

**ENVIRONMENTAL AND ENERGY  
STUDY INSTITUTE**

**AUDITED FINANCIAL STATEMENTS**

**December 31, 2009 and 2008**

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**AUDITED FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

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Drolet + Associates PLLC

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Environmental and Energy Study Institute  
Washington, DC

Independent Auditor's Report

We have audited the accompanying statements of financial position of the Environmental and Energy Study Institute (the Institute) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 and Energy Study Institute as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Drolet + Associates, PLLC*

Washington, DC  
May 3, 2010

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2009 and 2008**

|   | 2009                | 2008         |
|---|---------------------|--------------|
| <b>ASSETS</b>                           |                     |              |
| <b>CURRENT ASSETS</b>                   |                     |              |
| Cash                                    | \$ 254,798          | \$ 105,469   |
| Interest receivable                     | 15,516              | 15,516       |
| Grants and contributions receivable     | 80,700              | 118,493      |
| Prepaid expenses                        | 14,249              | 12,996       |
| <b>TOTAL CURRENT ASSETS</b>             | <b>365,263</b>      | 252,474      |
| <b>INVESTMENTS</b>                      | <b>2,576,244</b>    | 2,381,975    |
| <b>PROPERTY AND EQUIPMENT, net</b>      | <b>121,761</b>      | 142,125      |
| <b>DEPOSITS</b>                         | <b>9,890</b>        | 9,890        |
| <b>TOTAL ASSETS</b>                     | <b>\$ 3,073,158</b> | \$ 2,786,464 |
| <b>LIABILITIES AND NET ASSETS</b>       |                     |              |
| <b>CURRENT LIABILITIES</b>              |                     |              |
| Accounts payable and accrued expenses   | \$ 19,744           | \$ 19,206    |
| Accrued vacation                        | 57,587              | 57,587       |
| <b>TOTAL CURRENT LIABILITIES</b>        | <b>77,331</b>       | 76,793       |
| <b>DEFERRED RENT</b>                    | <b>125,821</b>      | 124,197      |
| <b>TOTAL LIABILITIES</b>                | <b>203,152</b>      | 200,990      |
| <b>NET ASSETS</b>                       |                     |              |
| Unrestricted                            | 2,550,879           | 2,298,874    |
| Temporarily restricted                  | 319,127             | 286,600      |
| <b>TOTAL NET ASSETS</b>                 | <b>2,870,006</b>    | 2,585,474    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 3,073,158</b> | \$ 2,786,464 |

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

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2009**

|                                       | Unrestricted        | Temporarily<br>Restricted | Total               |
|---------------------------------------|---------------------|---------------------------|---------------------|
| <b>REVENUE</b>                        |                     |                           |                     |
| Grants and contributions              | \$ 610,991          | \$ 267,044                | \$ 878,035          |
| Earth share                           | 105,478             |                           | 105,478             |
| Investment income                     | 286,893             |                           | 286,893             |
| Miscellaneous income                  | 1,360               |                           | 1,360               |
| Net assets released from restrictions | 234,517             | (234,517)                 | -0-                 |
| <b>TOTAL REVENUE</b>                  | <b>1,239,239</b>    | <b>32,527</b>             | <b>1,271,766</b>    |
| <b>EXPENSES</b>                       |                     |                           |                     |
| Programs                              |                     |                           |                     |
| Transportation/Smart Growth           | 202,418             |                           | 202,418             |
| Energy and Climate Change             | 658,763             |                           | 658,763             |
| <b>Total Programs</b>                 | <b>861,181</b>      |                           | <b>861,181</b>      |
| General and administrative            | 66,570              |                           | 66,570              |
| Development                           | 59,483              |                           | 59,483              |
| <b>TOTAL EXPENSES</b>                 | <b>987,234</b>      |                           | <b>987,234</b>      |
| <b>CHANGE IN NET ASSETS</b>           | <b>252,005</b>      | <b>32,527</b>             | <b>284,532</b>      |
| <b>NET ASSETS, BEGINNING OF YEAR</b>  | <b>2,298,874</b>    | <b>286,600</b>            | <b>2,585,474</b>    |
| <b>NET ASSETS, END OF YEAR</b>        | <b>\$ 2,550,879</b> | <b>\$ 319,127</b>         | <b>\$ 2,870,006</b> |

