



## **Financial Statements**

*For the Year Ended December 31, 2010*



**and  
Report Thereon**





**RAFFA**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
the Environmental Integrity Project

CONSULTING

ACCOUNTING

TECHNOLOGY

*Certified Public  
Accountants*

We have audited the accompanying statement of financial position of the Environmental Integrity Project (EIP) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of EIP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Environmental Integrity Project as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**RAFFA, P.C.**

Washington, DC  
July 7, 2011

**ENVIRONMENTAL INTEGRITY PROJECT**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2010

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ASSETS

Cash	\$ 895,218
Grants and contributions receivable	409,300
Prepaid expenses	4,624
Deposit	10,250
Property and equipment, net	<u>13,407</u>

TOTAL ASSETS \$ 1,332,799

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	<u>\$ 120,120</u>
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Total Liabilities 120,120

Net Assets

Unrestricted	(351,010)
Temporarily restricted	<u>1,563,689</u>

Total Net Assets 1,212,679

TOTAL LIABILITIES AND NET ASSETS \$ 1,332,799

The accompanying notes are an integral part of these financial statements.

# ENVIRONMENTAL INTEGRITY PROJECT

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 105,575	\$ 2,419,954	\$ 2,525,529
Recoverable revenue	17,413	-	17,413
Rental income	9,000	-	9,000
Other income	9,055	-	9,055
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>2,169,634</u>	<u>(2,169,634)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,310,677</u>	<u>250,320</u>	<u>2,560,997</u>
EXPENSES			
Program services	2,148,714	-	2,148,714
Supporting services:			
Management and general	160,964	-	160,964
Fundraising	<u>31,884</u>	<u>-</u>	<u>31,884</u>
<b>Total Supporting Services</b>	<u>192,848</u>	<u>-</u>	<u>192,848</u>
<b>TOTAL EXPENSES</b>	<u>2,341,562</u>	<u>-</u>	<u>2,341,562</u>
CHANGE IN NET ASSETS	(30,885)	250,320	219,435
NET ASSETS, BEGINNING OF YEAR	<u>(320,125)</u>	<u>1,313,369</u>	<u>993,244</u>
NET ASSETS, END OF YEAR	<u>\$ (351,010)</u>	<u>\$ 1,563,689</u>	<u>\$ 1,212,679</u>

The accompanying notes are an integral part of these financial statements.

**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2010

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Salaries and benefits	\$ 1,186,429	\$ 179,566	\$ 27,251	\$ 1,393,246
Consulting fees	426,545	29,154	-	455,699
Professional fees	155,689	31,506	-	187,195
Occupancy	-	136,557	-	136,557
Travel	48,526	12,080	-	60,606
Communications	60	33,534	-	33,594
Dues and subscriptions	995	18,980	-	19,975
Printing and copies	17,025	1,887	-	18,912
Office supplies	1,994	6,732	-	8,726
Equipment leases	-	7,260	-	7,260
Subgrant	7,000	-	-	7,000
Postage, mailing and delivery	3,790	1,025	-	4,815
Miscellaneous	2,465	2,091	-	4,556
Depreciation	-	3,421	-	3,421
Management and general expense allocation	298,196	(302,829)	4,633	-
<b>TOTAL EXPENSES</b>	<b>\$ 2,148,714</b>	<b>\$ 160,964</b>	<b>\$ 31,884</b>	<b>\$ 2,341,562</b>

The accompanying notes are an integral part of these financial statements.

## ENVIRONMENTAL INTEGRITY PROJECT

### STATEMENT OF CASH FLOWS For the Year Ended December 31, 2010 Increase (Decrease) in Cash

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 219,435
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,421
Changes in assets and liabilities:	
Grants and contributions receivable	(65,064)
Other receivable	1,395
Prepaid expenses	8,798
Deposit	(10,250)
Accounts payable and accrued expenses	3,605
	<u>161,340</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(8,884)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(8,884)</u>
NET INCREASE IN CASH	152,456
CASH, BEGINNING OF YEAR	<u>742,762</u>
CASH, END OF YEAR	<u><u>\$ 895,218</u></u>

The accompanying notes are an integral part of these financial statements.

