

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

November 16, 2020

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 788,098	\$ 640,346
Certificates of deposit	1,001,562	-
Grants and contributions receivable	863,803	525,222
Accounts receivable	632	-
Prepaid expenses	<u>74,114</u>	<u>77,344</u>
Total current assets	<u>2,728,209</u>	<u>1,242,912</u>
FIXED ASSETS		
Machinery and equipment	39,037	37,757
Furniture and fixtures	70,470	65,355
Computer equipment	110,315	90,455
Leasehold improvements	<u>424,060</u>	<u>424,060</u>
	643,882	617,627
Less: Accumulated depreciation and amortization	<u>(422,951)</u>	<u>(372,586)</u>
Net fixed assets	<u>220,931</u>	<u>245,041</u>
OTHER ASSETS		
Deposits	22,251	33,260
Certificates of deposit - long-term	500,000	-
Grants and contributions receivable, net of current portion	<u>-</u>	<u>150,000</u>
Total other assets	<u>522,251</u>	<u>183,260</u>
TOTAL ASSETS	<u>\$ 3,471,391</u>	<u>\$ 1,671,213</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 41,973	\$ 32,182
Accrued salaries and related benefits	219,981	162,305
Deferred leasehold incentive obligation, current portion	40,185	40,184
Deferred rent liability, current portion	<u>28,991</u>	<u>19,594</u>
Total current liabilities	<u>331,130</u>	<u>254,265</u>
LONG-TERM LIABILITIES		
Deferred leasehold incentive obligation, net of current portion	137,296	177,481
Deferred rent liability, net of current portion	<u>151,020</u>	<u>180,011</u>
Total long-term liabilities	<u>288,316</u>	<u>357,492</u>
Total liabilities	<u>619,446</u>	<u>611,757</u>
NET ASSETS		
Without donor restrictions	416,161	136,399
With donor restrictions	<u>2,435,784</u>	<u>923,057</u>
Total net assets	<u>2,851,945</u>	<u>1,059,456</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,471,391</u>	<u>\$ 1,671,213</u>

See accompanying notes to financial statements.

ENVIRONMENTAL INTEGRITY PROJECT

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restriction	With Donor Restriction	Total	Total
REVENUE AND SUPPORT				
Foundation grants	\$ 492,596	\$ 4,263,407	\$ 4,756,003	\$ 3,146,500
Contributions	379,250	67,391	446,641	356,816
Interest income	1,938	-	1,938	153
Rental income	31,167	-	31,167	28,851
Other revenue	11,736	5,000	16,736	33,900
Recoverable expenses income	302,817	-	302,817	110,126
Net assets released from donor restrictions	<u>2,823,071</u>	<u>(2,823,071)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>4,042,575</u>	<u>1,512,727</u>	<u>5,555,302</u>	<u>3,676,346</u>
EXPENSES				
Program Services:				
Chesapeake Bay Initiative	572,535	-	572,535	202,679
Clean Water Act	62,441	-	62,441	102,708
Coal/Other Projects	380,724	-	380,724	589,836
EPA Watch	347,996	-	347,996	473,261
Maryland Healthy Communities Initiative	241,241	-	241,241	207,974
Oil and Gas	1,400,979	-	1,400,979	994,450
Biomass	150,397	-	150,397	145,627
Concentrated Animal Feeding Operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,676</u>
Total program services	<u>3,156,313</u>	<u>-</u>	<u>3,156,313</u>	<u>2,723,211</u>
Supporting Services:				
Management and General	542,415	-	542,415	560,042
Fundraising	<u>64,085</u>	<u>-</u>	<u>64,085</u>	<u>91,026</u>
Total supporting services	<u>606,500</u>	<u>-</u>	<u>606,500</u>	<u>651,068</u>
Total expenses	<u>3,762,813</u>	<u>-</u>	<u>3,762,813</u>	<u>3,374,279</u>
Change in net assets	279,762	1,512,727	1,792,489	302,067
Net assets at beginning of year	<u>136,399</u>	<u>923,057</u>	<u>1,059,456</u>	<u>757,389</u>
NET ASSETS AT END OF YEAR	<u>\$ 416,161</u>	<u>\$ 2,435,784</u>	<u>\$ 2,851,945</u>	<u>\$ 1,059,456</u>

