

## **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2015  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2014**

# ENVIRONMENTAL INTEGRITY PROJECT

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Environmental Integrity Project (EIP), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EIP as of December 31, 2015, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### **Report on Summarized Comparative Information**

We have previously audited EIP's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

September 14, 2016

**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2015**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 153,386	\$ 418,734
Grants and contributions receivable	822,764	754,916
Other receivables	9,697	3,089
Prepaid expenses	<u>52,071</u>	<u>65,789</u>
Total current assets	<u>1,037,918</u>	<u>1,242,528</u>
<b>FIXED ASSETS</b>		
Machinery and equipment	37,757	39,797
Furniture and fixtures	64,829	63,802
Computer equipment	59,814	59,064
Leasehold improvements	<u>424,060</u>	<u>424,060</u>
	586,460	586,723
Less: Accumulated depreciation and amortization	<u>(201,362)</u>	<u>(145,268)</u>
Net fixed assets	<u>385,098</u>	<u>441,455</u>
<b>OTHER ASSETS</b>		
Deposits	66,288	67,906
Grants receivable, net of current portion	<u>-</u>	<u>83,000</u>
Total other assets	<u>66,288</u>	<u>150,906</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,489,304</u></b>	<b><u>\$ 1,834,889</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 41,455	\$ 72,737
Accrued salaries and related benefits	101,303	104,890
Current portion of deferred leasehold incentive obligation	<u>40,184</u>	<u>40,184</u>
Total current liabilities	<u>182,942</u>	<u>217,811</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred leasehold incentive obligation	298,033	338,217
Deferred rent abatement	<u>208,851</u>	<u>199,706</u>
Total long-term liabilities	<u>506,884</u>	<u>537,923</u>
Total liabilities	<u>689,826</u>	<u>755,734</u>
<b>NET ASSETS</b>		
Unrestricted	4,565	14,789
Temporarily restricted	<u>794,913</u>	<u>1,064,366</u>
Total net assets	<u>799,478</u>	<u>1,079,155</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,489,304</u></b>	<b><u>\$ 1,834,889</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, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 65,571	\$ 19,453	\$ 85,024	\$ 83,982
Foundation grants	1,000	2,125,000	2,126,000	2,380,500
Interest and dividend income	92	-	92	264
Rental income	36,360	-	36,360	26,334
Recoverable expenses income	297,742	-	297,742	63,500
Net assets released from donor restrictions	<u>2,413,906</u>	<u>(2,413,906)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,814,671</u>	<u>(269,453)</u>	<u>2,545,218</u>	<u>2,554,580</u>
<b>EXPENSES</b>				
Program Services:				
Concentrated Animal Feeding Operations	130,263	-	130,263	223,934
Chesapeake Bay Initiative	351,975	-	351,975	248,341
Coal	973,235	-	973,235	1,351,042
Maryland Healthy Communities Initiative	342,231	-	342,231	313,302
Oil and Gas	<u>756,804</u>	<u>-</u>	<u>756,804</u>	<u>706,954</u>
Total program services	<u>2,554,508</u>	<u>-</u>	<u>2,554,508</u>	<u>2,843,573</u>
Supporting Services:				
Management and General	174,502	-	174,502	164,888
Fundraising	<u>95,885</u>	<u>-</u>	<u>95,885</u>	<u>104,489</u>
Total supporting services	<u>270,387</u>	<u>-</u>	<u>270,387</u>	<u>269,377</u>
Total expenses	<u>2,824,895</u>	<u>-</u>	<u>2,824,895</u>	<u>3,112,950</u>
Change in net assets	(10,224)	(269,453)	(279,677)	(558,370)
Net assets at beginning of year	<u>14,789</u>	<u>1,064,366</u>	<u>1,079,155</u>	<u>1,637,525</u>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u>4,565</u></b>	<b>\$ <u>794,913</u></b>	<b>\$ <u>799,478</u></b>	<b>\$ <u>1,079,155</u></b>

