized the loss rate methodology to determine historical credit losses for each risk pool. The loss rate is based on management's historical collection experience, adjusted for management's expectations as well as current and future economic conditions. Uncollectable accounts are written off when all efforts to collect these receivables have been exhausted and there is no possibility of recovery. Recoveries of accounts receivable previously written off are recorded when received as an offset to credit loss expenses in the year of recovery, in accordance with EWG's accounting policy election. As of December 31, 2023, EWG recorded an allowance for expected credit losses of \$150,000. No allowance for expected credit losses was recorded as of December 31, 2022 as the amount was not considered to be material to the financial statements as a whole.

Investments

Investments are composed of mutual funds, exchange traded funds, bank deposit sweep funds, municipal bonds, U.S. government bonds, and certificates of deposit held for investment purposes as intended by EWG's management and for initial periods greater than three months. 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.

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

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

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.

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, 2023 and 2022, only EWG's investments, as described in Note 6 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.

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

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

Right of Use Asset and Lease Liability

EWG determines if an arrangement is or contains a lease at inception. Leases, excluding those with terms of one year or less, are included in operating right-of-use asset and operating lease liability in the accompanying statements of financial position. The operating right-of-use asset and operating lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using the risk-free discount rate and are adjusted for lease incentives. The operating right-of-use asset is amortized on a straight-line basis over the lease term and is included in occupancy expense in the accompanying statements of activities. The operating lease liability is reduced as cash payments are made under the term of the lease. EWG elected the short-term lease exemption for leases that qualify.

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.

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. There were no conditional promises to give as of December 31, 2023 or 2022.

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

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

Revenue Recognition (continued)

Program income primarily consists of 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, and fees for assessment of formulations of personal care products under EWG Reviewed Program. 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. Consulting and administrative fees primarily consist of accounting services to a related party and 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. As of December 31, 2023 and 2022, there was no deferred revenue.

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 consist of donated advertising and goods and materials. In-kind contributions are recorded based on their fair value at the date of donation and included as donated advertising and other in the accompanying statements of functional expenses when utilized. Donated advertising and goods and materials were not sold by EWG in either the year ended December 31, 2023 or 2022. Donated advertising and goods and materials were utilized by EWG in program and supporting services during both the years ended December 31, 2023 and 2022. There were no donor-imposed restrictions associated with the in-kind contributions.

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, in-kind expense, information technology and other expenses are allocated based on the direct labor allocated to the programs or supporting services.

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

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

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.

Recently Adopted Accounting Pronouncements

In June 2016, FASB issued ASC Topic 326, *Financial Instruments – Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by EWG that are subject to the guidance in FASB ASC 326 were accounts receivable. EWG adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

2. Grants and Contributions Receivable

Grants and contributions receivable, net consist of amounts owed by various foundations and individual donors and were due as follows as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 2,305,459	\$ 3,114,809
Due in one to five years	<u>800,000</u>	<u>275,000</u>
Total Grants and Contributions Receivable	\$ 3,105,459	\$ 3,389,809
Less: Allowance for expected pledge losses	<u>(72,000)</u>	<u>-</u>
Grants and Contributions Receivable, Net	<u>\$ 3,033,459</u>	<u>\$ 3,389,809</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, is not recognized in these financial statements.

As of December 31, 2023 and 2022, the grants and contributions receivable balance consisted of \$2,100,000 and \$1,850,000, respectively, due from two and three donors, respectively, which represents 69% and 55%, respectively, of the grants and contributions receivable balance.

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

3. Receivables from Contracts with Customers

EWG's receivables from contracts with customers are included in accounts receivable in the accompanying statements of financial position and consisted of the following as of December 31 2023 and 2022:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
EWG Verified Program	\$ 267,619	\$ 348,134	\$ 431,432
EWG Reviewed Program	2,500	6,375	27,875
Lease incentive (reimbursable costs)	<u>-</u>	<u>-</u>	<u>125,601</u>
Total Accounts Receivable	270,119	354,509	584,908
Less: Allowance for expected credit losses	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Accounts Receivable, Net	<u>\$ 120,119</u>	<u>\$ 354,509</u>	<u>\$ 584,908</u>

All receivables from contracts with customers are scheduled to be collected within one year.

4. In-kind Contributions

In-kind contributions consisted of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Advertising	\$ 475,683	\$ 476,953
Goods and materials	<u>303,156</u>	<u>20,975</u>
Total In-kind Contributions	<u>\$ 778,839</u>	<u>\$ 497,928</u>

Donated advertising primarily consists of on-line advertising in support of EWG's mission, programs, and events. The reported fair value of donated advertising is based on prices that EWG would have had to otherwise pay if EWG had purchased the advertising. The total fair value of donated advertising is included in in-kind contribution revenue and program and supporting services expenses in the accompanying statements of activities.