# ENVIRONMENTAL INTEGRITY PROJECT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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### 1. Nature of Organization

#### **Organization**

The Environmental Integrity Project (EIP) is a nonpartisan, nonprofit 501(c)(3) organization incorporated in November 2003 in Washington, DC. The organization was founded by Eric Schaeffer, with support from the Rockefeller Family Fund and other foundations. EIP has three objectives:

- To provide an objective analysis of how the failure to enforce or implement environmental laws increases 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 laws; and
- To help local communities in key states obtain the protection of environmental laws.

EIP's work, which is frequently based on an extensive review of government records, has been cited in Congressional hearings and debates, in reports by the U.S. Government Accountability Office, and in frequent news articles. EIP periodically evaluates the effectiveness of federal and state environmental programs, offering recommendations for improvement while recognizing outstanding performance.

EIP also works closely with grassroots organizations in Iowa, Pennsylvania, Texas, and other states to assist communities that are trying to get neighboring polluters to reduce their emissions and comply with environmental laws.

### 2. Summary of Significant Accounting Policies

#### **Cash**

Cash includes cash in bank and short-term deposits.

#### **Property and Equipment and Related Depreciation**

Property and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives of three to five years, with no salvage value. EIP capitalizes all expenditures for property and equipment more than \$1,000. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation and any gain or loss is reflected in income or expense in the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

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# ENVIRONMENTAL INTEGRITY PROJECT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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### 2. Summary of Significant Accounting Policies (continued)

#### **Net Assets**

The net assets of EIP are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of EIP and changes therein are classified and reported as follows:

- Unrestricted net assets represent funds that are available for support of EIP's operations.
- Temporarily restricted net assets represent funds that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

#### **Revenue Recognition**

Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. Conditional promises to give are not included as support until such time as the conditions are substantially met. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

In-kind contributions are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt. In-kind contributions consist of contributed services and are included in grants and contributions in the accompanying statement of activities.

Recoverable revenue is recognized in the year in which the final outcomes of legal claims or reimbursements are certain and realized.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated proportionately among the programs and supporting services to which they relate on the basis of estimated labor costs spent on projects.

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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2. Summary of Significant Accounting Policies (continued)

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Grants and Contributions Receivable

As of December 31, 2010, grants and contributions receivable of \$409,300 were anticipated to be received within one year and are considered fully collectible.

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2010:

Furniture and fixtures	\$ 14,628
Computer equipment	39,013
Office equipment	<u>20,755</u>
Total Property and Equipment	74,396
Less: Accumulated Depreciation	<u>(60,989)</u>
Property and Equipment, Net	<u>\$ 13,407</u>

Depreciation expense was \$3,421 for the year ended December 31, 2010.

5. Commitments

**Operating Leases**

EIP leased office space in Washington, DC, on a month-to-month basis until September 2010. On August 13, 2010, EIP entered into a noncancelable lease agreement for new office space in Washington, DC, that commenced on October 1, 2010, and expires on December 30, 2013. The lease provides for a one-half month free rent and for fixed adjustments to the future minimum rental payments. The lease also requires a security deposit in the amount of \$10,250, which will be returned, without interest, within 30 days after expiration of the lease term.

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**ENVIRONMENTAL INTEGRITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2010**

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5. Commitments (continued)

**Operating Leases (continued)**

The Texas location is under a lease agreement that expires on August 31, 2011. EIP also subleases a portion of its office space in Texas. Revenue from the sublease totaled \$9,000 for the year ended December 31, 2010, and is included in the accompanying statement of activities.

Under U.S. generally accepted accounting principles (GAAP), all rental payments, including fixed rent increases, less any rental abatements, are recognized on a straight-line basis over the term of the lease.

As of December 31, 2010, future minimum lease payments under the operating leases are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2011	\$ 145,406
2012	128,659
2013	<u>134,367</u>
Total	<u>\$ 408,432</u>

Total rent expense was \$128,615 and is included in occupancy expense in the accompanying statement of functional expenses.

