

**FINANCIAL STATEMENTS**

**ENVIRONMENTAL INTEGRITY PROJECT**

**FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2013**

# ENVIRONMENTAL INTEGRITY PROJECT

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2014, with Summarized Financial Information for 2013	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2014, with Summarized Financial Information for 2013	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2014	6
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2013	7
EXHIBIT E - Statement of Cash Flows, for the Year Ended December 31, 2014, with Summarized Financial Information for 2013	8
NOTES TO FINANCIAL STATEMENTS	9 - 13



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Environmental Integrity Project  
Washington, D.C.

We have audited the accompanying financial statements of the Environmental Integrity Project (EIP), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 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 from 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 EIP as of December 31, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCA.COM

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### **Report on Summarized Comparative Information**

The prior year summarized comparative information has been derived from EIP's 2013 financial statements, which were audited by other auditors and, in their report dated August 22, 2014, they expressed an unmodified opinion on those statements.

*Gelman Rosenberg & Freedman*

April 21, 2015

**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 418,734	\$ 697,809
Grants and contributions receivable (Note 2)	754,916	928,396
Other receivables	3,089	4,087
Prepaid expenses	<u>65,789</u>	<u>38,623</u>
Total current assets	<u>1,242,528</u>	<u>1,668,915</u>
<b>FIXED ASSETS</b>		
Machinery and equipment	39,797	35,139
Furniture and fixtures	63,802	63,802
Computer equipment	59,064	55,814
Leasehold improvements	<u>424,060</u>	<u>373,531</u>
	586,723	528,286
Less: Accumulated depreciation and amortization	<u>(145,268)</u>	<u>(87,908)</u>
Net fixed assets	<u>441,455</u>	<u>440,378</u>
<b>OTHER ASSETS</b>		
Deposits	67,906	76,306
Grants receivable, net of current portion (Note 2)	<u>83,000</u>	<u>-</u>
Total other assets	<u>150,906</u>	<u>76,306</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,834,889</u></b>	<b><u>\$ 2,185,599</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 72,737	\$ 42,440
Accrued salaries and related benefits	104,890	91,847
Current portion of deferred leasehold incentive obligation (Note 4)	<u>40,184</u>	<u>35,294</u>
Total current liabilities	<u>217,811</u>	<u>169,581</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred leasehold incentive obligation	338,217	332,354
Deferred rent abatement (Note 4)	<u>199,706</u>	<u>46,139</u>
Total long-term liabilities	<u>537,923</u>	<u>378,493</u>
Total liabilities	<u>755,734</u>	<u>548,074</u>
<b>NET ASSETS</b>		
Unrestricted	14,789	247,753
Temporarily restricted (Note 3)	<u>1,064,366</u>	<u>1,389,772</u>
Total net assets	<u>1,079,155</u>	<u>1,637,525</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,834,889</u></b>	<b><u>\$ 2,185,599</u></b>

See accompanying notes to financial statements.

## ENVIRONMENTAL INTEGRITY PROJECT

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Contributions	\$ 54,526	\$ 29,456	\$ 83,982	\$ 240,422
Foundation grants	5,000	2,375,500	2,380,500	2,482,494
Interest and dividend income	264	-	264	349
Rental income (Note 4)	26,334	-	26,334	8,828
Other revenue	-	-	-	536
Recoverable expenses income	63,500	-	63,500	196,428
Net assets released from donor restrictions (Note 3)	<u>2,730,362</u>	<u>(2,730,362)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,879,986</u>	<u>(325,406)</u>	<u>2,554,580</u>	<u>2,929,057</u>
<b>EXPENSES</b>				
Program Services:				
Concentrated Animal Feeding Operations	223,934	-	223,934	169,309
Chesapeake Bay Initiative	248,341	-	248,341	178,234
Coal	1,351,042	-	1,351,042	1,460,647
Maryland Healthy Communities Initiative	313,302	-	313,302	359,651
Oil and Gas	<u>706,954</u>	<u>-</u>	<u>706,954</u>	<u>579,303</u>
Total program services	<u>2,843,573</u>	<u>-</u>	<u>2,843,573</u>	<u>2,747,144</u>
Supporting Services:				
Management and General	164,888	-	164,888	86,902
Fundraising	<u>104,489</u>	<u>-</u>	<u>104,489</u>	<u>71,667</u>
Total supporting services	<u>269,377</u>	<u>-</u>	<u>269,377</u>	<u>158,569</u>
Total expenses	<u>3,112,950</u>	<u>-</u>	<u>3,112,950</u>	<u>2,905,713</u>
Change in net assets	(232,964)	(325,406)	(558,370)	23,344
Net assets at beginning of year	<u>247,753</u>	<u>1,389,772</u>	<u>1,637,525</u>	<u>1,614,181</u>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u>14,789</u></b>	<b>\$ <u>1,064,366</u></b>	<b>\$ <u>1,079,155</u></b>	<b>\$ <u>1,637,525</u></b>