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019							
	Program Services							
	Chesapeake Bay Initiative	Clean Water Act	Coal/Other Projects	EPA Watch	Maryland Healthy Communities Initiative	Oil and Gas	Biomass	Total Program Services
Salaries and payroll taxes	\$ 458,670	\$ 53,204	\$ 227,637	\$ 288,829	\$ 177,951	\$ 1,019,468	\$ 9,789	\$ 2,235,548
Professional and legal fees	20,449	39	90,829	5,907	792	52,546	124,327	294,889
Rent expense	50,164	5,471	33,358	30,491	21,137	116,163	8,685	265,469
Subgrant	-	-	-	-	27,000	105,000	-	132,000
Information technology	11,464	1,250	7,623	6,968	4,830	26,546	1,985	60,666
Meeting and transportation	9,788	10	4,929	1,196	1,072	25,822	-	42,817
Other administrative costs	4,164	335	3,845	2,603	1,327	9,129	533	21,936
Depreciation and amortization expense	6,703	731	4,457	4,074	2,824	15,521	1,160	35,470
Dues and subscriptions	1,767	8	1,156	1,765	609	2,810	-	8,115
Reference material	7,641	833	5,030	4,597	3,343	18,901	3,851	44,196
Public relations	115	-	690	1,525	-	1,583	-	3,913
Business insurance	-	-	-	-	-	-	-	-
Printing, postage and delivery	727	60	770	41	146	2,264	67	4,075
Testing and project supplies	-	-	-	-	-	4,025	-	4,025
Court filing fees	883	500	400	-	210	1,201	-	3,194
TOTAL	\$ 572,535	\$ 62,441	\$ 380,724	\$ 347,996	\$ 241,241	\$ 1,400,979	\$ 150,397	\$ 3,156,313

See accompanying notes to financial statements.

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019 (Continued)			2018	
	Supporting Services				
	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and payroll taxes	\$ 310,588	\$ 46,313	\$ 356,901	\$ 2,592,449	\$ 2,369,116
Professional and legal fees	121,538	-	121,538	416,427	362,820
Rent expense	3,235	4,707	7,942	273,411	280,758
Subgrant	-	-	-	132,000	26,000
Information technology	7,214	1,076	8,290	68,956	86,115
Meeting and transportation	20,831	2,835	23,666	66,483	57,586
Other administrative costs	29,276	720	29,996	51,932	40,590
Depreciation and amortization expense	14,266	629	14,895	50,365	55,170
Dues and subscriptions	14,288	5,039	19,327	27,442	17,590
Reference material	-	-	-	44,196	37,078
Public relations	6,026	2,373	8,399	12,312	10,920
Business insurance	10,046	-	10,046	10,046	14,922
Printing, postage and delivery	4,947	393	5,340	9,415	10,725
Testing and project supplies	-	-	-	4,025	-
Court filing fees	160	-	160	3,354	4,889
TOTAL	\$ 542,415	\$ 64,085	\$ 606,500	\$ 3,762,813	\$ 3,374,279

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,792,489	\$ 302,067
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	50,365	55,170
(Increase) decrease in:		
Grants and contributions receivable	(188,581)	(196,556)
Other receivables	(632)	1,444
Prepaid expenses	3,230	45,066
Deposits	11,009	-
Increase (decrease) in:		
Accounts payable and accrued expenses	9,791	(27,353)
Accrued salaries and related benefits	57,676	29,958
Deferred leasehold incentive obligation, net of current portion	(40,184)	(40,184)
Deferred rent liability, current portion	<u>(19,594)</u>	<u>(9,332)</u>
Net cash provided by operating activities	<u>1,675,569</u>	<u>160,280</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(26,255)	(19,975)
Purchase of investments	<u>(1,501,562)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,527,817)</u>	<u>(19,975)</u>
Net increase in cash and cash equivalents	147,752	140,305
Cash and cash equivalents at beginning of year	<u>640,346</u>	<u>500,041</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 788,098</u>	<u>\$ 640,346</u>

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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 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 donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Basis of presentation (continued) -

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, 2018, from which the summarized information was derived.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

New accounting pronouncements adopted -

During 2019, EIP early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way EIP recognized revenue; however, the presentation and disclosures of revenue have been enhanced. EIP has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, EIP adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. EIP adopted the ASU using a modified prospective basis.