# ENVIRONMENTAL INTEGRITY PROJECT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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### 6. Functional Costs

The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Program services, management and general, and fundraising expenses were as follows for the year ended December 31, 2010:

Program services:	
ACES Report	\$ 14,196
CAFO	61,873
CAFO – Dev	73,173
CCW	690,927
Coal – NM	151,336
CCW – PA	23,288
CCW – Hearings	4,893
CCW – Report Out of Control II	80,602
CCW – Rule of Comment	99,348
Coal – MD	9,584
Coal – TX	379,408
Data Mapping	219
MD Clean Air	186,664
Media	3,848
Media – Outreach	5,360
PA Watershed	14,000
Refineries	181,741
Refineries – TX	138,810
TVA	29,129
Waste Coal	<u>315</u>
Total Program Services	<u>2,148,714</u>
Supporting services:	
Management and general	160,964
Fundraising	<u>31,884</u>
Total Supporting Services	<u>192,848</u>
Total Expenses	<u>\$ 2,341,562</u>

Continued

# ENVIRONMENTAL INTEGRITY PROJECT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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7. Restrictions on Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and through the passage of time. For the year ended December 31, 2010, net assets released from restrictions were as follows:

Satisfaction of program restrictions:	
ACES Report	\$ 20,285
CAFO	137,013
CCW	712,139
CCW – PA	25,001
CCW – Hearings	5,000
CCW – Report Out of Control II	73,000
CCW – Rule of Comment	67,288
Coal – MD	9,696
Coal – TX	380,218
Coal – NM	158,057
Data Mapping	219
MD Clean Air	195,413
Media	9,010
PA Watershed	15,000
Refineries	183,463
Refineries – TX	149,991
TVA	<u>28,841</u>
Total Release from Program Restrictions	<u>\$ 2,169,634</u>

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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#### 8. Temporarily Restricted Net Assets

At December 31, 2010, temporarily restricted net assets are composed of the following:

CAFO – Dev	\$ 101,817
CCW	156,909
Coal – TX	259,796
Refineries	41,537
Refineries – TX	419,340
MD Clean Air	122,778
TVA	71,310
ACES Report	17,118
BEJC	125,000
Data Mapping	27,780
Coal – MD/PA	140,304
DTCC Report	45,000
CWA	<u>35,000</u>
Total	<u>\$ 1,563,689</u>

#### 9. Concentration of Credit Risks

EIP maintains its cash with a certain commercial financial institution, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2010, EIP had approximately \$955,000 composed of demand deposits that exceeded the maximum limit insured by FDIC by approximately \$705,000. EIP monitors the creditworthiness of the institution and has not experienced any credit losses on its cash.

#### 10. Pension Plan

EIP offers participation in a 401(k) plan, whereby employees may make contributions on a pre-tax and post-tax basis, subject to a maximum limit. Employees are eligible for this benefit after six months of employment. Regardless of whether an employee chooses to make salary contributions to the 401(k) plan, EIP provides for an automatic employer contribution of 3% of the employee's salary. Additionally, EIP will contribute matching funds up to 3%. Contributions may be subject to certain limitations determined by the Internal Revenue Service. Total pension expense was \$55,548 for the year ended December 31, 2010, and is included in salaries and benefits expense in the accompanying statement of functional expenses.

Continued

# ENVIRONMENTAL INTEGRITY PROJECT

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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### 11. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, EIP is exempt from federal taxes on income other than net unrelated business income. For the year ended December 31, 2010, no provision for income taxes was required, as EIP had no net unrelated business income.

EIP follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. EIP performed an evaluation of uncertain tax positions for the year ended December 31, 2010, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2010, the statute of limitations for tax years 2007 through 2009 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which EIP files tax returns. It is EIP's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

### 12. Liquidity

During the year ended December 31, 2010, EIP's statement of activities resulted in a reduction of unrestricted net assets of \$30,885, which resulted in a higher deficit balance in unrestricted net assets. The reduction in unrestricted net assets resulted from inadequate unrestricted funds raised during the year. EIP has an unrestricted net assets deficit of \$351,010 as of December 31, 2010.

Management anticipates that operating results will improve because EIP has begun building operating support into grant proposals in an effort to secure both unrestricted and restricted funding from foundations. Efforts to secure unrestricted funding from private donors will also continue. In addition, EIP has evaluated and revisited its overhead cost rate in an effort to reflect allocations of overhead to restricted grants more accurately.

### 13. Subsequent Events

In preparing these financial statements, EIP has evaluated events and transactions for potential recognition or disclosure through July 7, 2011, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.