**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services					Supporting Services				
	Concentrated Animal Feeding Operations	Chesapeake Bay Initiative	Coal	Maryland Healthy Communities Initiative	Oil and Gas	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Payroll (Note 5)	\$ 139,337	\$ 165,753	\$ 906,875	\$ 197,606	\$446,436	\$ 1,856,007	\$ 347,074	\$ 91,973	\$ 439,047	\$ 2,295,054
Professional and legal fees	13,894	12,902	34,920	2,852	41,277	105,845	21,842	-	21,842	127,687
Public relations	11,025	11,994	28,172	6,241	27,458	84,890	-	-	-	84,890
Subgrant	-	-	-	21,000	15,000	36,000	-	-	-	36,000
Meeting and transportation	3,110	1,319	42,536	6,168	3,784	56,917	11,537	3,214	14,751	71,668
Printing, postage and delivery	939	1,295	23,654	1,476	6,131	33,495	5,404	621	6,025	39,520
Reference material	7,149	1,457	16,743	2,737	19,938	48,024	53	-	53	48,077
Court filing fees	100	490	2,968	-	865	4,423	-	-	-	4,423
Testing and project supplies	106	208	3,865	9,259	3,522	16,960	208	-	208	17,168
Dues and subscriptions	1,546	958	4,182	1,709	1,448	9,843	6,361	10	6,371	16,214
Rent expense (Note 4)	14,907	16,816	95,807	19,717	43,313	190,560	58,103	8,516	66,619	257,179
Information technology	-	-	185	-	90	275	26,406	-	26,406	26,681
Business insurance	-	-	-	-	-	-	11,016	-	11,016	11,016
Other administrative costs	30	-	372	-	234	636	19,222	155	19,377	20,013
Depreciation expense	-	-	-	-	-	-	17,583	-	17,583	17,583
Amortization expense	-	-	-	-	-	-	39,777	-	39,777	39,777
Subtotal	192,143	213,192	1,160,279	268,765	609,496	2,443,875	564,586	104,489	669,075	3,112,950
Overhead allocation	31,791	35,149	190,763	44,537	97,458	399,698	(399,698)	-	(399,698)	-
<b>TOTAL</b>	<b><u>\$ 223,934</u></b>	<b><u>\$ 248,341</u></b>	<b><u>\$1,351,042</u></b>	<b><u>\$ 313,302</u></b>	<b><u>\$706,954</u></b>	<b><u>\$ 2,843,573</u></b>	<b><u>\$ 164,888</u></b>	<b><u>\$ 104,489</u></b>	<b><u>\$ 269,377</u></b>	<b><u>\$ 3,112,950</u></b>

See accompanying notes to financial statements.