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

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2008**

|                                       | Unrestricted        | Temporarily<br>Restricted | Total               |
|---------------------------------------|---------------------|---------------------------|---------------------|
| <b>REVENUE</b>                        |                     |                           |                     |
| Grants and contributions              | \$ 458,589          | \$ 223,067                | \$ 681,656          |
| Earth share                           | 97,555              |                           | 97,555              |
| Investment income                     | (369,837)           |                           | (369,837)           |
| Net assets released from restrictions | 417,821             | (417,821)                 | -0-                 |
| <b>TOTAL REVENUE</b>                  | <b>604,128</b>      | <b>(194,754)</b>          | <b>409,374</b>      |
| <b>EXPENSES</b>                       |                     |                           |                     |
| Programs                              |                     |                           |                     |
| Transportation/Smart Growth           | 304,725             |                           | 304,725             |
| Energy and Climate Change             | 451,287             |                           | 451,287             |
| <b>Total Programs</b>                 | <b>756,012</b>      |                           | <b>756,012</b>      |
| General and administrative            | 132,292             |                           | 132,292             |
| Development                           | 76,521              |                           | 76,521              |
| <b>TOTAL EXPENSES</b>                 | <b>964,825</b>      |                           | <b>964,825</b>      |
| <b>CHANGE IN NET ASSETS</b>           | <b>(360,697)</b>    | <b>(194,754)</b>          | <b>(555,451)</b>    |
| <b>NET ASSETS, BEGINNING OF YEAR</b>  | <b>2,659,571</b>    | <b>481,354</b>            | <b>3,140,925</b>    |
| <b>NET ASSETS, END OF YEAR</b>        | <b>\$ 2,298,874</b> | <b>\$ 286,600</b>         | <b>\$ 2,585,474</b> |

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

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2009 and 2008**

|   | 2009              | 2008                |
|---|-------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                     |
| <b>CHANGE IN NET ASSETS</b>   | <b>\$ 284,532</b> | <b>\$ (555,451)</b> |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                     |
| Depreciation and amortization   | 20,364            | 18,171              |
| Loss from disposal of assets  | -0-               | 2,052               |
| (Gain) loss on investments  | (206,999)         | 472,552             |
| Decrease (increase) in:   |                   |                     |
| Interest receivable   | -0-               | (7,561)             |
| Grants and contributions receivable   | 37,793            | 112,774             |
| Prepaid expenses  | (1,253)           | 3,363               |
| Deposits  | -0-               | 6,159               |
| Increase in:  |                   |                     |
| Accounts payable and accrued expenses   | 538               | 5,084               |
| Deferred rent   | 1,624             | 5,512               |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>136,599</b>    | <b>62,655</b>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                     |
| Proceeds from sales of investments  | 1,794,882         | 1,077,589           |
| Purchases of investments  | (1,782,152)       | (1,355,027)         |
| Purchases of property and equipment   | -0-               | (34,268)            |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>                                  | <b>12,730</b>     | <b>(311,706)</b>    |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | <b>149,329</b>    | <b>(249,051)</b>    |
| <b>CASH, BEGINNING OF YEAR</b>  | <b>105,469</b>    | <b>354,520</b>      |
| <b>CASH, END OF YEAR</b>  | <b>\$ 254,798</b> | <b>\$ 105,469</b>   |

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

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** The Environmental and Energy Study Institute (the Institute) was formed in 1982 in the District of Columbia. The Institute is a nonpartisan public policy and information resource organization addressing issues concerning the environment, energy and natural resources.

The Institute is supported primarily by grants and contributions.

