

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



November 13, 2024

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

ASSETS		<u>2023</u>	<u>2022</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	2,754,912	\$ 2,300,470
Certificates of deposit		-	1,500,000
Grants and contributions receivable		1,376,553	656,904
Prepaid expenses		<u>50,367</u>	<u>223,731</u>
Total current assets		<u>4,181,832</u>	<u>4,681,105</u>
FIXED ASSETS			
Machinery and equipment		30,254	1,280
Furniture and fixtures		70,470	70,470
Computer equipment		69,858	76,777
Website		<u>86,639</u>	<u>86,639</u>
		257,221	235,166
Less: Accumulated depreciation and amortization		<u>(155,696)</u>	<u>(130,319)</u>
Net fixed assets		<u>101,525</u>	<u>104,847</u>
OTHER ASSETS			
Deposits		22,251	22,251
Right-of-use assets, operating leases		303,291	625,976
Right-of-use asset, finance lease		<u>6,298</u>	<u>10,744</u>
Total other assets		<u>331,840</u>	<u>658,971</u>
TOTAL ASSETS		<u>\$ 4,615,197</u>	<u>\$ 5,444,923</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	213,710	\$ 192,698
Accrued salaries and related benefits		316,926	308,829
Operating lease obligations		194,118	374,052
Finance lease obligation		<u>4,519</u>	<u>4,392</u>
Total current liabilities		<u>729,273</u>	<u>879,971</u>
LONG-TERM LIABILITIES			
Operating lease obligations, net		135,419	329,537
Finance lease obligation, net		<u>1,920</u>	<u>6,440</u>
Total long-term liabilities		<u>137,339</u>	<u>335,977</u>
Total liabilities		<u>866,612</u>	<u>1,215,948</u>
NET ASSETS			
Without donor restrictions		947,382	1,595,805
With donor restrictions		<u>2,801,203</u>	<u>2,633,170</u>
Total net assets		<u>3,748,585</u>	<u>4,228,975</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 4,615,197</u>	<u>\$ 5,444,923</u>

See accompanying notes to financial statements.

ENVIRONMENTAL INTEGRITY PROJECT

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Foundation grants	\$ 660,000	\$ 4,502,950	\$ 5,162,950	\$ 4,320,125
Recoverable expenses income	602,381	-	602,381	1,364,028
Contributions	469,718	50,000	519,718	479,888
Interest income	93,389	-	93,389	5,774
Other revenue	21,613	-	21,613	29,376
Net assets released from donor restrictions	<u>4,384,917</u>	<u>(4,384,917)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,232,018</u>	<u>168,033</u>	<u>6,400,051</u>	<u>6,199,191</u>
EXPENSES				
Program Services:				
Oil and Gas	2,822,285	-	2,822,285	2,928,281
Center for Applied Environmental Science	755,928	-	755,928	591,651
Chesapeake Bay Enforcement	321,093	-	321,093	379,764
Landfill Methane	368,382	-	368,382	257,912
Clean Water Act	165,987	-	165,987	256,300
Coal	424,241	-	424,241	244,099
Aluminum	407,115	-	407,115	185,974
Maryland Healthy Communities Initiative	157,673	-	157,673	155,507
EPA Watch	181,522	-	181,522	130,664
Bioenergy	96,043	-	96,043	88,636
Environmental Justice	855	-	855	44,261
CAFO	-	-	-	644
Steel	158,374	-	158,374	-
Special Programs	<u>3,369</u>	<u>-</u>	<u>3,369</u>	<u>423</u>
Total program services	<u>5,862,867</u>	<u>-</u>	<u>5,862,867</u>	<u>5,264,116</u>
Supporting Services:				
Management and General	952,261	-	952,261	932,777
Fundraising	56,905	-	56,905	21,357
Communications	<u>8,408</u>	<u>-</u>	<u>8,408</u>	<u>10,356</u>
Total supporting services	<u>1,017,574</u>	<u>-</u>	<u>1,017,574</u>	<u>964,490</u>
Total expenses	<u>6,880,441</u>	<u>-</u>	<u>6,880,441</u>	<u>6,228,606</u>
Change in net assets	(648,423)	168,033	(480,390)	(29,415)
Net assets at beginning of year	<u>1,595,805</u>	<u>2,633,170</u>	<u>4,228,975</u>	<u>4,258,390</u>
NET ASSETS AT END OF YEAR	<u>\$ 947,382</u>	<u>\$ 2,801,203</u>	<u>\$ 3,748,585</u>	<u>\$ 4,228,975</u>

