

EASTERN ENVIRONMENTAL
LAW CENTER, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

EASTERN ENVIRONMENTAL LAW CENTER, INC.
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YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Eastern Environmental Law Center, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Eastern Environmental Law Center, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2018, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Environmental Law Center, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

James M. Wood, CPA

February 28, 2019
Hillsborough, NJ

James M. Wood, Certified Public Accountant
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EASTERN ENVIRONMENTAL LAW CENTER, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash & cash equivalents	\$ 522,207	\$ 373,254
Accounts receivable	38,652	25,197
Total financial assets	<u>560,859</u>	<u>398,451</u>
Cash held for agency transactions	46,125	46,303
Prepaid expense	-	5,177
Equipment, net of accumulated depreciation	1,411	-
Security deposit	<u>3,450</u>	<u>3,450</u>
	<u>\$ 611,845</u>	<u>\$ 453,381</u>
Liabilities & Net Assets		
Liabilities		
Accounts payable & accrued expenses	\$ 115,935	\$ 117,560
Grants received in advance	197,000	118,044
Agency transactions	<u>46,125</u>	<u>46,303</u>
	359,060	281,907
Net assets		
Without donor restrictions		
Undesignated	52,785	120,990
Designated for future use	<u>200,000</u>	<u>-</u>
	252,785	120,990
With donor restrictions	<u>-</u>	<u>50,484</u>
	<u>252,785</u>	<u>292,464</u>
	<u>\$ 611,845</u>	<u>\$ 574,371</u>

See accompanying notes to financial statements.

EASTERN ENVIRONMENTAL LAW CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECMEBER 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenue & Support			
Foundation grants	\$ 531,544	\$ -	\$ 531,544
Legal fees & cost reimbursements	172,128	-	172,128
Contributions	33,358	82,333	115,691
Interest	729	-	729
Rent	7,200	-	7,200
Miscellaneous	400	-	400
Total support & revenue	<u>745,359</u>	<u>82,333</u>	<u>827,692</u>
 Net assets released from restriction	 <u>132,817</u>	 <u>(132,817)</u>	 <u>-</u>
	878,176	(50,484)	827,692
Functional expenses			
Legal program	635,154	-	635,154
Management & general	65,909	-	65,909
Fund raising	45,318	-	45,318
Total expenses	<u>746,381</u>	<u>-</u>	<u>746,381</u>
 Increase in net assets	 131,795	 (50,484)	 81,311
 Net assets			
Beginning of year	<u>120,990</u>	<u>50,484</u>	<u>171,474</u>
End of year	<u>\$ 252,785</u>	<u>\$ -</u>	<u>\$ 252,785</u>

See accompanying notes to financial statements.

EASTERN ENVIRONMENTAL LAW CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Legal Program</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 323,334	\$ 24,367	\$ 18,643	\$ 366,344
Payroll taxes	25,399	1,914	1,464	28,777
Employee benefits	88,686	6,684	5,114	100,484
	<u>437,419</u>	<u>32,965</u>	<u>25,221</u>	<u>495,605</u>
Litigation costs	99,064	-	-	99,064
Office supplies	2,422	183	140	2,745
Dues & subscriptions	4,440	-	-	4,440
Postage	1,054	-	-	1,054
Printing & publications	10,810	-	-	10,810
Occupancy	44,153	3,327	2,546	50,026
Telephone & internet	4,532	342	261	5,135
Equipment & related	2,883	217	166	3,266
Insurance	6,319	476	364	7,159
Professional development	2,933	-	-	2,933
Professional fees	14,252	27,203	16,339	57,794
Travel & meetings	4,466	337	258	5,061
Miscellaneous	-	828	-	828
Depreciation	407	31	23	461
	<u>407</u>	<u>31</u>	<u>23</u>	<u>461</u>
	<u>\$ 635,154</u>	<u>\$ 65,909</u>	<u>\$ 45,318</u>	<u>\$ 746,381</u>

See accompanying notes to financial statements.

EASTERN ENVIRONMENTAL LAW CENTER, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities	
Increase in net assets	\$ 81,311
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	461
(Increase) decrease in:	
Accounts receivable	(13,455)
Prepaid expense	5,177
Increase (decrease) in:	
Accounts payable & accrued expenses	(1,625)
Grants received in advance	78,956
	150,825
 Cash flows from investing activities	
Acquisition of equipment	(1,872)
Net increase in cash & cash equivalents	148,953
Cash & cash equivalents, beginning of period	373,254
Cash & cash equivalents, end of period	\$ 522,207

See accompanying notes to financial statements.

EASTERN ENVIRONMENTAL LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(1) **Summary of Significant Accounting Policies**

Nature of activities

Incorporated in 1993, the Eastern Environmental Law Center, Inc. (EELC) is a not-for-profit organization which represents grassroots citizen groups to solve environmental problems that threaten the people, natural resources and communities in New Jersey and the tri-state region.

Cash & cash equivalents

EELC considers all demand deposits and interest-bearing deposits in banks, which are neither held for nor restricted by donors for long term purposes to be cash and cash equivalents. Cash held for agency transactions are excluded from this definition.

Equipment

Equipment with an estimated useful life in excess of 1 year and a cost of \$1,000 or more is capitalized and depreciated over its estimated useful life on a straight line basis.

Contributions

Contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed conditions.

Grants received

Grants are defined as the receipt of funds where the grantor expects provision of certain services of a commensurate value. Grants are recorded as revenue during the period in which the funded activities occur.

