

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

ENVIRONMENTAL INTEGRITY PROJECT

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Environmental Integrity Project (EIP), which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EIP as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of EIP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EIP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 EIP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EIP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited EIP's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information Included in the EIP's Annual Report

Management is responsible for the other information included in the EIP's annual report. The other information comprises the EIP Financial Snapshot, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



November 2, 2022

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	3,520,213	\$ 2,390,772
Certificates of deposit		-	507,316
Grants and contributions receivable		1,008,865	602,650
Accounts receivable		-	12,678
Prepaid expenses		<u>81,763</u>	<u>85,077</u>
Total current assets		<u>4,610,841</u>	<u>3,598,493</u>
FIXED ASSETS			
Machinery and equipment		39,037	39,037
Furniture and fixtures		70,470	70,470
Computer equipment		127,775	113,705
Website		66,697	-
Leasehold improvements		<u>424,060</u>	<u>424,060</u>
		728,039	647,272
Less: Accumulated depreciation and amortization		<u>(530,556)</u>	<u>(475,162)</u>
Net fixed assets		<u>197,483</u>	<u>172,110</u>
OTHER ASSETS			
Deposits		<u>22,251</u>	<u>22,251</u>
TOTAL ASSETS		<u>\$ 4,830,575</u>	<u>\$ 3,792,854</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	49,059	\$ 87,891
Accrued salaries and related benefits		310,867	209,120
Deferred leasehold incentive obligation, current portion		40,184	40,185
Deferred rent liability, current portion		<u>42,908</u>	<u>35,872</u>
Total current liabilities		<u>443,018</u>	<u>373,068</u>
LONG-TERM LIABILITIES			
Deferred leasehold incentive obligation, net of current portion		56,928	97,111
Deferred rent liability, net of current portion		<u>72,239</u>	<u>115,148</u>
Total long-term liabilities		<u>129,167</u>	<u>212,259</u>
Total liabilities		<u>572,185</u>	<u>585,327</u>
NET ASSETS			
Without donor restrictions		924,260	811,212
With donor restrictions		<u>3,334,130</u>	<u>2,396,315</u>
Total net assets		<u>4,258,390</u>	<u>3,207,527</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 4,830,575</u>	<u>\$ 3,792,854</u>

See accompanying notes to financial statements.

ENVIRONMENTAL INTEGRITY PROJECT

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Foundation grants	\$ 95,000	\$ 5,007,500	\$ 5,102,500	\$ 4,025,500
Contributions	397,476	50,000	447,476	369,596
Interest income	6,985	-	6,985	22,259
Rental income	-	-	-	10,136
Other revenue	2,515	-	2,515	14,250
Recoverable expenses income	663,364	-	663,364	170,000
Net assets released from donor restrictions	<u>4,119,685</u>	<u>(4,119,685)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>5,285,025</u>	<u>937,815</u>	<u>6,222,840</u>	<u>4,611,741</u>
EXPENSES				
Program Services:				
Chesapeake Bay Initiative	759,080	-	759,080	707,541
Clean Water Act	171,375	-	171,375	112,695
Coal/Other Projects	181,000	-	181,000	211,886
EPA Watch	128,621	-	128,621	277,698
Maryland Healthy Communities Initiative	303,305	-	303,305	265,006
Oil and Gas	2,155,491	-	2,155,491	1,801,964
Center for Applied Environmental Science	339,442	-	339,442	149,909
Environmental Justice	129,517	-	129,517	34,717
Biomass	<u>152,187</u>	<u>-</u>	<u>152,187</u>	<u>137,587</u>
Total program services	<u>4,320,018</u>	<u>-</u>	<u>4,320,018</u>	<u>3,699,003</u>
Supporting Services:				
Management and General	801,796	-	801,796	488,013
Fundraising	36,385	-	36,385	69,143
Communications	7,580	-	7,580	-
Program Direction	<u>6,198</u>	<u>-</u>	<u>6,198</u>	<u>-</u>
Total supporting services	<u>851,959</u>	<u>-</u>	<u>851,959</u>	<u>557,156</u>
Total expenses	<u>5,171,977</u>	<u>-</u>	<u>5,171,977</u>	<u>4,256,159</u>
Change in net assets	113,048	937,815	1,050,863	355,582
Net assets at beginning of year	<u>811,212</u>	<u>2,396,315</u>	<u>3,207,527</u>	<u>2,851,945</u>
NET ASSETS AT END OF YEAR	<u>\$ 924,260</u>	<u>\$ 3,334,130</u>	<u>\$ 4,258,390</u>	<u>\$ 3,207,527</u>

See accompanying notes to financial statements.

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

2021

Program Services

	Chesapeake Bay Initiative	Clean Water Act	Coal/Other Projects	EPA Watch	Maryland Healthy Communities Initiative	Oil and Gas	Center for Applied Environmental Science	Environmental Justice	Biomass	Total Program Services
Salaries and payroll taxes	\$ 581,747	\$ 142,548	\$ 135,344	\$ 107,066	\$ 231,021	\$ 1,585,749	\$ 87,595	\$ 18,128	\$ 7,719	\$ 2,896,917
Professional and legal fees	20,436	4,521	17,188	-	520	241,505	225,481	33,045	143,696	686,392
Rent expense	44,460	10,745	11,349	8,065	19,017	158,752	11,389	8,121	342	272,240
Subgrant expense	50,000	-	-	-	27,000	-	-	60,000	-	137,000
Information technology	17,805	4,294	4,535	3,335	7,599	55,396	5,111	3,245	137	101,457
Meeting and transportation	3,785	521	644	391	942	6,550	552	394	17	13,796
Other administrative costs	10,049	2,223	2,522	2,228	4,176	30,215	2,403	1,680	68	55,564
Depreciation and amortization expense	8,556	2,068	2,184	1,552	3,660	26,010	2,192	1,563	66	47,851
Dues and subscriptions	8,298	1,302	3,664	3,246	3,806	9,441	1,353	965	41	32,116
Reference material	10,001	2,249	2,375	1,790	3,980	30,891	2,384	1,700	72	55,442
Public relations	401	97	102	349	172	1,219	103	73	3	2,519
Business Insurance	2,927	707	747	531	1,252	8,898	750	535	23	16,370
Printing, postage, and delivery	615	100	346	68	160	865	129	68	3	2,354
TOTAL	\$ 759,080	\$ 171,375	\$ 181,000	\$ 128,621	\$ 303,305	\$ 2,155,491	\$ 339,442	\$ 129,517	\$ 152,187	\$ 4,320,018