Donated materials and goods primarily consists of materials and goods received in support of EWG's annual fundraising event. The reported fair value of the donated goods and materials is based on prices that EWG would have had to otherwise pay if EWG had purchased the goods and materials. The total fair value of donated goods and materials is included in in-kind contribution revenue and fundraising expense in the accompanying statements of activities.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

5. Investments

EWG's investments, at fair value, consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Fixed income	\$ 6,081,859	\$ 5,162,916
Exchange traded funds – inflation protected bonds	253,097	247,109
Bank deposit sweep funds	64,436	11,503
Mutual funds – fixed income	-	318,268
Total Investments	\$ 6,399,392	\$ 5,739,796

6. Fair Value Measurement

The following table summarizes EWG's assets 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, 2023:

	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	\$ 5,408,853	\$ -	\$ 5,408,853	\$ -
U.S. government bonds	385,113	-	385,113	-
Municipal bonds	287,893	-	287,893	-
Exchange traded funds:				
Inflation-protected bonds	253,097	253,097	-	-
Total Investments Measured at Fair Value	6,334,956	\$ 253,097	\$ 6,081,859	\$ -
Bank deposit sweep funds ^(a)	64,436			
Total Investments	\$ 6,399,392			

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

6. Fair Value Measurement (continued)

The following table summarizes EWG's assets 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, 2022:

	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:				
U.S. government bonds	\$ 2,321,250	\$ -	\$ 2,321,250	\$ -
Certificates of deposit	1,789,720	-	1,789,720	-
Municipal bonds	1,051,946	-	1,051,946	-
Mutual funds – fixed income:				
Ultrashort bonds	318,268	318,268	-	-
Exchange traded funds:				
Inflation-protected bonds	247,109	247,109	-	-
Total Investments Measured at Fair Value	5,728,293	\$ 565,377	\$ 5,162,916	\$ -
Bank deposit sweep funds ^(a)	11,503			
Total Investments	\$ 5,739,796			

^(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, 2023 and 2022:

Fixed income (certificates of deposit, municipal bonds, and U.S. 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.

Exchange traded funds – Valued at the closing price reported in the active market in which the funds are traded.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

7. Property and Equipment

EWG held the following property and equipment as of December 31, 2023 and 2022:

	2023	2022
Furniture, fixtures, and equipment	\$ 728,067	\$ 725,407
Website and database development costs	614,963	614,963
Total Property and Equipment	1,343,030	1,340,370
Less: Accumulated Depreciation and Amortization	(786,959)	(547,208)
Property and Equipment, Net	\$ 556,071	\$ 793,162

For the years ended December 31, 2023 and 2022, depreciation and amortization expense was \$239,751 and \$222,660, and is included in occupancy in the accompanying statements of functional expenses.

8. Risks

Concentration of Credit Risk

EWG maintains its cash and cash equivalents, as well as certificates of deposits included within investments, 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, 2023 and 2022, EWG had cash and cash equivalents and certificates of deposits which exceeded the maximum limit insured by the FDIC by approximately \$4,471,000 and \$3,810,000, respectively. EWG monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents or certificates of deposits.

Investment Risk

EWG also invests in various investment securities that are exposed to various risks, including market, interest rate and credit risks. Market risks include global events which could impact the value of investment securities, such as pandemic or international conflict. 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.

9. Operating Leases

On March 11, 2021, EWG entered into a noncancelable operating lease for office space, in Washington, D.C., which commenced 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

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

9. Operating Leases (continued)

abatement for the first 24 months following the commencement date and an improvement allowance totaling \$2,069,685, of which \$314,463 was used for direct lessee incentives such as furniture, fixtures, and equipment and the remaining balance was used for construction related costs which are considered lessor assets. The lease provisions required a deposit of \$75,166. EWG is also required to pay a 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 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. This lease expired during the year ended December 31, 2022 and was not renewed.

In May 2018, EWG entered into a noncancelable lease for office space in Minneapolis, Minnesota, which commenced July 16, 2018, and expired 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. This lease expired during the year ended December 31, 2023 and was not renewed.

Additionally, EWG leases storage and other space under various short-term leases.

