

## **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

# ENVIRONMENTAL INTEGRITY PROJECT

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**CPAs & ADVISORS**

## **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, 2018, 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, 2018, 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.

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

We have previously audited EIP's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

September 18, 2019

**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 640,346	\$ 500,041
Grants and contributions receivable	525,222	348,666
Other receivables	-	1,444
Prepaid expenses	<u>77,344</u>	<u>122,410</u>
Total current assets	<u>1,242,912</u>	<u>972,561</u>
<b>FIXED ASSETS</b>		
Machinery and equipment	37,757	37,757
Furniture and fixtures	65,355	65,355
Computer equipment	90,455	70,480
Leasehold improvements	<u>424,060</u>	<u>424,060</u>
	617,627	597,652
Less: Accumulated depreciation and amortization	<u>(372,586)</u>	<u>(317,416)</u>
Net fixed assets	<u>245,041</u>	<u>280,236</u>
<b>OTHER ASSETS</b>		
Deposits	33,260	33,260
Grants and contributions receivable, net of current portion	<u>150,000</u>	<u>130,000</u>
Total other assets	<u>183,260</u>	<u>163,260</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,671,213</u></b>	<b><u>\$ 1,416,057</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 32,182	\$ 59,535
Accrued salaries and related benefits	162,305	132,347
Deferred leasehold incentive obligation, current portion	40,185	40,185
Deferred rent liability	<u>19,593</u>	<u>9,333</u>
Total current liabilities	<u>254,265</u>	<u>241,400</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred leasehold incentive obligation, net of current portion	177,480	217,664
Deferred rent liability, net of current portion	<u>180,012</u>	<u>199,604</u>
Total long-term liabilities	<u>357,492</u>	<u>417,268</u>
Total liabilities	<u>611,757</u>	<u>658,668</u>
<b>NET ASSETS</b>		
Without donor restrictions	136,399	188,494
With donor restrictions	<u>923,057</u>	<u>568,895</u>
Total net assets	<u>1,059,456</u>	<u>757,389</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,671,213</u></b>	<b><u>\$ 1,416,057</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, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restriction	With Donor Restriction	Total	Total
<b>REVENUE AND SUPPORT</b>				
Foundation grants	\$ 204,500	\$ 2,817,000	\$ 3,021,500	\$ 2,765,000
Contributions	263,891	36,656	300,547	286,263
Contracts	215,169	-	215,169	-
Interest and dividend income	153	-	153	183
Rental income	28,851	-	28,851	34,110
Recoverable expenses income	110,126	-	110,126	38,392
Net assets released from donor restrictions	<u>2,499,494</u>	<u>(2,499,494)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>3,322,184</u>	<u>354,162</u>	<u>3,676,346</u>	<u>3,123,948</u>
<b>EXPENSES</b>				
Program Services:				
Chesapeake Bay Initiative	202,679	-	202,679	339,583
Clean Water Act	102,708	-	102,708	100,260
Coal/Other Projects	589,836	-	589,836	622,391
EPA Watch	473,261	-	473,261	389,223
Maryland Healthy Communities Initiative	207,974	-	207,974	265,348
Oil and Gas	994,450	-	994,450	1,023,469
Biomass	145,627	-	145,627	-
Concentrated Animal Feeding Operations	<u>6,676</u>	<u>-</u>	<u>6,676</u>	<u>-</u>
Total program services	<u>2,723,211</u>	<u>-</u>	<u>2,723,211</u>	<u>2,740,274</u>
Supporting Services:				
Management and General	560,042	-	560,042	343,958
Fundraising	<u>91,026</u>	<u>-</u>	<u>91,026</u>	<u>84,405</u>
Total supporting services	<u>651,068</u>	<u>-</u>	<u>651,068</u>	<u>428,363</u>
Total expenses	<u>3,374,279</u>	<u>-</u>	<u>3,374,279</u>	<u>3,168,637</u>
Change in net assets	(52,095)	354,162	302,067	(44,689)
Net assets at beginning of year	<u>188,494</u>	<u>568,895</u>	<u>757,389</u>	<u>802,078</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 136,399</u></b>	<b><u>\$ 923,057</u></b>	<b><u>\$ 1,059,456</u></b>	<b><u>\$ 757,389</u></b>