**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<b>2015</b>			
	<b>Program Services</b>			
	<b>Concentrated Animal Feeding Operations</b>	<b>Chesapeake Bay Initiative</b>	<b>Coal</b>	<b>Maryland Healthy Communities Initiative</b>
Payroll	\$ 85,319	\$ 252,563	\$ 661,576	\$ 219,342
Professional and legal fees	2,442	4,331	51,878	600
Public relations	1,439	489	2,070	1,245
Subgrant	-	-	-	21,000
Meeting and transportation	-	2,857	13,062	5,321
Printing, postage and delivery	134	927	1,705	1,280
Reference material	10,015	2,772	9,662	2,760
Court filing fees	300	16	2,066	130
Testing and project supplies	-	20	275	13,440
Dues and subscriptions	1,032	991	4,724	457
Rent expense	9,702	30,271	78,799	21,643
Information technology	-	100	367	-
Business insurance	-	-	-	-
Other administrative costs	-	447	784	91
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Subtotal	110,383	295,784	826,968	287,309
Overhead allocation	19,880	56,191	146,267	54,922
<b>TOTAL</b>	<b><u>\$ 130,263</u></b>	<b><u>\$ 351,975</u></b>	<b><u>\$ 973,235</u></b>	<b><u>\$ 342,231</u></b>

2014

<b>Supporting Services</b>						
<b>Oil and Gas</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>
\$ 507,406	\$1,726,206	\$ 343,552	\$ 82,409	\$ 425,961	\$2,152,167	\$ 2,295,054
33,259	92,510	24,723	-	24,723	117,233	127,687
3,415	8,658	6	-	6	8,664	84,890
7,500	28,500	-	-	-	28,500	36,000
8,960	30,200	13,719	2,055	15,774	45,974	71,668
2,321	6,367	4,344	327	4,671	11,038	39,520
5,380	30,589	209	-	209	30,798	48,077
1,526	4,038	-	-	-	4,038	4,423
8,799	22,534	-	-	-	22,534	17,168
2,888	10,092	2,430	822	3,252	13,344	16,214
60,986	201,401	57,267	9,992	67,259	268,660	257,179
20	487	28,977	16	28,993	29,480	26,681
-	-	12,851	-	12,851	12,851	11,016
16	1,338	19,877	264	20,141	21,479	20,013
-	-	17,950	-	17,950	17,950	17,583
-	-	40,185	-	40,185	40,185	39,777
642,476	2,162,920	566,090	95,885	661,975	2,824,895	3,112,950
114,328	391,588	(391,588)	-	(391,588)	-	-
<b><u>\$ 756,804</u></b>	<b><u>\$2,554,508</u></b>	<b><u>\$ 174,502</u></b>	<b><u>\$ 95,885</u></b>	<b><u>\$ 270,387</u></b>	<b><u>\$2,824,895</u></b>	<b><u>\$3,112,950</u></b>



**ENVIRONMENTAL INTEGRITY PROJECT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (279,677)	\$ (558,370)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	58,135	57,360
(Increase) decrease in:		
Grants and contributions receivable	15,152	90,480
Other receivables	(6,608)	998
Prepaid expenses	13,718	(27,166)
Deposits	1,618	8,400
Increase (decrease) in:		
Accounts payable and accrued expenses	(31,282)	30,297
Accrued salaries and related benefits	(3,587)	13,043
Deferred leasehold incentive obligation	(40,184)	(39,307)
Deferred rent liability	<u>9,145</u>	<u>153,567</u>
Net cash used by operating activities	<u>(263,570)</u>	<u>(270,698)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(1,778)</u>	<u>(8,377)</u>
Net cash used by investing activities	<u>(1,778)</u>	<u>(8,377)</u>
Net decrease in cash and cash equivalents	(265,348)	(279,075)
Cash and cash equivalents at beginning of year	<u>418,734</u>	<u>697,809</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 153,386</u></b>	<b><u>\$ 418,734</u></b>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS</b>		
Addition to Leasehold Improvements Acquired from Leasehold Incentive	<u>\$ -</u>	<u>\$ 50,060</u>

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

The Environmental Integrity Project (EIP) is a nonpartisan, non-profit organization, incorporated in November 2003 in Washington D.C. EIP was founded by Eric Schaeffer, with support from the Rockefeller Family Fund and other Foundations. EIP has the following three objectives:

- To provide an objective analysis of how the failure to enforce or implement environmental laws increase pollution and affects the public's health;
- To hold federal and state agencies, as well as individual corporations, accountable for failing to enforce or comply with environmental law; and
- To help local communities in key states obtain the protection of environmental laws.