EWG has recorded a right-of-use asset and operating lease liability for its Washington, DC office space operating lease in accordance with ASC 842 *Leases*. EWG has recorded an operating right-of-use asset, net of prepaid lease payments and direct lease incentives, and a lease obligation equal to the present value of the future lease payments due under the terms of the lease, discounted at the risk-free rate as of the date of implementation as permitted by ASC 842, which was 1.52%, for its Washington, DC office space operating lease. As of December 31, 2023 and 2022, EWG's operating right-of-use asset, net of accumulated amortization of \$1,363,805 and \$675,102, respectively, was \$7,394,193 and \$8,069,296, respectively, and EWG's operating lease liability was \$9,340,487 and \$9,199,674, respectively. The operating right-of-use asset is being amortized on a straight-line basis over the lease term.

EWG did not record a right-of-use asset and operating lease liability for its California and Minnesota office space operating leases as the impact was not considered to be material to the financial statements as a whole.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

9. Operating Leases (continued)

Operating lease costs for all leases totaled \$1,022,718 and \$1,168,561 for the years ended December 31, 2023 and 2022, respectively, and is included in occupancy in the accompanying statements of functional expenses. Cash paid for all operating leases totaled \$206,802 and \$352,645 for the year end December 31, 2023 and 2022, respectively.

As of December 31, 2023, the future minimum lease payments under the Washington, DC operating lease were as follows:

<u>For the Year Ending December 31,</u>	
2024	\$ 902,004
2025	924,552
2026	947,664
2027	971,352
2028	995,640
Thereafter	<u>5,364,240</u>
Total	10,105,452
Less: Present value discount	<u>(764,965)</u>
Lease Liability	<u>\$ 9,340,487</u>

10. Net Assets

Net Assets Without Donor Restrictions

As of December 31, 2023 and 2022, EWG's net assets without donor restrictions were as follows:

	<u>2023</u>	<u>2022</u>
Undesignated – operating	\$ 7,309,077	\$ 7,213,199
Board-designated – reserve fund	<u>3,846,710</u>	<u>3,545,887</u>
Total Net Assets Without Donor Restrictions	<u>\$ 11,155,787</u>	<u>\$ 10,759,086</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, 2023 and 2022

10. Net Assets (continued)

Net Assets With Donor Restrictions

As of December 31, 2023 and 2022, net assets with donor restrictions were restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Toxics and human health	\$ 1,763,641	\$ 1,394,166
Water and agriculture	1,214,926	326,994
Licensing	<u>-</u>	<u>166,664</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,978,567</u>	<u>\$ 1,887,824</u>

11. 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 8.5% and 7.5% as of December 31, 2023 and 2022, 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, 2023 and 2022, no money was borrowed or repaid, and, as a result, there was no interest paid during either years ended December 31, 2023 and 2022.

12. 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 11 for further description of this line of credit.

The following table reflects EWG's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general expenditures within one year.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 6,539,000	\$ 4,067,282
Receivables, net	3,215,162	3,744,318
Investments	<u>6,399,392</u>	<u>5,739,796</u>
Financial Assets at Year-End	16,153,554	13,551,396

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

12. Availability and Liquidity (continued)

	<u>2023</u>	<u>2022</u>
<i>(continued)</i>		
Less Donor-Imposed Restrictions:		
Grants and contribution receivable collectible beyond one year	\$ (800,000)	\$ (275,000)
Less Internal Designations:		
Board-designated reserve fund	<u>(3,846,710)</u>	<u>(3,545,887)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 11,506,844</u>	<u>\$ 9,730,509</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, 2023 and 2022, restricted contributions of \$2,178,567 and \$1,612,824, respectively, which are expected to be collected within one year and available for programs were included in financial assets available to meet cash needs for general expenditures within one year.

13. 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, 2023 and 2022, EWG made discretionary employer matching contributions of \$344,457 and \$311,793, respectively.

14. Related-Party Transactions

EWG is affiliated through common management with the EWG Action Fund (EWGAF). EWGAF is a 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.

EWG provides certain management, accounting and administrative services to EWGAF for a monthly fee based upon direct costs incurred and allocable staff and related costs. During the years ended December 31, 2023 and 2022, EWG invoiced EWGAF \$109,133 and \$21,154, respectively, for such services. During the years ended December 31, 2023 and 2022, EWGAF paid EWG \$47,549 and \$21,154, respectively, for such services. At December 31, 2023, EWGAF owed EWG \$61,584. There was no balance due or from EWGAF at December 31, 2022.

ENVIRONMENTAL WORKING GROUP

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

15. 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023, 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, 2023 and 2022, EWG had no accrual for interest and/or penalties.

16. Subsequent Events

In preparing these financial statements, EWG has evaluated events and transactions for potential recognition or disclosure through June 12, 2024, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in the financial statements.