**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Program Services</u>					<u>Supporting Services</u>				
	<u>Concentrated</u>	<u>Maryland</u>			<u>Total</u>		<u>Total</u>			<u>Total</u>
	<u>Animal</u>	<u>Chesapeake</u>		<u>Healthy</u>	<u>Oil and</u>	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Supporting</u>	
	<u>Feeding</u>	<u>Bay</u>	<u>Coal</u>	<u>Communities</u>	<u>Gas</u>	<u>Services</u>	<u>and General</u>		<u>Services</u>	
	<u>Operations</u>	<u>Initiative</u>		<u>Initiative</u>						
Payroll (Note 5)	\$ 101,894	\$ 138,934	\$ 1,021,174	\$ 204,356	\$ 393,963	\$ 1,860,321	\$ 202,214	\$ 53,227	\$ 255,441	\$ 2,115,762
Professional and legal fees	17,154	1,624	106,613	19,934	36,000	181,325	27,059	-	27,059	208,384
Public relations	13,079	5,646	35,568	17,438	10,662	82,393	68	-	68	82,461
Subgrant	-	-	-	21,000	15,000	36,000	10,000	-	10,000	46,000
Meeting and transportation	7,047	658	30,255	8,553	15,861	62,374	9,736	4,495	14,231	76,605
Printing, postage and delivery	852	2,110	9,077	2,292	2,912	17,243	7,495	73	7,568	24,811
Reference material	1,372	961	16,906	3,786	5,082	28,107	414	278	692	28,799
Court filing fees	-	-	494	525	1,215	2,234	-	-	-	2,234
Testing and project supplies	-	17	3	22,587	5,404	28,011	45	-	45	28,056
Dues and subscriptions	871	-	6,854	1,617	866	10,208	7,436	1,832	9,268	19,476
Rent expense (Note 4)	-	-	-	-	-	-	184,875	-	184,875	184,875
Information technology	-	-	748	32	-	780	29,126	40	29,166	29,946
Business insurance	-	-	-	-	-	-	11,737	-	11,737	11,737
Other administrative costs	-	114	392	115	230	851	33,822	279	34,101	34,952
Depreciation expense	-	-	-	-	-	-	5,733	-	5,733	5,733
Amortization expense	-	-	-	-	-	-	5,882	-	5,882	5,882
Subtotal	142,269	150,064	1,228,084	302,235	487,195	2,309,847	535,642	60,224	595,866	2,905,713
Overhead allocation	27,040	28,170	232,563	57,416	92,108	437,297	(448,740)	11,443	(437,297)	-
<b>TOTAL</b>	<b><u>\$ 169,309</u></b>	<b><u>\$ 178,234</u></b>	<b><u>\$ 1,460,647</u></b>	<b><u>\$ 359,651</u></b>	<b><u>\$ 579,303</u></b>	<b><u>\$ 2,747,144</u></b>	<b><u>\$ 86,902</u></b>	<b><u>\$ 71,667</u></b>	<b><u>\$ 158,569</u></b>	<b><u>\$ 2,905,713</u></b>

See accompanying notes to financial statements.



**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (558,370)	\$ 23,344
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	57,360	11,615
(Increase) decrease in:		
Grants and contributions receivable	90,480	(389,168)
Other receivables	998	(234)
Prepaid expenses	(27,166)	5,916
Deposits	8,400	(66,056)
Increase (decrease) in:		
Accounts payable and accrued expenses	30,297	(19,632)
Accrued salaries and related benefits	13,043	23,158
Deferred leasehold incentive obligation	(39,307)	-
Deferred rent liability	<u>153,567</u>	<u>46,139</u>
Net cash used by operating activities	<u>(270,698)</u>	<u>(364,918)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(8,377)</u>	<u>(75,839)</u>
Net cash used by investing activities	<u>(8,377)</u>	<u>(75,839)</u>
Net decrease in cash and cash equivalents	(279,075)	(440,757)
Cash and cash equivalents at beginning of year	<u>697,809</u>	<u>1,138,566</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 418,734</u></b>	<b><u>\$ 697,809</u></b>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS</b>		
Addition to Leasehold Improvements Acquired from Leasehold Incentive	<b><u>\$ 50,060</u></b>	<b><u>\$ -</u></b>

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

The Environmental Integrity Project (EIP) is a nonpartisan, non-profit organization, incorporated in November 2003 in Washington D.C. EIP 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 increase 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 law; 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.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with EIP's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

##### Cash and cash equivalents -

EIP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, EIP maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

##### Grants and contributions receivable -

Grants and contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Grants and contributions receivable (continued) -

Other accounts receivable are recorded at their net realizable value, which approximates fair value. All grants, contributions and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

##### Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2014 totaled \$57,360.

##### Income taxes -

EIP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. EIP is not a private foundation.