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

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

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

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, 2014, 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 that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. 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.

## ENVIRONMENTAL INTEGRITY PROJECT

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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

##### Grants and contributions receivable (continued) -

Other accounts receivable are recorded at their net realizable value, which approximates fair value. All grants, contributions and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

##### Fixed assets -

Fixed assets in excess of \$500 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, 2015 totaled \$58,135.

##### 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, 2015, 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.

##### Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of EIP and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of EIP and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

##### Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying financial statements.

**ENVIRONMENTAL INTEGRITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

Contributions and grants (continued) -

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.

**2. GRANTS RECEIVABLE**

As of December 31, 2015, contributors to EIP have made written promises to give totaling \$822,764.

Grants are due as follows at December 31, 2015:

<b>Less Than One Year</b>	<b>\$ <u>822,764</u></b>
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**3. LINE OF CREDIT**

EIP has a \$100,000, revolving bank line of credit. Amounts borrowed under this agreement bear interest at the bank's prime rate plus 6.75%. As of December 31, 2015, there was no outstanding balance on the line of credit.

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2015:

Concentrated Animal Feeding Operations	\$ 36,355
Chesapeake Bay Initiative	162,385
Coal	88,588
Maryland Healthy Communities Initiative	163,191
Oil and Gas	<u>344,394</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ <u>794,913</u></b>

**ENVIRONMENTAL INTEGRITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**4. TEMPORARILY RESTRICTED NET ASSETS (Continued)**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Concentrated Animal Feeding Operations	\$ 84,942
Chesapeake Bay Initiative	351,975
Coal	916,378
Maryland Healthy Communities Initiative	342,231
Oil and Gas	<u>718,380</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 2,413,906</u></b>

**5. LEASE COMMITMENTS**

On March 14, 2013, EIP entered into a 10-year lease with Vermont Avenue SPE LLC, in Washington, D.C., which began on November 1, 2013. The lease provides for 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. In 2013, \$374,000 of the allowance was used, and the remaining \$50,060 was used during 2014. 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.

EIP also had a lease agreement for office space in Texas, effective May 1, 2014, which expired on April 30, 2015. A new space was leased for the term May 1, 2015 through August 31, 2017.

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

<u>Year Ending December 31,</u>	
2016	\$ 298,749
2017	296,904
2018	286,169
2019	296,428
2020	305,827
Thereafter	<u>1,096,874</u>
	<b><u>\$ 2,580,951</u></b>

Rent expense including operating expenses for the year ended December 31, 2015 was \$268,660, which is included under rent expense in the accompanying Statement of Functional Expenses. As of December 31, 2015, the deferred rent liability was \$208,851 and the deferred leasehold incentive obligation was \$338,217.

EIP subleases a portion of its office space in Washington, D.C. to two unrelated third parties. The first expired January 14, 2016 and was extended to March 31, 2017. The second was effective March 2015 and is scheduled to expire September 14, 2016.

**ENVIRONMENTAL INTEGRITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**5. LEASE COMMITMENTS (Continued)**

The following is a schedule of the future minimum rental income:

**Year Ending December 31,**

2016	\$	38,474
2017		<u>6,636</u>
	\$	<u><b>45,110</b></u>

Rental income for the year ended December 31, 2015 was \$36,360.

**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, regardless of the individual's participation in the plan and also provides a match of up to 3% of each eligible participant's contribution to the plan. Contributions to the plan during the year ended December 31, 2015 totaled \$92,515.

**7. SUBSEQUENT EVENTS**

In preparing these financial statements, EIP has evaluated events and transactions for potential recognition or disclosure through September 14, 2016, the date the financial statements were issued.