**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018								
	Program Services								
	Chesapeake Bay Initiative	Clean Water Act	Coal/Other Projects	EPA Watch	Maryland Healthy Communities Initiative	Oil and Gas	Biomass	Concentrated Animal Feeding Operations	Total Program Services
Salaries and payroll taxes	\$ 180,633	\$ 83,519	\$ 428,259	\$ 396,525	\$ 156,162	\$ 805,086	\$ 25,965	\$ 5,633	\$ 2,081,782
Professional and legal fees	20,038	75	76,466	5,843	413	44,955	112,927	-	260,717
Public relations	20	-	-	674	-	-	-	-	694
Subgrant	-	5,000	-	-	21,000	-	-	-	26,000
Meeting and transportation	5,907	214	10,277	2,438	3,043	12,936	-	35	34,850
Printing, postage and delivery	485	-	31	927	34	1,860	285	-	3,622
Reference material	426	-	-	-	48	473	-	-	947
Court filing fees	400	-	1,724	2,206	280	840	-	-	5,450
Testing and project supplies	-	-	-	-	-	-	-	-	-
Dues and subscriptions	174	193	164	545	236	1,392	-	-	2,704
Rent expense	-	-	-	-	-	-	-	-	-
Information technology	-	-	-	50	-	-	-	-	50
Business insurance	-	-	-	-	-	-	-	-	-
Other administrative costs	258	52	94	2,105	204	1,201	-	-	3,914
Depreciation and amortization expense	-	-	-	-	-	-	-	-	-
Subtotal	208,341	89,053	517,015	411,313	181,420	868,743	139,177	5,668	2,420,730
Overhead allocation	(5,662)	13,655	72,821	61,948	26,554	125,707	6,450	1,008	302,481
<b>TOTAL</b>	<b>\$ 202,679</b>	<b>\$ 102,708</b>	<b>\$ 589,836</b>	<b>\$ 473,261</b>	<b>\$ 207,974</b>	<b>\$ 994,450</b>	<b>\$ 145,627</b>	<b>\$ 6,676</b>	<b>\$ 2,723,211</b>

See accompanying notes to financial statements.

**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018 (Continued)			2017	
	Supporting Services				
	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and payroll taxes	\$ 206,601	\$ 80,733	\$ 287,334	\$ 2,369,116	\$ 2,333,110
Professional and legal fees	97,715	4,388	102,103	362,820	204,633
Public relations	10,226	-	10,226	10,920	7,073
Subgrant	-	-	-	26,000	66,000
Meeting and transportation	21,205	1,531	22,736	57,586	72,145
Printing, postage and delivery	6,638	465	7,103	10,725	14,142
Reference material	36,131	-	36,131	37,078	35,797
Court filing fees	(561)	-	(561)	4,889	8,703
Testing and project supplies	-	-	-	-	68
Dues and subscriptions	11,673	3,213	14,886	17,590	18,457
Rent expense	280,758	-	280,758	280,758	269,573
Information technology	86,065	-	86,065	86,115	28,341
Business insurance	14,922	-	14,922	14,922	13,674
Other administrative costs	35,980	696	36,676	40,590	38,565
Depreciation and amortization expense	55,170	-	55,170	55,170	58,356
Subtotal	862,523	91,026	953,549	3,374,279	3,168,637
Overhead allocation	(302,481)	-	(302,481)	-	-
<b>TOTAL</b>	<b>\$ 560,042</b>	<b>\$ 91,026</b>	<b>\$ 651,068</b>	<b>\$ 3,374,279</b>	<b>\$ 3,168,637</b>

See accompanying notes to financial statements.



**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 302,067	\$ (44,689)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	55,170	58,356
(Increase) decrease in:		
Grants and contributions receivable	(196,556)	199,496
Other receivables	1,444	7,147
Prepaid expenses	45,066	(69,646)
Deposits	-	11,009
(Decrease) increase in:		
Accounts payable and accrued expenses	(27,353)	15,356
Accrued salaries and related benefits	29,958	(4,586)
Deferred leasehold incentive obligation, net of current portion	(40,184)	(40,184)
Deferred rent liability	<u>(9,332)</u>	<u>(3,037)</u>
Net cash provided by operating activities	<u>160,280</u>	<u>129,222</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(19,975)</u>	<u>(4,711)</u>
Net cash used by investing activities	<u>(19,975)</u>	<u>(4,711)</u>
Net increase in cash and cash equivalents	140,305	124,511
Cash and cash equivalents at beginning of year	<u>500,041</u>	<u>375,530</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 640,346</u></b>	<b><u>\$ 500,041</u></b>

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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, 2017, 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. 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, 2018

#### 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, 2018 totaled \$55,170.

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. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is immaterial. The organization is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2018, 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.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor or grantor restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors or certain grantors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

##### Contributions and grants -

Grants and contributions received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions 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 net assets with donor restriction in the accompanying financial statements.