Program service revenue

In the normal course of business, EELC receives court awards and settlements which are classified as program service revenue.

Revenue and revenue recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Agency transactions

EELC receives litigation settlement funds which are held in trust for other not-for-profit organizations. The funds are recorded as a liability until released to the intended organization, and the cash is held separately from operating funds and investments.

EASTERN ENVIRONMENTAL LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Use of estimates

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

Functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of staff time and effort.

Concentrations of credit and market risk

Financial instruments that potentially expose EELC to concentrations of credit and market risk consist primarily of cash. All cash balances are maintained in high-quality financial institutions and credit exposure is limited to any one institution. EELC has not experienced any losses on its cash.

Accounting for uncertainty in income taxes

EELC's accounting policy is to disclose contingencies relating to uncertain tax positions when a liability is probable and estimable. EELC is not aware of any violation of tax status or exposure to uncertain tax positions that could require disclosure or which could affect its liquidity or future cash flows. EELC's exempt organization filings for the years ended October 31, 2015 through 2018 are subject to examination by the Internal Revenue Service and the State of New Jersey. Further, the Internal Revenue Service may examine EELC's financial activities for income and unrelated business income tax for those years.

New accounting pronouncements

During the year ended December 31, 2018, EELC implemented Financial Accounting Standards Board (FASB) Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). Accordingly, unrestricted net assets have been re-titled as net assets without donor restrictions. Temporarily restricted net assets have been re-titled as net assets with donor restrictions. Additional disclosures are included in the areas of liquidity and net assets, both with and without donor restrictions.

The Financial Accounting Standards Board (FASB) issued Update No. 2016-02, *Leases* (Topic 842), in February 2016. Under this guidance lessees are required to record most leases on their balance sheets but recognize expenses in the income statement. All entities will classify leases to determine how to recognize lease-related revenue and expense. In applying this guidance, entities must also determine whether an arrangement contains a lease or service agreement. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Management is evaluating the impact of this updated guidance on its financial statements.

EASTERN ENVIRONMENTAL LAW CENTER, INC.
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YEAR ENDED DECEMBER 31, 2018

In May 2014, the FASB issued ASU 2014-10, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in US GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2-15-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year. The updated standard will be effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016. Management is evaluating the impact the updated standard will have on the financial statements.

The Financial Accounting Standards Board (FASB) issued Update No 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*, in November 2016, requiring a statement of cash flows to explain the change during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for fiscal years beginning after December 31, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, and the Update should be applied using a retrospective transition method to each period presented. Management is evaluating the impact the updated standard will have on the financial statements.

The Financial Accounting Standards Board (FASB) issued Update No. 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, in June 2018. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) with the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Management is evaluating the impact the updated standard will have on the financial statements.

Income tax status

EELC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes. All applicable returns for the exempt organization are filed in a timely manner. EELC is liable for payment of payroll taxes as an employer; all such amounts are paid in a timely manner as required by state and federal regulations.

EASTERN ENVIRONMENTAL LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(2) Equipment

As of December 31, 2018 and 2017, equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Office equipment	\$22,313	\$20,441
Less accumulated depreciation	(20,902)	(20,441)
	<u>\$ 1,411</u>	<u>\$ 0</u>

(3) Retirement Plan

EELC maintains a retirement plan under Section 403(b). In addition to employee elective deferrals, EELC contributes 8% of eligible compensation. Contributions to the plan were \$57,154 for the year ended December 31, 2018; the amount includes the 8% of eligible compensation of \$24,154 and an additional \$33,000 discretionary contribution.

(4) Commitments

Future minimum commitments under the terms of leases for office space and equipment are as follows for years ending December 31,

2019	\$ 44,640
2020	44,600
2021	<u>28,680</u>
	<u>\$117,960</u>

Rent expense totaled \$52,794 for the year ended December 31, 2018.

(5) Insured Deposits

As of December 31, 2018 and 2017, cash exceeding the federally insured limit in one depository institution totaled \$260,721 and \$120,848, respectively.

(6) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limited their use, within one year of the statement of financial position, are comprised of the following as of December 31, 2018:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$522,207	\$373,254
Accounts receivable	<u>38,652</u>	<u>25,197</u>
Financial assets	560,859	398,451
Less assets with donor restrictions	<u> -</u>	<u>50,484</u>
Financial assets available for general expenditure	<u>\$560,859</u>	<u>\$347,967</u>

EELC investments cash in excess of daily requirements in interest-bearing demand deposits.

EASTERN ENVIRONMENTAL LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(7) **Net Assets**

Designated

As of December 31, 2018, the Board of Directors designated \$200,000 of net assets for future use and strategic initiatives.

With Donor Restrictions

As of December 31, 2017, net assets with donor restrictions totaled \$50,484 and were subject to expenditure for the specified purpose of expenses relating to the NESE Pipeline. Those net assets were fully expended on the intended purpose during 2018 and were released from donor restriction.

(8) **Line of Credit**

EELC has an available line of credit with PNC Bank up to \$50,000 to assist with cash flow requirements. Outstanding advances accrue interest at the highest Prime Rate published in the "Money Rates" section of the Wall Street Journal. As of December 31, 2018, the Prime Rate is 6.99%, and there are no outstanding advances.

(9) **Management Evaluation of Subsequent Events**

Management has evaluated subsequent events through February 28, 2019 the date which the financial statements were available to be issued.