

## **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2022  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2021**

# 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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



November 14, 2023

**ENVIRONMENTAL INTEGRITY PROJECT**

**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

<b>ASSETS</b>			
		<u><b>2022</b></u>	<u><b>2021</b></u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	2,300,470	\$ 3,520,213
Certificates of deposit		1,500,000	-
Grants and contributions receivable		656,904	1,008,865
Prepaid expenses		<u>223,731</u>	<u>81,763</u>
Total current assets		<u>4,681,105</u>	<u>4,610,841</u>
<b>FIXED ASSETS</b>			
Machinery and equipment		1,280	39,037
Furniture and fixtures		70,470	70,470
Computer equipment		76,777	127,775
Website		86,639	66,697
Leasehold improvements		<u>-</u>	<u>424,060</u>
		235,166	728,039
Less: Accumulated depreciation and amortization		<u>(130,319)</u>	<u>(530,556)</u>
Net fixed assets		<u>104,847</u>	<u>197,483</u>
<b>OTHER ASSETS</b>			
Deposits		22,251	22,251
Right-of-use assets, operating leases		625,976	-
Right-of-use asset, finance lease		<u>10,744</u>	<u>-</u>
Total other assets		<u>658,971</u>	<u>22,251</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>5,444,923</u></b>	<b><u>4,830,575</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$	146,902	\$ 49,059
Accrued salaries and related benefits		354,625	310,867
Deferred leasehold incentive obligation, current portion		-	40,184
Deferred rent liability, current portion		-	42,908
Operating lease obligations		374,052	-
Finance lease obligation		<u>4,392</u>	<u>-</u>
Total current liabilities		<u>879,971</u>	<u>443,018</u>
<b>LONG-TERM LIABILITIES</b>			
Deferred leasehold incentive obligation, net of current portion		-	56,928
Deferred rent liability, net of current portion		-	72,239
Operating lease obligations, net of current portions		329,537	-
Finance lease obligation, net of current portion		<u>6,440</u>	<u>-</u>
Total long-term liabilities		<u>335,977</u>	<u>129,167</u>
Total liabilities		<u>1,215,948</u>	<u>572,185</u>
<b>NET ASSETS</b>			
Without donor restrictions		1,595,805	924,260
With donor restrictions		<u>2,633,170</u>	<u>3,334,130</u>
Total net assets		<u>4,228,975</u>	<u>4,258,390</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>5,444,923</u></b>	<b><u>4,830,575</u></b>

See accompanying notes to financial statements.

## ENVIRONMENTAL INTEGRITY PROJECT

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>			<u>2021</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Foundation grants	\$ 95,000	\$ 4,225,125	\$ 4,320,125	\$ 5,102,500
Recoverable expenses income	1,364,028	-	1,364,028	663,364
Contributions	429,888	50,000	479,888	447,476
Interest income	5,774	-	5,774	6,985
Other revenue	29,376	-	29,376	2,515
Net assets released from donor restrictions	<u>4,976,085</u>	<u>(4,976,085)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,900,151</u>	<u>(700,960)</u>	<u>6,199,191</u>	<u>6,222,840</u>
<b>EXPENSES</b>				
Program Services:				
Oil and Gas	2,928,281	-	2,928,281	2,155,491
Center for Applied Environmental Science	591,651	-	591,651	339,442
Chesapeake Bay Enforcement	379,764	-	379,764	759,080
Landfill Methane	257,912	-	257,912	-
Clean Water Act	256,300	-	256,300	171,375
Coal/Other Projects	244,099	-	244,099	181,000
Aluminum	185,974	-	185,974	-
Maryland Healthy Communities Initiative	155,507	-	155,507	303,305
EPA Watch	130,664	-	130,664	128,621
Biomass	88,636	-	88,636	152,187
Environmental Justice	44,261	-	44,261	129,517
CAFO	644	-	644	-
Special Programs	<u>423</u>	<u>-</u>	<u>423</u>	<u>-</u>
Total program services	<u>5,264,116</u>	<u>-</u>	<u>5,264,116</u>	<u>4,320,018</u>
Supporting Services:				
Management and General	932,777	-	932,777	801,796
Fundraising	21,357	-	21,357	36,385
Communications	10,356	-	10,356	7,580
Program Direction	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,198</u>
Total supporting services	<u>964,490</u>	<u>-</u>	<u>964,490</u>	<u>851,959</u>
Total expenses	<u>6,228,606</u>	<u>-</u>	<u>6,228,606</u>	<u>5,171,977</u>
Change in net assets	671,545	(700,960)	(29,415)	1,050,863
Net assets at beginning of year	<u>924,260</u>	<u>3,334,130</u>	<u>4,258,390</u>	<u>3,207,527</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,595,805</u></b>	<b><u>\$ 2,633,170</u></b>	<b><u>\$ 4,228,975</u></b>	<b><u>\$ 4,258,390</u></b>