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

2023

Program Services

	Center for Applied Environmental Science						Chesapeake Bay Enforcement			Landfill Methane		Clean Water Act		Coal		Aluminum		Maryland Healthy Communities Initiative		EPA Watch		Bioenergy		Environmental Justice		
	Oil and Gas	Environmental Science	Chesapeake Bay Enforcement	Landfill Methane	Clean Water Act	Coal	Aluminum	Initiative	EPA Watch	Bioenergy	Justice	Justice	Justice	Justice	Justice	Justice	Justice	Justice	Justice	Justice	Justice	Justice	Justice	Justice	Justice	Justice
Salaries and payroll taxes	\$ 2,018,954	\$ 184,785	\$ 265,886	\$ 302,547	\$ 132,971	\$ 267,448	\$ 206,188	\$ 88,650	\$ 146,927	\$ 29,358	\$ -															
Professional and legal fees	413,687	523,103	13,895	19,018	7,183	96,800	146,853	6,823	7,855	64,103	37															
Rent expense	156,330	21,497	17,865	20,496	9,236	23,604	22,652	8,773	10,100	1,090	48															
Subgrant expense	-	-	-	-	-	-	-	43,775	-	-	-															
Information technology	38,361	4,939	4,050	4,588	2,067	6,100	5,070	1,964	2,261	244	11															
Meeting and transportation	35,095	4,409	2,887	2,082	1,595	6,309	4,355	720	829	90	26															
Other administrative costs	31,736	4,485	4,155	4,397	2,739	4,317	4,001	1,549	1,784	193	708															
Depreciation and amortization expense	18,653	2,565	2,132	2,446	1,102	2,817	2,703	1,047	1,205	130	6															
Dues and subscriptions	10,898	1,075	936	1,901	743	1,180	1,132	799	505	55	2															
Reference material	26,538	3,640	2,814	3,233	1,748	3,787	5,442	1,382	1,591	172	7															
Public relations	5,349	292	242	278	3,125	4,820	3,307	119	4,637	21	1															
Business insurance	12,810	1,761	1,464	1,680	757	1,934	1,856	719	828	89	4															
Printing, postage, and delivery	18,067	429	175	234	90	732	318	86	166	11	5															
Program direction	35,807	2,948	4,592	5,482	2,631	4,393	3,238	1,267	2,834	487	-															
TOTAL	\$ 2,822,285	\$ 755,928	\$ 321,093	\$ 368,382	\$ 165,987	\$ 424,241	\$ 407,115	\$ 157,673	\$ 181,522	\$ 96,043	\$ 855															

See accompanying notes to financial statements.

ENVIRONMENTAL INTEGRITY PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023 (Continued)						2022		
	Program Services (Continued)			Supporting Services					
	Steel	Special Programs	Total Program Services	Management and General	Fundraising	Communications	Total Supporting Services	Total Expenses	Total Expenses
Salaries and payroll taxes	\$ 105,925	\$ 2,796	\$ 3,752,435	\$ 516,691	\$ 46,615	\$ -	\$ 563,306	\$ 4,315,741	\$ 3,779,199
Professional and legal fees	7,303	146	1,306,806	250,936	2,463	-	253,399	1,560,205	1,281,265
Rent expense	8,812	188	300,691	100,354	3,166	1,393	104,913	405,604	346,818
Subgrant expense	25,000	-	68,775	-	-	-	-	68,775	201,000
Information technology	1,972	42	71,669	21,437	709	1,336	23,482	95,151	95,878
Meeting and transportation	1,131	15	59,543	7,644	260	712	8,616	68,159	61,295
Other administrative costs	2,333	33	62,430	16,285	559	1,686	18,530	80,960	103,466
Depreciation and amortization expense	1,051	22	35,879	12,140	378	-	12,518	48,397	40,891
Dues and subscriptions	441	9	19,676	3,829	158	1,257	5,244	24,920	22,184
Reference material	1,388	30	51,772	14,329	2,194	-	16,523	68,295	62,371
Public relations	120	3	22,314	-	113	1,308	1,421	23,735	5,185
Business insurance	722	15	24,639	8,337	259	-	8,596	33,235	30,458
Printing, postage, and delivery	951	-	21,264	279	31	716	1,026	22,290	11,809
Program direction	1,225	70	64,974	-	-	-	-	64,974	186,787
TOTAL	\$ 158,374	\$ 3,369	\$ 5,862,867	\$ 952,261	\$ 56,905	\$ 8,408	\$ 1,017,574	\$ 6,880,441	\$ 6,228,606

See accompanying notes to financial statements.

