

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

November 19, 2021

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

| ASSETS | | <u>2020</u> | <u>2019</u> |
|---|----|----------------------------|----------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ | 2,390,772 | \$ 788,098 |
| Certificates of deposit | | 507,316 | 1,001,562 |
| Grants and contributions receivable | | 602,650 | 863,803 |
| Accounts receivable | | 12,678 | 632 |
| Prepaid expenses | | <u>85,077</u> | <u>74,114</u> |
| Total current assets | | <u>3,598,493</u> | <u>2,728,209</u> |
| FIXED ASSETS | | | |
| Machinery and equipment | | 39,037 | 39,037 |
| Furniture and fixtures | | 70,470 | 70,470 |
| Computer equipment | | 113,705 | 110,315 |
| Leasehold improvements | | <u>424,060</u> | <u>424,060</u> |
| | | 647,272 | 643,882 |
| Less: Accumulated depreciation and amortization | | <u>(475,162)</u> | <u>(422,951)</u> |
| Net fixed assets | | <u>172,110</u> | <u>220,931</u> |
| OTHER ASSETS | | | |
| Deposits | | 22,251 | 22,251 |
| Certificates of deposit - long-term | | <u>-</u> | <u>500,000</u> |
| Total other assets | | <u>22,251</u> | <u>522,251</u> |
| TOTAL ASSETS | | <u>\$ 3,792,854</u> | <u>\$ 3,471,391</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ | 87,891 | \$ 41,973 |
| Accrued salaries and related benefits | | 209,120 | 219,981 |
| Deferred leasehold incentive obligation, current portion | | 40,185 | 40,185 |
| Deferred rent liability, current portion | | <u>35,872</u> | <u>28,991</u> |
| Total current liabilities | | <u>373,068</u> | <u>331,130</u> |
| LONG-TERM LIABILITIES | | | |
| Deferred leasehold incentive obligation, net of current portion | | 97,111 | 137,296 |
| Deferred rent liability, net of current portion | | <u>115,148</u> | <u>151,020</u> |
| Total long-term liabilities | | <u>212,259</u> | <u>288,316</u> |
| Total liabilities | | <u>585,327</u> | <u>619,446</u> |
| NET ASSETS | | | |
| Without donor restrictions | | 811,212 | 416,161 |
| With donor restrictions | | <u>2,396,315</u> | <u>2,435,784</u> |
| Total net assets | | <u>3,207,527</u> | <u>2,851,945</u> |
| TOTAL LIABILITIES AND NET ASSETS | | <u>\$ 3,792,854</u> | <u>\$ 3,471,391</u> |

See accompanying notes to financial statements.