**ENVIRONMENTAL INTEGRITY PROJECT**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022										
	Program Services										
	Oil and Gas	Center for Applied Environmental Science	Chesapeake Bay Enforcement	Landfill Methane	Clean Water Act	Coal/Other Projects	Aluminum	Maryland Healthy Communities Initiative	EPA Watch	Biomass	Environmental Justice
Salaries and payroll taxes	\$ 1,794,599	\$ 108,525	\$ 294,154	\$ 190,162	\$ 201,294	\$ 168,280	\$ 99,350	\$ 84,142	\$ 100,694	\$ 4,255	\$ 7,539
Professional and legal fees	433,341	429,999	9,051	22,265	4,500	28,213	57,083	2,485	5,000	83,670	-
Rent expense	214,773	17,609	23,898	16,231	16,129	15,031	11,704	9,786	8,223	189	2,785
Subgrant expense	131,000	-	-	-	-	-	-	40,000	-	-	30,000
Information technology	58,531	5,246	6,961	4,489	4,461	5,099	3,237	2,707	2,274	52	770
Meeting and transportation	26,458	6,880	5,448	4,369	3,022	3,778	2,069	1,855	1,454	33	493
Other administrative costs	60,276	5,714	8,062	6,217	4,829	5,765	4,126	3,494	2,465	58	831
Depreciation and amortization expense	25,479	2,077	2,819	1,914	1,902	1,773	1,380	1,154	970	22	329
Dues and subscriptions	7,731	1,139	2,140	1,371	1,032	1,774	749	1,348	1,006	12	178
Reference material	34,499	3,168	4,625	2,984	3,001	2,704	2,106	2,010	1,479	34	528
Public relations	2,965	263	357	243	241	225	175	146	123	3	42
Business Insurance	16,190	1,547	2,100	1,426	1,417	1,321	1,028	860	722	17	245
Printing, postage, and delivery	5,042	2,799	944	643	558	545	399	359	297	6	95
Program Direction	117,397	6,685	19,205	5,598	13,914	9,591	2,568	5,161	5,957	285	426
<b>TOTAL</b>	<b>\$ 2,928,281</b>	<b>\$ 591,651</b>	<b>\$ 379,764</b>	<b>\$ 257,912</b>	<b>\$ 256,300</b>	<b>\$ 244,099</b>	<b>\$ 185,974</b>	<b>\$ 155,507</b>	<b>\$ 130,664</b>	<b>\$ 88,636</b>	<b>\$ 44,261</b>

See accompanying notes to financial statements.

**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022 (Continued)							2021
	Program Services (Continued)			Supporting Services				
	CAFO	Special Programs	Total Program Services	Management and General	Fundraising	Communications	Total Supporting Services	Total Expenses
Salaries and payroll taxes	\$ -	\$ -	\$ 3,052,994	\$ 708,434	\$ 17,371	\$ 400	\$ 726,205	\$ 3,779,199
Professional and legal fees	-	-	1,075,607	205,658	-	-	205,658	1,281,265
Rent expense	40	27	336,425	7,518	1,344	1,531	10,393	346,818
Subgrant expense	-	-	201,000	-	-	-	-	201,000
Information technology	11	7	93,845	680	372	981	2,033	95,878
Meeting and transportation	560	369	56,788	296	238	3,973	4,507	61,295
Other administrative costs	12	8	101,857	238	402	969	1,609	103,466
Depreciation and amortization expense	5	3	39,827	906	158	-	1,064	40,891
Dues and subscriptions	3	2	18,485	607	1,046	2,046	3,699	22,184
Reference material	7	5	57,150	4,979	242	-	5,221	62,371
Public relations	1	-	4,784	-	20	381	401	5,185
Business Insurance	4	2	26,879	3,461	118	-	3,579	30,458
Printing, postage, and delivery	1	-	11,688	-	46	75	121	11,809
Program Direction	-	-	186,787	-	-	-	-	186,787
<b>TOTAL</b>	<b>\$ 644</b>	<b>\$ 423</b>	<b>\$ 5,264,116</b>	<b>\$ 932,777</b>	<b>\$ 21,357</b>	<b>\$ 10,356</b>	<b>\$ 964,490</b>	<b>\$ 6,228,606</b>
								<b>\$ 5,171,977</b>

See accompanying notes to financial statements.