The following programs are included in the accompanying financial statements:

***Transportation/Smart Growth***

The goal of the Transportation and Smart Growth program is to advance more efficient, cleaner vehicles and fuels; advocate “energy smart” community design; and reduce travel demand as ways to protect our environment, reduce petroleum use, cut greenhouse gas emissions, enhance public health and make our communities more livable and accessible. To help achieve this goal, the Institute educates federal policymakers about the need and opportunities for advanced vehicle technologies (e.g., plug-in hybrid vehicles), high and low-carbon fuels, and emission controls (e.g., idling reduction) to serve as a fundamental part of national transportation policy. As an outgrowth of the Institute’s Clean Bus Project, the transportation project is working in partnership with the Salt Lake City Clean Cities Coalition to develop and disseminate a model training program for school bus drivers to limit or eliminate idling as a means to lower greenhouse gas emissions, improve public health, and cut oil consumption, thereby reducing the cost of operating school buses.

The Institute’s work to promote flexible-fuel plug-in hybrid vehicles (PHEVs) grew from its role as a lead partner in the National Plug-in Partners Campaign, an effort to demonstrate to automakers that there is a ready market sufficient to support the mass production of PHEVs. The Institute has built and continues to expand a diverse transportation network including transit agencies, technology and clean fuel providers, federal/state/local government officials, health care professionals, and environmental, energy policy and consumer organizations, which receives the Institute’s free electronic newsletter, Clean Motion (monthly). In addition, the Institute is working in coalition with other groups to promote climate change goals in transportation policy and to promote transportation as an element of climate change policy. The Institute: 1) conducts policy analysis, 2) documents "success stories" and case studies, 3) develops policy options, 4) educates policymakers about the interconnection between transportation, energy, land use, and public health, and 5) educates policymakers on science, technology and policy opportunities through Congressional briefings, publications and other venues.

The Institute has embarked on a three-year research and education project in partnership with the American Planning Association to integrate climate change, renewable energy and energy efficiency strategies as a part of community planning functions. The goal is to help communities address the serious challenges of climate change by 1) reducing the use of fossil fuels, which will also save taxpayer money and boost local economies; and 2) improve communities’ resilience and adaptation to

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Organization**  
**(Continued)**

climate change impacts. The smart growth movement is evolving to include greater attention on energy and other resource conservation issues. The Institute assists the development of "energy-smart" smart growth by facilitating greater collaboration between smart growth, clean energy and transportation professionals.

***Energy and Climate Change***

The Energy and Climate Change program seeks to advance energy efficiency and renewable energy (e.g., solar, wind, geothermal, biomass, water) technologies as a cornerstone of national energy policy and to shift the country away from its dependence upon fossil fuels (e.g., coal and oil). Climate change is an urgent challenge facing our world, and the burning of fossil fuels is the primary contributor to greenhouse gas emissions. Volatile energy prices and concern about national security and climate change are fueling changes in energy policy, and the Institute works to direct those changes toward a clean, sustainable, and renewable energy path.

The Institute plays a unique and important role through our 1) highly regarded Congressional briefings on science, technology and policy issues; 2) our broad-based coalition and network building; and 3) our development of innovative policy solutions that meet multiple societal objectives. The Institute produces several highly-regarded free electronic newsletters including Climate Change News (weekly) and BCO: Bioenergy, Climate Protection, Oil reduction (bi-monthly).

Renewable energy resources are abundant throughout the United States, and substantial energy efficiency gains can be made throughout every sector of the economy. Becoming much more efficient and using domestic, clean renewable energy resources prevents air, land and water pollution; cuts greenhouse gas emissions; creates jobs; builds businesses; keeps energy dollars in the US economy; protects public health; reduces oil imports; promotes sustainable development; and enhances national energy security. Bioenergy is a critical and exciting piece of the transition away from fossil fuel dependence. Biomass (organic matter, including crops and crop residues, wood, recycled oils/greases, and animal wastes) is a greatly undervalued energy asset, which can be used to produce biofuels, heat, biopower or biobased products. The Institute's Sustainable Biomass and Energy program works to integrate sustainable biomass-to-energy in agricultural, energy, forestry and climate change policy. The Institute's 2001 white paper, Revitalizing the Farm Economy through Renewable Energy Development, provided the underpinnings of the Energy Title of the 2002 Farm Bill. The Institute's white paper, The 2007 Farm Bill: Policy Recommendations for an Integrated Renewable Energy Production, played a similar role for the 2007 Farm Bill.

