



## **Financial Statements**

*For the Year Ended December 31, 2011*



**and  
Report Thereon**





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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
the Environmental Integrity Project

CONSULTING  
ACCOUNTING  
TECHNOLOGY

*Certified Public  
Accountants*

We have audited the accompanying statement of financial position of the Environmental Integrity Project (EIP) as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of EIP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EIP's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Environmental Integrity Project as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**RAFFA, P.C.**

Washington, DC  
August 29, 2012

**ENVIRONMENTAL INTEGRITY PROJECT**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2011

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ASSETS

Cash	\$ 1,038,373
Grants and contributions receivable	869,237
Other receivables	2,668
Prepaid expenses	36,560
Deposit	10,250
Furniture and equipment, net	17,421

TOTAL ASSETS \$ 1,974,509

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 41,546
Accrued salaries and benefits	53,816

Total Liabilities 95,362

Net Assets

Unrestricted	(213,961)
Temporarily restricted	2,093,108

Total Net Assets 1,879,147

TOTAL LIABILITIES AND NET ASSETS \$ 1,974,509

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

# ENVIRONMENTAL INTEGRITY PROJECT

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and contributions	\$ 255,925	\$ 2,770,477	\$ 3,026,402
Rental income	9,000	-	9,000
Other income	3,370	-	3,370
Net assets released from restrictions:			
Satisfaction of program restrictions	2,241,058	(2,241,058)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,509,353</b>	<b>529,419</b>	<b>3,038,772</b>
EXPENSES			
Program services	2,278,326	-	2,278,326
Supporting services:			
Management and general	58,881	-	58,881
Fundraising	35,097	-	35,097
<b>Total Supporting Services</b>	<b>93,978</b>	<b>-</b>	<b>93,978</b>
<b>TOTAL EXPENSES</b>	<b>2,372,304</b>	<b>-</b>	<b>2,372,304</b>
CHANGE IN NET ASSETS	137,049	529,419	666,468
NET ASSETS, BEGINNING OF YEAR	(351,010)	1,563,689	1,212,679
NET ASSETS, END OF YEAR	\$ (213,961)	\$ 2,093,108	\$ 1,879,147

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

**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2011

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and benefits	\$ 1,398,320	\$ 144,438	\$ 25,348	\$ 1,568,106
Consulting fees	270,807	7,873	-	278,680
Occupancy	-	154,530	-	154,530
Travel	92,570	8,149	2,555	103,274
Professional fees	76,257	17,284	-	93,541
Grants	62,500	-	-	62,500
Communications	461	35,357	-	35,818
Dues and subscriptions	17,590	13,370	1,373	32,333
Printing and copies	15,550	749	-	16,299
Equipment rental and maintenance	-	10,656	-	10,656
Office supplies	657	5,466	78	6,201
Depreciation	-	4,733	-	4,733
Postage, mailing and delivery	2,058	726	102	2,886
Miscellaneous	1,402	1,345	-	2,747
Allocation of overhead costs	340,154	(345,795)	5,641	-
<b>TOTAL EXPENSES</b>	<b><u><u>\$ 2,278,326</u></u></b>	<b><u><u>\$ 58,881</u></u></b>	<b><u><u>\$ 35,097</u></u></b>	<b><u><u>\$ 2,372,304</u></u></b>

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

## ENVIRONMENTAL INTEGRITY PROJECT

### STATEMENT OF CASH FLOWS For the Year Ended December 31, 2011 Increase (Decrease) in Cash

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 666,468
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,733
Changes in assets and liabilities:	
Grants and contributions receivable	(459,937)
Other receivable	(2,668)
Prepaid expenses	(31,936)
Accounts payable and accrued expenses	(29,538)
Accrued salaries and benefits	4,780
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>151,902</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(8,747)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(8,747)</u>
NET INCREASE IN CASH	143,155
CASH, BEGINNING OF YEAR	<u>895,218</u>
CASH, END OF YEAR	<u><u>\$ 1,038,373</u></u>

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

# **ENVIRONMENTAL INTEGRITY PROJECT**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2011**

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1. Organization and Summary of Significant Accounting Policies

**Organization**

The Environmental Integrity Project (EIP) is a nonpartisan, nonprofit 501(c)(3) organization incorporated in November 2003 in Washington, DC. The organization was founded by Eric Schaeffer, with support from the Rockefeller Family Fund and other foundations. EIP has the following three objectives:

- To provide an objective analysis of how the failure to enforce or implement environmental laws increases pollution and affects the public's health;
- To hold federal and state agencies, as well as individual corporations, accountable for failing to enforce or comply with environmental laws; and
- To help local communities in key states obtain the protection of environmental laws.

EIP's work, which is frequently based on an extensive review of government records, has been cited in Congressional hearings and debates, in reports by the U.S. Government Accountability Office, and in frequent news articles. EIP periodically evaluates the effectiveness of federal and state environmental programs, offering recommendations for improvement while recognizing outstanding performance.

EIP also works closely with grassroots organizations in Iowa, Pennsylvania, Texas, and other states to assist communities that are trying to get neighboring polluters to reduce their emissions and comply with environmental laws.

**Furniture and Equipment and Related Depreciation**

Furniture and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives of three to five years, with no salvage value. EIP capitalizes all expenditures for furniture and equipment with a cost more than \$1,000. The cost of furniture and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation and any gain or loss is reflected in income or expense in the accompanying statement of activities. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

# **ENVIRONMENTAL INTEGRITY PROJECT**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2011**

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

### **Net Assets**

The net assets of EIP are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of EIP are classified and reported as follows:

- Unrestricted net assets represent funds that are available for support of EIP's operations.
- Temporarily restricted net assets represent funds that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

### **Revenue Recognition**

Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. Conditional promises to give are not included as support until such time as the conditions are substantially met. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated proportionately among the programs and supporting services to which they relate on the basis of estimated labor costs spent on projects.