## ENVIRONMENTAL INTEGRITY PROJECT

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (29,415)	\$ 1,050,863
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	40,891	55,394
Amortization of right-of-use asset, operating lease	311,562	-
Decrease (increase) in:		
Grants and contributions receivable	351,961	(406,215)
Other receivables	-	12,678
Prepaid expenses	(141,968)	3,314
Increase (decrease) in:		
Accounts payable and accrued expenses	97,843	(38,832)
Accrued salaries and related benefits	43,758	101,747
Deferred leasehold incentive obligation	-	(40,184)
Deferred rent liability	-	(35,873)
Operating lease obligation	(352,446)	-
Net cash provided by operating activities	<u>322,186</u>	<u>702,892</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(39,424)	(80,767)
Purchase of certificates of deposit	(1,500,000)	
Proceeds from sale of certificates of deposit	<u>-</u>	<u>507,316</u>
Net cash (used) provided by investing activities	<u>(1,539,424)</u>	<u>426,549</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Reduction of finance lease obligation	<u>(2,505)</u>	<u>-</u>
Net cash provided by financing activities	<u>(2,505)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(1,219,743)	1,129,441
Cash and cash equivalents at beginning of year	<u>3,520,213</u>	<u>2,390,772</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,300,470</u></b>	<b><u>\$ 3,520,213</u></b>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS</b>		
Right-of-Use Asset, Operating Lease	<b><u>\$ 937,538</u></b>	<b><u>\$ -</u></b>
Operating Lease Liability for Right-of-Use Asset	<b><u>\$ 1,056,035</u></b>	<b><u>\$ -</u></b>
Right-of-Use Asset, Finance Lease	<b><u>\$ 13,337</u></b>	<b><u>\$ -</u></b>
Finance Lease Liability for Right-of-Use Asset	<b><u>\$ 13,337</u></b>	<b><u>\$ -</u></b>

See accompanying notes to financial statements.

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 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, 2022

#### 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, 2021, from which the summarized information was derived.

##### New accounting pronouncement adopted -

During 2022, EIP adopted ASU 2019-01, *Leases* (Topic 842) which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. **EIP** applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See note 5 for further details.

##### 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. 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 are recorded at their net realizable value, which approximates fair value. When applicable, 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. 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.

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

##### Fixed assets (continued) -

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, 2022 totaled \$40,891.

##### 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, 2022, 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, 2022. 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.

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

##### Contributions and grants (continued) -

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. 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).

##### Risks and uncertainties -

EIP invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

##### 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. 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, 2022, there was no outstanding balance on the line of credit.

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2022:

Subject to expenditure for specified purpose:

Coal/Other Projects	\$ 27,495
Aluminum	84,203
Maryland Healthy Communities Initiative	135,059
Oil and Gas	663,853
Center for Applied Environmental Science	803,998
Environmental Justice	40,808
Biomass	120,125
Chesapeake Bay Enforcement	46,860
Landfill Methane	<u>710,769</u>

**TOTAL NET ASSETS WITH DONOR RESTRICTIONS** **\$ 2,633,170**

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:

Clean Water Act	\$ 50,000
Coal/Other Projects	244,099
EPA Watch	50,000
Maryland Healthy Communities Initiative	155,507
Oil and Gas	2,928,281
Aluminum	185,974
Environmental Justice	44,261
Biomass	88,636
Chesapeake Bay Enforcement	379,764
Landfill Methane	257,912
Center for Applied Environmental Science	<u>591,651</u>

**TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS** **\$ 4,976,085**

#### 4. LIQUIDITY

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

Cash and cash equivalents	\$ 2,300,470
Certificates of deposit	1,500,000
Grants and contributions receivable	656,904
Less: Donor restricted funds	<u>(2,633,170)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS  
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 1,824,204**

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, 2022

#### 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

Operating leases -

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%.

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.

ASU 2019-01, Leases (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. EIP elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

EIP also adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, EIP recorded a right-of-use asset in the amount of \$937,538. EIP recorded a lease liability in the amount of \$1,056,035 by calculating the present value using the discount rate of 3%.

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

#### Year Ending December 31,

2023	\$ 389,098
2024	199,645
2025	62,160
2026	62,160
2027	<u>15,540</u>
	728,603
Less: Imputed interest	(25,014)
Less: Current portion	<u>(374,052)</u>
<b>LONG-TERM PORTION</b>	<b>\$ <u>329,537</u></b>

Lease expense including operating expenses for the year ended December 31, 2022 was \$346,820.

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 5. LEASE COMMITMENTS (Continued)

Finance leases -

During 2022, EIP signed a lease to finance a photocopier over a three-year period. The following is a schedule of the future minimum lease payments:

**Year Ending December 31,**

2023	\$	4,632
2024		4,632
2025		<u>1,930</u>
		11,194
Less: Imputed interest		(362)
Less: Current portion		<u>(4,392)</u>
<b>LONG-TERM PORTION</b>	<b>\$</b>	<b><u>6,440</u></b>

#### 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 contributed 3% of an eligible participant's salary and a match of up to 3% of each eligible participant's contribution to the Plan. Contributions to the plan ended December 31, 2022 totaled \$144,065. EIP revised its policy in 2023.

#### 7. 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.



## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

#### 7. FAIR VALUE MEASUREMENT (Continued)

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, 2022. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2022. 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2022</u>
<b>Asset Class:</b>				
<b>Certificates of Deposit</b>	\$ <u>          -</u>	\$ <u>1,500,000</u>	\$ <u>          -</u>	\$ <u>1,500,000</u>

#### 8. SUBSEQUENT EVENTS

In preparing these financial statements, EIP has evaluated events and transactions for potential recognition or disclosure through November 14, 2023, the date the financial statements were issued.