Buildings are responsible for 40 percent of greenhouse gas emissions, leading the Institute to develop a focus on high performance, green buildings. The Institute is promoting improved energy and high performance standards in manufactured housing, the aggressive use of energy efficiency and renewable energy technologies in

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Organization**  
**(Continued)**

government buildings, improved state and local building energy codes, training for local officials to enforce revised codes, and other federal policy opportunities to reduce the net energy use of buildings.

**Contributions**

The Institute reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized.

All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Contributions reported as temporarily restricted support are reclassified to unrestricted net assets upon expiration of the program, time, or other restrictions. Combined Federal Campaign/Earth Share contributions are recorded in the year the employee contribution is reported.

Restricted contributions for which the restrictions are met in the year received are considered unrestricted for financial statement purposes.

It is the Institute's policy to write-off uncollectible amounts when management determines the receivable will not be collected. Management believes that the direct write-off method approximates the results had the allowance for uncollectible accounts been recorded.

**Grants**

Grants are recognized to the extent of reimbursable expenses incurred. The unexpended portion of grant proceeds is reported as refundable advances; to the extent reimbursable costs exceed cash receipts, a receivable is recorded. Management reviews the grants receivable for collectability on a regular basis.

**Cash**

Cash includes interest and noninterest bearing operating accounts with insured financial institutions. Cash excludes cash and cash equivalents included with investments, as those funds are intended for investment rather than operating purposes.

**Investments**

Investments are carried at fair market value based on quoted market prices and published unit values. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

**Income Taxes**

The Institute is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code (the Code), except as to income from unrelated business activities, and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Code.

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Accounting for  
Uncertain Tax  
Positions**

On January 1, 2009, the Institute adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of FIN 48 had no impact on the Institute's financial statements. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions. The Institute's IRS Form 990, Return of an Organization Exempt from Income Taxes for 2006, 2007 and 2008 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results may vary from the estimates that were assumed in preparing the financial statements.

**Property and  
Equipment**

Property and equipment are carried at cost, if purchased or at fair market value at date of donation, if contributed. The Institute capitalizes all expenditures for property and equipment in excess of \$500. The Institute depreciates all property and equipment over three to seven years using the straight-line method. Leasehold improvements are amortized evenly over the lesser of the life of the lease or the estimated useful life of the asset. Expenses for repairs and maintenance are charged to expense as incurred.

**Basis of  
Accounting**

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

**Expense  
Allocation**

The costs of providing various programs have been summarized on a functional basis in the statement of activities. Personnel and occupancy expenses are allocated among the programs and support services benefited based on time incurred by the Institute personnel in such functions.

**Lease  
Commitment**

Rent expense is recognized on the straight-line basis over the term of the lease.

**Reclassifications**

Certain 2008 amounts have been reclassified for comparative purposes.

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**NOTE B - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31, 2009 and 2008:

| <b>Description</b>                        | <b>2009</b>       | <b>2008</b> |
|---|-------------------|-------------|
| Furniture, fixtures, and equipment        | <b>\$ 44,609</b>  | \$ 44,609   |
| Leasehold improvements                    | <b>132,670</b>    | 132,670     |
|   | <b>177,279</b>    | 177,279     |
| Accumulated depreciation and amortization | <b>(55,518)</b>   | (35,154)    |
| <b>Property and equipment, net</b>        | <b>\$ 121,761</b> | \$ 142,125  |

**NOTE C - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes as of December 31, 2009 and 2008:

| <b>Description</b>                             | <b>2009</b>       | <b>2008</b> |
|--|-------------------|-------------|
| Transportation/Smart Growth                    | <b>\$ 27,500</b>  | \$ 93,989   |
| Energy and Climate Change                      | <b>260,816</b>    | 130,416     |
| Subsequent year's activities                   | <b>30,811</b>     | 62,195      |
| <b>Total temporarily restricted net assets</b> | <b>\$ 319,127</b> | \$ 286,600  |