ENVIRONMENTAL INTEGRITY PROJECT

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (480,390)	\$ (29,415)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	48,397	40,891
Loss on disposal of fixed asset	93	-
Amortization of right-of-use assets, operating lease	322,685	311,562
(Increase) decrease in:		
Grants and contributions receivable	(719,649)	351,961
Prepaid expenses	173,364	(141,968)
Increase (decrease) in:		
Accounts payable and accrued expenses	21,012	97,843
Accrued salaries and related benefits	8,097	43,758
Operating lease obligation	(374,052)	(352,446)
Finance lease obligation	<u>(4,393)</u>	<u>(2,505)</u>
Net cash (used) provided by operating activities	<u>(1,004,836)</u>	<u>319,681</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(40,722)	(39,424)
Purchase of certificates of deposit	-	(1,500,000)
Redemption of certificates of deposit	<u>1,500,000</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>1,459,278</u>	<u>(1,539,424)</u>
Net increase (decrease) in cash and cash equivalents	454,442	(1,219,743)
Cash and cash equivalents at beginning of year	<u>2,300,470</u>	<u>3,520,213</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,754,912</u>	<u>\$ 2,300,470</u>
SUPPLEMENTAL INFORMATION:		
Right-of-Use Assets, Operating Lease	<u>\$ -</u>	<u>\$ 937,538</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ -</u>	<u>\$ 1,056,035</u>
Right-of-Use Asset, Finance Lease	<u>\$ -</u>	<u>\$ 13,337</u>
Finance Lease Liability for Right-of-Use Asset	<u>\$ -</u>	<u>\$ 13,337</u>

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

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.

Program Services -

Oil and gas - EIP advocates for the cleanup of petrochemical plants, improved monitoring of plants and hydraulic fracturing sites, and the creation and implementation of regulations to protect nearby communities affected by these operations. EIP takes part in rulemaking, permitting, and enforcement actions to ensure reduction of harmful pollutants and greenhouse gas emissions. EIP also provides the public with timely information about major sources of pollution that contribute to climate change or threaten air and water quality through Oil & Gas Watch News and high quality reports and newsletters. Through its dynamic online platform, Oil & Gas Watch, EIP has established and continues to expand a national inventory of petrochemical projects, which alerts communities to new permit applications and helps identify projects that disproportionately affect already overburdened communities.

Center for Applied Environmental Science (CAES): CAES seeks to advance environmental justice by ensuring that communities and environmental advocates have access to high-quality science and engineering expertise. By providing this access, which is a critical element in permitting and siting decisions, legal challenges, and rulemaking efforts, we support disproportionately impacted communities as they seek more power to influence environmental decisions that affect their health and quality of life.

Chesapeake Bay Enforcement - This program is dedicated to reducing water pollution from municipalities and industrial wastewater sources to ensure that these discharges meet the goals of the Chesapeake Bay TMDL and state and federal laws designed to protect water quality.

Landfill Methane - EIP works to improve state and federal regulatory standards that control methane emissions from landfills; reduce landfill emissions through permitting and enforcement actions; gather information and deepen relationships with communities through fence-line monitoring near landfills; and curb incinerator pollution using regulatory advocacy, research, and permitting strategies.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

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

Program Services (continued) -

Clean Water Act - This program identifies threats to public health or natural resources that arise from EPA or states' failure to enforce the Clean Water and Safe Drinking Water Acts. EIP evaluates federal and state responses, communicates findings, and makes policy recommendations.

Coal - EIP works to reduce pollution from coal-fired power plants through regulation, permit review, and community enforcement. EIP aims to expedite retirement of the dirtiest and least efficient plants. The program evaluates and publishes analyses of emissions of hazardous pollutants and greenhouse gases, wastewater discharges, and groundwater contamination related to the operation of coal plants and legacy facilities; takes part in rulemakings, permit proceedings, and enforcement to ensure that new or modified coal plants meet the requirements of the Clean Air and Clean Water Acts; works with federal and state agencies to improve monitoring and cleanup of coal plants; tracks and publishes information about contamination from coal ash ponds and landfills across the US.

Aluminum - EIP applies a mix of multi-disciplinary tools as part of its work to clean up climate, air, and water emissions from the aluminum industry. These include enforcement actions and advocacy and legal action to create more protective environmental and pollution control standards.

Maryland Healthy Communities Initiative - The program uses research, public advocacy, grassroots organizing, media outreach, and legal action to reduce pollution that threatens the health of Maryland residents. Project goals including holding government agencies accountable for failure to implement environmental laws or meet deadlines; helping communities engage in decision-making and take action to challenge sources of pollution; and building support for environmental laws and their enforcement.

EPA Watch - Through application of multi-disciplinary tools that include research, reporting, media outreach, advocacy, and litigation, EIP promotes and defends the U.S. Environmental Protection Agency mission to protect public health and our natural resources and its responsibilities to respect all legal requirements, rely on scientific and other factual evidence, and act through a transparent process that gives all people a fair chance to be heard.

Bioenergy - The program conducts and publishes research related to the environmental harms from the bioenergy sector and engages in advocacy to require regulation and appropriate permitting of biofuels facilities.