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.

Certificates of deposit -

Certificates of deposit are recorded at cost plus accrued interest, which approximates fair value. Investments are recorded at their readily determinable fair value. Interest earned on certificates or deposit is included in interest income on the accompanying Statement of Activities and Change in Net Assets.

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.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Grants and contributions receivable (continued) -

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. 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 \$1,000 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, 2019 totaled \$50,365.

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, 2019, 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.

Contributions and grants -

The majority of the EIP's revenue is received through contributions and grants. Contributions and grants are recognized in the appropriate category of net assets in the period received. EIP performs an analysis of the individual transaction to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have 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 restrictions in the accompanying financial statements.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Contributions and grants (continued) -

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements.

Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

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 pronouncement (not yet adopted) -

FASB issued ASU 2019-01, *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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted.

ENVIRONMENTAL INTEGRITY PROJECT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

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

The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

EIP plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following at December 31, 2019:

	<u>Fair Value</u>
Certificates of Deposit	\$ <u>1,501,562</u>

Included in interest income is the following:

Interest	\$ <u>1,562</u>
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3. GRANTS RECEIVABLE

As of December 31, 2019, contributors to EIP have made written promises to give totaling \$863,803. Grants are due as follows at December 31, 2019:

Less Than One Year	\$ <u>863,803</u>
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4. 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, 2019, there was no outstanding balance on the line of credit.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2019:

Subject to expenditure for specified purpose:

Chesapeake Bay Initiative and Concentrated Animal Feeding Operations	\$ 1,398,245
Clean Water Act	12,559
EPA Watch	50,000
Maryland Healthy Communities Initiative	130,606
Oil and Gas	665,839
Biomass	<u>178,535</u>

TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>2,435,784</u>
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ENVIRONMENTAL INTEGRITY PROJECT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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	\$ 572,535
Clean Water Act	62,441
Coal/Other Projects	255,000
EPA Watch	140,478
Maryland Healthy Communities Initiative	241,241
Oil and Gas	1,400,979
Biomass	<u>150,397</u>

TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS **\$ 2,823,071**

6. LIQUIDITY

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

Cash and cash equivalents	\$ 788,098
Certificates of deposit	1,001,562
Grants and contributions receivable	863,803
Accounts receivable	632
Less: Donor restricted funds	<u>(2,435,784)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR **\$ 218,311**

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 4).

7. 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 was extended through January 2020 and has continued on a month-to-month basis since then.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

7. LEASE COMMITMENTS (Continued)

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,

2020	\$	307,457
2021		312,708
2022		319,744
2023		326,938
2024		<u>137,485</u>
	\$	<u><u>1,404,332</u></u>

Rent expense including operating expenses for the year ended December 31, 2019 was \$273,411. As of December 31, 2019, the deferred rent liability was \$180,011 and the deferred leasehold incentive obligation was \$177,480.

EIP subleases a portion of its office space in Washington, D.C., to an unrelated third party. During June 2019, a one year sublease with the tenant was signed. Monthly rent due under the lease was \$2,497. Future minimum rental payments to be received during the year ending December 31, 2020 totaled \$14,982. The lease was not renewed.

Rental income for the year ended December 31, 2019 was \$31,167.

8. 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, 2019 totaled \$107,562.

9. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, EIP has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

9. FAIR VALUE MEASUREMENT (Continued)

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market EIP has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Certificates of Deposit - Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, by level within the fair value hierarchy, EIP's investments as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2019</u>
Asset Class:				
Certificates of Deposit	<u>\$ -</u>	<u>\$ 1,501,562</u>	<u>\$ -</u>	<u>\$ 1,501,562</u>

10. SUBSEQUENT EVENTS

In preparing these financial statements, EIP has evaluated events and transactions for potential recognition or disclosure through November 16, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact EIP's operations. The overall potential impact is unknown at this time.