### **Estimates**

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

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## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

#### 2. Grants and Contributions Receivable

As of December 31, 2011, grants and contributions receivable are due to be received as follows:

Within one year	\$ 669,237
Within two to five years	<u>200,000</u>
Total Grants and Contributions Receivable	<u>\$ 869,237</u>

All grants and contributions are considered fully collectible. The present value factor of grants and contributions receivable due in one to five years was not considered significant to EIP's financial statements and, accordingly, not recognized in these financial statements.

#### 3. Furniture and Equipment

Furniture and equipment consisted of the following as of December 31, 2011:

Computer equipment	\$ 45,230
Office equipment	21,369
Furniture and fixtures	<u>16,544</u>
Total Furniture and Equipment	83,143
Less: Accumulated Depreciation	<u>(65,722)</u>
Furniture and Equipment, Net	<u>\$ 17,421</u>

Depreciation expense was \$4,733 for the year ended December 31, 2011.

#### 4. Commitments and Contingencies

##### Operating Leases

On August 13, 2010, EIP entered into a noncancelable lease agreement for office space in Washington, DC that commenced on October 1, 2010 and expires on December 30, 2013. The lease provides for one-half month free rent and contains a fixed escalation clause for increases in the annual minimum rent at the rate of 4%. These fixed escalations and rent abatement are not considered significant to the financial statements. Therefore, rent expense under this lease is recognized based on actual payments made each year.

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## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

4. Commitments and Contingencies (continued)

**Operating Leases (continued)**

EIP also has a one year lease agreement for its office space in San Antonio, Texas, which expires on August 31, 2012. A portion of this office space is subleased to an unrelated third party. The sublease also expires on August 31, 2012.

As of December 31, 2011, future minimum lease payments under these operating leases are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2012	\$ 144,374
2013	<u>134,361</u>
Total	<u>\$ 278,735</u>

Total rent expense for the year ended December 31, 2011 was \$148,994 and is included in occupancy expense in the accompanying statement of functional expenses.

**Concentration of Credit Risk**

EIP maintains its cash with a commercial financial institution. While the aggregate balance at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit and, therefore, bear some risk, EIP has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2011, the amount held by EIP in excess of the maximum limit insured by the FDIC was approximately \$722,000.

5. Program Expenses

Program services were as follows for the year ended December 31, 2011:

Program services:	
Coal program	\$ 1,486,891
Refineries program	359,852
Maryland Healthy Communities Initiative	229,228
Concentrated Animal Feeding Operations	108,114
Chesapeake Bay Initiative	<u>99,882</u>
Total Program Services	<u>\$ 2,283,967</u>

Continued

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

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#### 6. Temporarily Restricted Net Assets

As of December 31, 2011, temporarily restricted net assets were comprised of the following:

Program restricted:	
Coal program	\$ 912,732
Refineries program	338,258
Maryland Healthy Communities Initiative	240,725
Concentrated Animal Feeding Operations	193,531
Chesapeake Bay Initiative	96,612
Pennsylvania Healthy Communities Initiative (new for 2012)	<u>30,000</u>
Total Program Restricted	1,811,858
General operations for 2012	150,000
General operations for 2013	<u>131,250</u>
Total Time Restricted	<u>281,250</u>
Total Temporarily Restricted Net Assets	<u>\$ 2,093,108</u>

#### 7. Pension Plan

EIP offers participation in a 401(k) plan, whereby employees may make contributions on a pre-tax and post-tax basis, subject to IRS limitations. Full-time employees are eligible to participate after one year of employment. Employer contributions are discretionary and participants are fully vested in employer contributions after two years of service.

EIP has contributed 3% of an eligible participant's salary regardless of the individual's participation in the plan and has also provided a match of up to 3% of each eligible participant's contribution to the plan. Total pension expense was \$55,683 for the year ended December 31, 2011, and is included in salaries and benefits expense in the accompanying statement of functional expenses.

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# **ENVIRONMENTAL INTEGRITY PROJECT**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2011**

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### 8. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, EIP is exempt from federal taxes on income other than net unrelated business income. EIP reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. For the year ended December 31, 2011, no provision for income taxes was required as EIP had no unrelated business income and did not identify any uncertain tax positions requiring recognition or disclosure in these financial statements. As of December 31, 2011, the statute of limitations for tax years 2008 through 2010 remains open with the U.S. federal jurisdiction and the various state and local jurisdictions in which EIP files tax returns.

### 9. Liquidity

As of December 31, 2011, EIP reported an accumulated deficit in unrestricted net assets of \$213,961. A positive change in unrestricted net assets of \$137,061 was reported for the year ended December 31, 2011 which reduced the unrestricted net asset deficit reported as of December 31, 2010.

The accumulated unrestricted net asset deficit is the result of inadequate unrestricted support raised in the current and prior years and management's use of temporarily restricted funds to cover general operating costs. Management has built operating support into most grant proposals in an effort to secure both unrestricted and restricted funding from private donors but the actual recovery is significantly less than EIP's actual overhead and general operating costs. Management is undertaking efforts to secure additional unrestricted funding from private donors and believes EIP will further reduce its unrestricted net asset deficit and will continue as a going concern.

### 10. Subsequent Events

EIP's management has evaluated events through August 29, 2012, the date the financial statements were available to be issued. There were no subsequent events indentified through August 29, 2012 required to be disclosed in these financial statements.