Steel - EIP applies multidisciplinary tools, including advocacy for more stringent regulatory standards, enforcement actions, monitoring, and participation in permitting processes, to reduce climate, air, and water emissions from steel plants.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

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

Basis of presentation (continued) -

Descriptions of the two net asset categories are as follow:

- **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". Net assets set aside 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** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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, 2022, from which the summarized information was derived.

Cash and cash equivalents -

EIP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, EIP maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Grants and contributions receivable -

Grants and contributions receivable include unconditional promises to give that are expected to be collected in future years. Grants and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2023 totaled \$48,397.

Income taxes -

EIP is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). 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, 2023

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

Revenue from contracts with customers -

EIP's Recoverable expenses income is the most significant revenue stream that is treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. EIP has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on cost. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. EIP's contracts with customers generally have initial terms of one year or less.

Recoverable expenses income 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 expenses income 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.

Support from grants and contributions -

The majority of EIP's revenue is received through grants and contributions. Grants and contributions are recognized in the appropriate category of net assets in the period received. EIP performs an analysis of the individual grant and contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from grants and contributions 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, including grants qualifying as contributions, that are unconditional but 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. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, EIP had no refundable advances as of December 31, 2023.

In addition, EIP may obtain funding source agreements related to conditional contributions, which will be received in future years. However, EIP had no conditional contributions to be received in future years as of December 31, 2023.

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.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

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

Functional allocation of expenses -

The costs of providing EIP's programs and supporting services 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 directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, were allocated based on estimated time and effort.

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications included are primarily due to reclass accrued expenses that were previously presented with accrued salaries and related benefits. The reclassifications had no effect on the previously reported change in net assets.

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, 2023, there was no outstanding balance on the line of credit.

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2023:

Subject to expenditure for specified purpose:	
Coal/Other Projects	\$ 203,254
Aluminum	377,087
Maryland Healthy Communities Initiative	248,012
Oil and Gas	726,658
Center for Applied Environmental Science	444,723
Bioenergy	59,082
Landfill Methane	<u>742,387</u>

TOTAL NET ASSETS WITH DONOR RESTRICTIONS **\$ 2,801,203**

ENVIRONMENTAL INTEGRITY PROJECT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Clean Water Act	\$ 50,000
Coal/Other Projects	424,241
EPA Watch	50,000
Maryland Healthy Communities Initiative	118,480
Oil and Gas	1,737,446
Aluminum	407,115
Steel	121,450
Bioenergy	96,042
Chesapeake Bay Enforcement	226,860
Landfill Methane	368,382
Center for Applied Environmental Science	<u>784,901</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 4,384,917</u>

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following as of December 31, 2023:

Cash and cash equivalents	\$ 2,754,912
Grants and contributions receivable	1,376,553
Less: Donor restricted funds	<u>(2,801,203)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,330,262</u>

EIP is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, EIP must maintain sufficient resources to meet those responsibilities to its donors.

As part of EIP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, EIP also could draw upon \$100,000 of available lines of credit (as further discussed in Note 2).

5. LEASE COMMITMENTS

EIP follows FASB ASC 842 for leases. EIP has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. EIP has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

ENVIRONMENTAL INTEGRITY PROJECT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

5. LEASE COMMITMENTS (Continued)

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 June 1, 2014. 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 entered into an agreement for office space in Texas, effective for the term October 1, 2021 through March 31, 2027.

For the year ended December 31, 2023, total lease cost was \$ 337,731 and total cash paid was \$389,098 for the operating leases. As of December 31, 2023, the weighted-average remaining lease term and rate for operating leases is 1 year and 3%, respectively.

Finance Leases:

On June 1, 2022, EIP signed a lease to finance a photocopier over a three-year period. For the year ended December 31, 2023, total amortization on the right-of-use asset was \$4,446 and total interest expense was \$240 for the finance lease.

The following is a schedule of the future minimum lease payments due under the operating and finance leases, net of imputed interest, as of December 31, 2023:

<u>Year Ending December 31,</u>	<u>D.C. Office</u>	<u>Texas Office</u>	<u>Copier</u>
2024	\$ 137,485	\$ 62,160	\$ 4,632
2025	-	62,160	1,930
2026	-	62,160	-
2027	-	15,540	-
Subtotal	137,485	202,020	6,562
Less: Imputed interest	(684)	(9,284)	(123)
Less: Current portion	(136,801)	(57,317)	(4,519)
LONG-TERM PORTION	\$ -	\$ 135,419	\$ 1,920

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, 2023 totaled \$161,513.

7. SUBSEQUENT EVENTS

In preparing these financial statements, EIP has evaluated events and transactions for potential recognition or disclosure through November 13, 2024, the date the financial statements were issued. On May 29, 2024, EIP entered into a new lease agreement for office space located in Washington, D.C. The lease has a term of 40 months and commenced on June 1, 2024.