##### Uncertain tax positions -

For the year ended December 31, 2014, EIP has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

##### Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of EIP and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of EIP and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

##### Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

**ENVIRONMENTAL INTEGRITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Contributions and grants (continued) -

Recoverable revenue pertains to certain allowable legal fees that EIP has incurred in the course of representing a case which may be recovered in a court settlement. These fees may include staff attorney fees, expert costs, and other costs allowed by the court. Recoverable revenue is recognized in the year when the final outcome of legal claims or reimbursements is certain and realized. This occurs after the consent decree has been entered with the relevant jurisdictional court and after all payment conditions identified in the consent decree have been met.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's summarized financial information have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

**2. GRANTS RECEIVABLE**

As of December 31, 2014, contributors to EIP have made written promises to give totaling \$837,916.

Grants are due as follows at December 31, 2014:

Less than one year	\$ 754,916
One to five years	<u>83,000</u>
<b>TOTAL GRANTS RECEIVABLE</b>	<b><u>\$ 837,916</u></b>

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2014:

Concentrated Animal Feeding Operations	\$ 26,746
Chesapeake Bay Initiative	96,408
Coal	311,514
Maryland Healthy Communities Initiative	200,922
Oil and Gas	<u>428,776</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$1,064,366</u></b>

**ENVIRONMENTAL INTEGRITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**3. TEMPORARILY RESTRICTED NET ASSETS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Concentrated Animal Feeding Operations	\$ 223,934
Chesapeake Bay Initiative	248,341
Coal	1,237,897
Maryland Healthy Communities Initiative	313,302
Oil and Gas	556,888
Time Restricted	<u>150,000</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 2,730,362</u></b>

**4. LEASE COMMITMENTS**

On March 14, 2013, EIP entered into a 10-year lease with Vermont Avenue SPE LLC, in Washington, D.C., which began on November 1, 2013. The lease provides for six months of free rent, followed by six months of reduced rent payments, and contains a fixed escalation clause for increases in the annual minimum rent at the rate of 2.25%. Under the terms of the lease, EIP received a leasehold improvement allowance of \$424,060. In 2013, \$374,000 of the allowance was used, and the remaining \$50,060 was used during 2014.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

EIP also had a one-year lease agreement for office space in San Antonio, Texas, which was initially scheduled to expire on August 31, 2014, but was terminated early on April 30, 2014. A new lease in Texas was effective May 1, 2014, and is scheduled to expire on April 30, 2015. A portion of the old space was subleased to an unrelated third party, which was initially scheduled to expire on August 31, 2014, but was terminated early at the same time the original lease was terminated.

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2015	\$ 275,090
2016	273,713
2017	279,871
2018	286,169
2019	296,428
Thereafter	<u>1,402,701</u>
	<b><u>\$2,813,972</u></b>

Rent expense for the year ended December 31, 2014 was \$257,179, which is included under rent expense in the accompanying Statement of Functional Expenses. As of December 31, 2014, the deferred rent liability was \$199,706 and the deferred leasehold incentive obligation was \$378,401.

**ENVIRONMENTAL INTEGRITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**4. LEASE COMMITMENTS (Continued)**

EIP subleases a portion of its office space in Washington, D.C. to an unrelated third party. This sublease, scheduled to expire on December 14, 2014, was extended through January 14, 2016. Subsequent to year-end, an additional sublease was signed, effective March 2015 through March 2016.

The following is a schedule of the future minimum rental income:

**Year Ending December 31,**

2015	\$ 34,620
2016	<u>2,060</u>
	<b><u>\$ 36,680</u></b>

Rental income for the year ended December 31, 2014 was \$26,334.

**5. RETIREMENT PLAN**

EIP provides retirement benefits to its employees through 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 contributes 3% of an eligible participant's salary regardless of the individual's participation in the plan and also provides a match of up to 3% of each eligible participant's contribution to the plan. Contributions to the plan during the year ended December 31, 2014 totaled \$85,710.

**6. SUBSEQUENT EVENTS**

In preparing these financial statements, EIP has evaluated events and transactions for potential recognition or disclosure through April 21, 2015, the date the financial statements were issued.

On March 15, 2015, EIP entered into a sublease agreement with an unrelated third party to sublease a portion of the office space located in Washington, D.C. This sublease is scheduled to expire on March 14, 2016. Other than the new sublease, there were no subsequent events identified that required recognition of, or disclosure in, these financial statements.