ENVIRONMENTAL INTEGRITY PROJECT

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

| | 2020 | | | 2019 |
|--|----------------------------------|----------------------------|----------------------------|----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| REVENUE AND SUPPORT | | | | |
| Foundation grants | \$ 685,000 | \$ 3,340,500 | \$ 4,025,500 | \$ 4,756,003 |
| Contributions | 199,615 | 169,981 | 369,596 | 446,641 |
| Interest income | 22,259 | - | 22,259 | 1,938 |
| Rental income | 10,136 | - | 10,136 | 31,167 |
| Other revenue | 14,250 | - | 14,250 | 16,736 |
| Recoverable expenses income | 170,000 | - | 170,000 | 302,817 |
| Net assets released from donor restrictions | <u>3,549,950</u> | <u>(3,549,950)</u> | <u>-</u> | <u>-</u> |
| Total revenue and support | <u>4,651,210</u> | <u>(39,469)</u> | <u>4,611,741</u> | <u>5,555,302</u> |
| EXPENSES | | | | |
| Program Services: | | | | |
| Chesapeake Bay Initiative | 707,541 | - | 707,541 | 572,535 |
| Clean Water Act | 112,695 | - | 112,695 | 62,441 |
| Coal/Other Projects | 210,567 | - | 210,567 | 380,724 |
| EPA Watch | 277,698 | - | 277,698 | 347,996 |
| Maryland Healthy Communities Initiative | 265,006 | - | 265,006 | 241,241 |
| Oil and Gas | 1,801,964 | - | 1,801,964 | 1,400,979 |
| Center for Applied Environmental Science | 149,909 | - | 149,909 | - |
| Environmental Justice | 34,717 | - | 34,717 | - |
| Biomass | 137,587 | - | 137,587 | 150,397 |
| Concentrated Animal Feeding Operations | <u>1,319</u> | <u>-</u> | <u>1,319</u> | <u>-</u> |
| Total program services | <u>3,699,003</u> | <u>-</u> | <u>3,699,003</u> | <u>3,156,313</u> |
| Supporting Services: | | | | |
| Management and General | 488,013 | - | 488,013 | 542,415 |
| Fundraising | <u>69,143</u> | <u>-</u> | <u>69,143</u> | <u>64,085</u> |
| Total supporting services | <u>557,156</u> | <u>-</u> | <u>557,156</u> | <u>606,500</u> |
| Total expenses | <u>4,256,159</u> | <u>-</u> | <u>4,256,159</u> | <u>3,762,813</u> |
| Change in net assets | 395,051 | (39,469) | 355,582 | 1,792,489 |
| Net assets at beginning of year | <u>416,161</u> | <u>2,435,784</u> | <u>2,851,945</u> | <u>1,059,456</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 811,212</u> | <u>\$ 2,396,315</u> | <u>\$ 3,207,527</u> | <u>\$ 2,851,945</u> |

See accompanying notes to financial statements.

ENVIRONMENTAL INTEGRITY PROJECT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

| | 2020 | | | | |
|--------------------------------|---------------------------------|--------------------|------------------------|-------------------|--|
| | Program Services | | | | |
| | Chesapeake Bay Initiative | Clean Water Act | Coal/Other Projects | EPA Watch | Maryland Healthy Communities Initiative |
| Salaries and payroll taxes | \$ 616,944 | \$ 101,608 | \$ 165,048 | \$ 247,230 | \$ 210,923 |
| Professional and legal fees | 3,063 | 488 | 22,654 | 1,394 | 1,147 |
| Rent expense | 32,074 | 5,109 | 9,545 | 12,588 | 12,013 |
| Subgrant | - | - | 500 | - | 27,000 |
| Information technology | 8,110 | 1,292 | 2,413 | 3,183 | 3,037 |
| Meeting and transportation | 3,884 | 95 | 1,003 | 82 | 522 |
| Other administrative costs | 10,780 | 1,125 | 2,153 | 3,782 | 2,823 |
| Depreciation and amortization | 6,364 | 1,014 | 1,894 | 2,498 | 2,384 |
| Dues and subscriptions | 5,217 | 277 | 2,631 | 2,660 | 1,560 |
| Reference material | 17,742 | 1,261 | 1,946 | 2,422 | 2,356 |
| Public relations | 269 | 16 | 29 | 810 | 37 |
| Business insurance | 2,264 | 361 | 674 | 889 | 848 |
| Printing, postage and delivery | 830 | 49 | 77 | 160 | 356 |
| Testing and project supplies | - | - | - | - | - |
| Court filing fees | - | - | - | - | - |
| TOTAL | \$ 707,541 | \$ 112,695 | \$ 210,567 | \$ 277,698 | \$ 265,006 |