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.

##### Contracts -

Revenue from contracts, which are exchange transactions, is deemed to be earned and is reported during the period in which expenditures have been incurred. Amounts earned but not yet received are reported as receivables.

##### 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. Expenses are allocated on a basis of time and effort (such as salaries and benefits).

##### New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. EIP has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

New accounting pronouncements (not yet adopted) (continued) -

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The EIP has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

EIP plans to adopt the new ASUs at the respective required implementation dates.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$188,494 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$568,895 are now classified as net assets with donor restrictions.

#### 2. GRANTS RECEIVABLE

As of December 31, 2018, contributors to EIP have made written promises to give totaling \$675,222. Grants are due as follows at December 31, 2018:

Less than one year	\$ 525,222
One to five years	<u>150,000</u>
<b>TOTAL GRANTS RECEIVABLE</b>	<b><u>\$ 675,222</u></b>

#### 3. LINE OF CREDIT

EIP has a \$100,000 revolving bank line of credit. Amounts borrowed under this agreement bear interest at the bank's prime rate plus 6.75%. As of December 31, 2018, there was no outstanding balance on the line of credit.

**ENVIRONMENTAL INTEGRITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2018:

Subject to expenditure for specified purpose:	
Chesapeake Bay Initiative and Concentrated Animal Feeding Operations	\$ 400,473
Maryland Healthy Communities Initiative	154,347
Oil and Gas	239,305
Biomass	<u>128,932</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 923,057</u></b>

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

Purpose restrictions accomplished:	
Chesapeake Bay Initiative and Concentrated Animal Feeding Operations	\$ 209,355
Clean Water Act	79,739
Coal/Other Projects	427,163
EPA Watch	435,186
Maryland Healthy Communities Initiative	207,974
Oil and Gas	994,450
Biomass	<u>145,627</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 2,499,494</u></b>

**5. LIQUIDITY**

Financial assets available for use within one year of the statement of financial position, comprise the following:

Cash and cash equivalents	\$ 640,346
Grants and contributions receivable	525,222
Less: Donor restricted funds	<u>(923,057)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 242,511</u></b>

EIP is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, EIP must maintain sufficient resources to meet those responsibilities to its donors. As part of EIP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, EIP also could draw upon \$100,000 of available lines of credit (as further discussed in Note 3).

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 6. LEASE COMMITMENTS

On March 14, 2013, EIP entered into a ten year lease with Vermont Avenue SPE LLC, in Washington, D.C., which began on November 1, 2013. The lease provides 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.

EIP also had a lease agreement for office space in Texas, effective for the term May 1, 2015 through August 31, 2017. The lease has been extended through January 2020.

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.

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

#### Year Ending December 31,

2019	\$	315,988
2020		307,457
2021		312,708
2022		319,744
2023		326,938
Thereafter		<u>137,485</u>
	\$	<u><b>1,720,320</b></u>

Rent expense including operating expenses for the year ended December 31, 2018 was \$280,758. As of December 31, 2018, the deferred rent liability was \$199,605 and the deferred leasehold incentive obligation was \$217,664.

EIP subleases a portion of its office space in Washington, D.C., to an unrelated third party. The lease expired March 31, 2017 and has continued on a month-to-month basis. During June 2019 (subsequent to year-end), an updated one year sublease with the same tenant was signed. Monthly rent due under the new lease is \$2,497.

Rental income for the year ended December 31, 2018 was \$28,851.

#### 7. 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, 2018 totaled \$99,169.

**ENVIRONMENTAL INTEGRITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**8. SUBSEQUENT EVENTS**

In preparing these financial statements, EIP has evaluated events and transactions for potential recognition or disclosure through September 18, 2019, the date the financial statements were issued.