See accompanying notes to financial statements.

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021 (Continued)					2020	
	Supporting Services						
	Management and General	Fundraising	Communications	Program Direction	Total Supporting Services	Total Expenses	Total Expenses
Salaries and payroll taxes	\$ 560,715	\$ 29,373	\$ -	\$ 5,698	\$ 595,786	\$ 3,492,703	\$ 3,068,385
Professional and legal fees	205,185	-	524	-	205,709	892,101	499,376
Rent expense	16,814	2,281	-	-	19,095	291,335	263,128
Subgrant expense	-	-	-	-	-	137,000	82,500
Information technology	6,805	912	382	-	8,099	109,556	66,530
Meeting and transportation	115	153	2,118	500	2,886	16,682	34,625
Other administrative costs	3,324	472	478	-	4,274	59,838	64,576
Depreciation and amortization expense	3,350	439	-	-	3,789	51,640	52,211
Dues and subscriptions	833	2,088	2,767	-	5,688	37,804	31,997
Reference material	3,432	477	81	-	3,990	59,432	62,980
Public relations	12	21	1,157	-	1,190	3,709	6,798
Business Insurance	1,146	150	-	-	1,296	17,666	18,575
Printing, postage, and delivery	65	19	73	-	157	2,511	4,478
TOTAL	\$ 801,796	\$ 36,385	\$ 7,580	\$ 6,198	\$ 851,959	\$ 5,171,977	\$ 4,256,159

See accompanying notes to financial statements.

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,050,863	\$ 355,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	55,394	52,211
(Increase) decrease in:		
Grants and contributions receivable	(406,215)	261,153
Other receivables	12,678	(12,046)
Prepaid expenses	3,314	(10,963)
(Decrease) increase in:		
Accounts payable and accrued expenses	(38,832)	45,918
Accrued salaries and related benefits	101,747	(10,861)
Deferred leasehold incentive obligation	(40,184)	(40,185)
Deferred rent liability	<u>(35,873)</u>	<u>(28,991)</u>
Net cash provided by operating activities	<u>702,892</u>	<u>611,818</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(80,767)	(3,390)
Proceeds from sale of investments	<u>507,316</u>	<u>994,246</u>
Net cash provided by investing activities	<u>426,549</u>	<u>990,856</u>
Net increase in cash and cash equivalents	1,129,441	1,602,674
Cash and cash equivalents at beginning of year	<u>2,390,772</u>	<u>788,098</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,520,213</u>	<u>\$ 2,390,772</u>

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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;
- 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, 2021

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, 2020, 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.

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, 2021, there were no remaining certificates of deposit. Interest for the year ended December 31, 2021 totaled \$3,659, 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 within a year. 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, 2021 totaled \$55,394.

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.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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

Uncertain tax positions -

For the year ended December 31, 2021, 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.

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, 2021. 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.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

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

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) -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying financial statements.

2. 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, 2021, there was no outstanding balance on the line of credit.

ENVIRONMENTAL INTEGRITY PROJECT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2021:

Subject to expenditure for specified purpose:

Chesapeake Bay Initiative and Center for Applied Environmental Science	\$ 992,273
Coal/Other Projects	136,594
Aluminum	270,177
Maryland Healthy Communities Initiative	531,747
Oil and Gas	1,279,509
Environmental Justice	30,069
Biomass	<u>93,761</u>

TOTAL NET ASSETS WITH DONOR RESTRICTIONS **\$ 3,334,130**

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	\$ 1,048,522
Clean Water Act	100,000
Coal/Other Projects	175,840
EPA Watch	50,000
Maryland Healthy Communities Initiative	303,305
Oil and Gas	2,155,491
Aluminum	4,823
Environmental Justice	129,517
Biomass	<u>152,187</u>

TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS **\$ 4,119,685**

4. LIQUIDITY

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

Cash and cash equivalents	\$ 3,520,213
Grants and contributions receivable	1,008,865
Less: Donor restricted funds	<u>(3,334,130)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 1,194,948**

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, 2021

4. 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 2).

5. 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,

2022	\$ 319,744
2023	326,938
2024	<u>137,485</u>
	<u>\$ 784,167</u>

Rent expense including operating expenses for the year ended December 31, 2021 was \$277,521. As of December 31, 2021, the deferred rent liability was \$115,147 and the deferred leasehold incentive obligation was \$97,112.

6. 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 with less than 5 years of services, and 5% for staff with 5 or more years of service. EIP 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, 2021 totaled \$139,709.

ENVIRONMENTAL INTEGRITY PROJECT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

7. SUBSEQUENT EVENTS

In preparing these financial statements, EIP has evaluated events and transactions for potential recognition or disclosure through November 2, 2022, the date the financial statements were issued.