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

| | 2020 (Continued) | | | | | |
|--------------------------------|------------------------------|---|--------------------------|-------------------|---|------------------------------|
| | Program Services (Continued) | | | | | |
| | Oil and Gas | Center for Applied Environmental Science | Environmental Justice | Biomass | Concentrated Animal Feeding Operations | Total Program Services |
| Salaries and payroll taxes | \$ 1,377,842 | \$ 31,185 | \$ 1,276 | \$ 22,293 | \$ 49 | \$ 2,774,398 |
| Professional and legal fees | 195,883 | 118,724 | 150 | 114,783 | 6 | 458,292 |
| Rent expense | 81,686 | - | 1,574 | - | 60 | 154,649 |
| Subgrant | 25,000 | - | 30,000 | - | - | 82,500 |
| Information technology | 20,654 | - | 398 | - | 15 | 39,102 |
| Meeting and transportation | 26,930 | - | 10 | 286 | 1,023 | 33,835 |
| Other administrative costs | 20,194 | - | 483 | 225 | 74 | 41,639 |
| Depreciation and amortization | 16,208 | - | 312 | - | 12 | 30,686 |
| Dues and subscriptions | 8,249 | - | 85 | - | 38 | 20,717 |
| Reference material | 16,067 | - | 303 | - | 12 | 42,109 |
| Public relations | 5,298 | - | 5 | - | - | 6,464 |
| Business insurance | 5,766 | - | 111 | - | 4 | 10,917 |
| Printing, postage and delivery | 2,187 | - | 10 | - | 26 | 3,695 |
| Testing and project supplies | - | - | - | - | - | - |
| Court filing fees | - | - | - | - | - | - |
| TOTAL | \$ 1,801,964 | \$ 149,909 | \$ 34,717 | \$ 137,587 | \$ 1,319 | \$ 3,699,003 |

ENVIRONMENTAL INTEGRITY PROJECT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

| | 2020 (Continued) | | | 2019 | |
|--------------------------------|------------------------------|------------------|---------------------------------|---------------------|---------------------|
| | Supporting Services | | | | |
| | Management and General | Fundraising | Total Supporting Services | Total Expenses | Total Expenses |
| Salaries and payroll taxes | \$ 237,293 | \$ 56,694 | \$ 293,987 | \$ 3,068,385 | \$ 2,592,449 |
| Professional and legal fees | 40,785 | 299 | 41,084 | 499,376 | 416,427 |
| Rent expense | 105,345 | 3,134 | 108,479 | 263,128 | 273,411 |
| Subgrant | - | - | - | 82,500 | 132,000 |
| Information technology | 26,636 | 792 | 27,428 | 66,530 | 68,956 |
| Meeting and transportation | 683 | 107 | 790 | 34,625 | 66,483 |
| Other administrative costs | 22,274 | 663 | 22,937 | 64,576 | 51,932 |
| Depreciation and amortization | 20,903 | 622 | 21,525 | 52,211 | 50,365 |
| Dues and subscriptions | 5,712 | 5,568 | 11,280 | 31,997 | 27,442 |
| Reference material | 20,268 | 603 | 20,871 | 62,980 | 44,196 |
| Public relations | 324 | 10 | 334 | 6,798 | 12,312 |
| Business insurance | 7,437 | 221 | 7,658 | 18,575 | 10,046 |
| Printing, postage and delivery | 353 | 430 | 783 | 4,478 | 9,415 |
| Testing and project supplies | - | - | - | - | 4,025 |
| Court filing fees | - | - | - | - | 3,354 |
| TOTAL | \$ 488,013 | \$ 69,143 | \$ 557,156 | \$ 4,256,159 | \$ 3,762,813 |

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

| | 2020 | 2019 |
|---|----------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 355,582 | \$ 1,792,489 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 52,211 | 50,365 |
| Decrease (increase) in: | | |
| Grants and contributions receivable | 261,153 | (188,581) |
| Other receivables | (12,046) | (632) |
| Prepaid expenses | (10,963) | 3,230 |
| Deposits | - | 11,009 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 45,918 | 9,791 |
| Accrued salaries and related benefits | (10,861) | 57,676 |
| Deferred leasehold incentive obligation | (40,185) | (40,184) |
| Deferred rent liability | (28,991) | (19,594) |
| Net cash provided by operating activities | <u>611,818</u> | <u>1,675,569</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (3,390) | (26,255) |
| Purchase of investments | - | (1,501,562) |
| Proceeds from sale of investments | <u>994,246</u> | <u>-</u> |
| Net cash provided (used) by investing activities | <u>990,856</u> | <u>(1,527,817)</u> |
| Net increase in cash and cash equivalents | 1,602,674 | 147,752 |
| Cash and cash equivalents at beginning of year | <u>788,098</u> | <u>640,346</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 2,390,772</u> | <u>\$ 788,098</u> |

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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.

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, 2019, from which the summarized information was derived.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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

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. At December 31, 2020, certificates of deposit held totaled \$507,316, and interest for the year ended December 31, 2020 totaled \$20,860, which is included in interest income.

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. 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, 2020 totaled \$52,211.

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, 2020, 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 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.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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

Contributions and grants (continued) -

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 under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

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.

For contributions and grants treated as conditional contributions, EIP did not have any unrecognized awards as of December 31, 2020. 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. EIP has elected to opt out of all (or certain) disclosures not required for nonpublic entities. 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.

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.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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

Functional allocation of expenses (continued) -

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) -

ASU 2019-01, *Leases* (Topic 842), 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. 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 methods and the impact of the new standard on its accompanying financial statements. 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.

Economic uncertainties -

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.

Fair value measurement -

EIP adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. EIP accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2020, contributors to EIP have made written promises to give totaling \$602,650. Grants and contributions are due as follows at December 31, 2020:

| | |
|---------------------------|--------------------------|
| Less Than One Year | <u>\$ 602,650</u> |
|---------------------------|--------------------------|

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, 2020, there was no outstanding balance on the line of credit.

ENVIRONMENTAL INTEGRITY PROJECT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2020:

Subject to expenditure for specified purpose:

| | |
|--|----------------|
| Chesapeake Bay Initiative and Concentrated Animal Feeding Operations | \$ 880,704 |
| Coal/Other Projects | 62,433 |
| Maryland Healthy Communities Initiative | 70,100 |
| Oil and Gas | 807,453 |
| Center for Applied Environmental Science | 300,091 |
| Environmental Justice | 134,586 |
| Biomass | <u>140,948</u> |

TOTAL NET ASSETS WITH DONOR RESTRICTIONS **\$ 2,396,315**

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 | \$ 707,541 |
| Clean Water Act | 92,559 |
| Coal/Other Projects | 210,567 |
| EPA Watch | 150,100 |
| Maryland Healthy Communities Initiative | 265,006 |
| Oil and Gas | 1,801,964 |
| Center for Applied Environmental Science | 149,909 |
| Environmental Justice | 34,717 |
| Biomass | <u>137,587</u> |

TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS **\$ 3,549,950**

5. LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position comprise the following:

| | |
|-------------------------------------|--------------------|
| Cash and cash equivalents | \$ 2,390,772 |
| Certificates of deposit | 507,316 |
| Grants and contributions receivable | 602,650 |
| Accounts receivable | 12,678 |
| Less: Donor restricted funds | <u>(2,396,315)</u> |

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 1,117,101**

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.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

5. LIQUIDITY (Continued)

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).

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

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,

| | |
|------|---------------------|
| 2021 | \$ 307,457 |
| 2022 | 312,708 |
| 2023 | 319,744 |
| 2024 | 326,938 |
| 2025 | <u>137,485</u> |
| | <u>\$ 1,404,332</u> |

Rent expense including operating expenses for the year ended December 31, 2020 was \$263,128. As of December 31, 2020, the deferred rent liability was \$151,020 and the deferred leasehold incentive obligation was \$137,296.

Rental income for the year ended December 31, 2020 was \$10,136.

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, 2020 totaled \$123,352.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

8. 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. 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, 2020. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

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, 2020:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total December 31, 2020</u> |
|--------------------------------|-----------------------|-----------------------|-----------------------|--|
| Asset Class: | | | | |
| Certificates of Deposit | \$ <u> -</u> | \$ <u> 507,316</u> | \$ <u> -</u> | \$ <u> 507,316</u> |

9. SUBSEQUENT EVENTS

In preparing these financial statements, EIP has evaluated events and transactions for potential recognition or disclosure through November 19, 2021, the date the financial statements were issued.