Net assets were released from restrictions for the years ended December 31, 2009 and 2008 as follows:

| <b>Description</b>                           | <b>2009</b>       | <b>2008</b> |
|--|-------------------|-------------|
| Transportation/Smart Growth                  | <b>\$ 93,989</b>  | \$ 158,000  |
| Energy and Climate Change                    | <b>78,333</b>     | 259,821     |
| Subsequent year's activities                 | <b>62,195</b>     | -0-         |
| <b>Net assets released from restrictions</b> | <b>\$ 234,517</b> | \$ 417,821  |

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

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**NOTE D - OPERATING LEASES**

On October 31, 2007, the Institute entered into a ten year operating lease for office space commencing March 1, 2008. The lease includes an annual escalation clause as defined in the lease agreement. This lease calls for monthly rent plus the pass-through of increases in operating expenses and real estate taxes. In addition, the Institute entered into a lease for certain equipment in 2006 which expires in 2011.

The future minimum annual lease payments under the operating leases are as follows:

| <i>For the Year Ending December 31,</i>    | <b>Amount</b>       |
|--|---------------------|
| <b>2010</b>                                | <b>\$ 128,249</b>   |
| <b>2011</b>                                | <b>132,011</b>      |
| <b>2012</b>                                | <b>132,936</b>      |
| <b>2013</b>                                | <b>136,924</b>      |
| <b>2014</b>                                | <b>141,032</b>      |
| <b>Thereafter</b>                          | <b>474,796</b>      |
| <hr/>                                      |                     |
| <b>Total future minimum lease payments</b> | <b>\$ 1,145,948</b> |

Rent expense for the years ended December 31, 2009 and 2008 was approximately \$123,000 and \$120,000, respectively.

**NOTE E - EMPLOYEE BENEFIT PLANS**

**Profit Sharing**

The Institute has a discretionary profit sharing pension plan covering all full-time employees who have at least one year of service with the Institute and have attained the age of 21. Vesting is based on years of service with full vesting after five years. Total pension expense for the years ended December 31, 2009 and 2008, was approximately \$43,800 and \$27,100 respectively.

**Tax Deferred Annuity Plan**

During the years ended December 31, 2009 and 2008, the Institute sponsored a tax deferred annuity plan for the benefit of its employees through elective salary reductions under section 403(b) of the Code. The plan does not provide for matching contributions. The maximum contribution to the plan is limited to the maximum allowable by the Code.

**NOTE F - CONCENTRATIONS**

The Institute maintains its cash at several financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures the cash balances up to certain limits. At times, deposits exceed federally insured limits. Management believes the risk in these situations to be minimal.

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

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**NOTE F - CONCENTRATIONS (Continued)**

As of December 31, 2009, approximately 23% of grants and contributions receivable were due from one donor. As of December 31, 2008, approximately 43% of grants and contributions receivable were due from two donors.

During the years ended December 31, 2009 and 2008, approximately 43% and 33%, respectively, of grants and contributions revenue was received from one donor.

**NOTE G - RELATED PARTIES**

The Institute receives contributions from members of its Board of Directors as well as from various corporations and foundations with which members of its Board of Directors are affiliated. Contributions from members of the Board of Directors amounted to approximately \$19,400 and \$36,300, respectively, for the years ended December 31, 2009 and 2008.

**NOTE H - FAIR VALUE MEASUREMENTS**

Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*", (SFAS 157) defines fair value, establishes a frame work for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by SFAS 157, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

**Level 1** - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

**Level 2** - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

**Level 3** - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split interest agreements).

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**NOTE H - FAIR VALUE MEASUREMENTS (Continued)**

The following presents investments carried at fair value as of December 31, 2009 and 2008 by SFAS 157 valuation hierarchy (as described above):

| <b>December 31, 2009</b> | <b>Fair Value</b>   | <b>Level 1</b>      | <b>Level 2</b>      | <b>Level 3</b> |
|--------------------------|---------------------|---------------------|---------------------|----------------|
| Money market funds       | \$ 325,931          | \$ 325,931          |                     |                |
| Certificates of deposit  | 700,205             |                     | \$ 700,205          |                |
| Corporate bonds          | 581,255             |                     | 581,255             |                |
| Foreign bonds            | 37,335              |                     | 37,335              |                |
| Equities                 | 931,518             | 931,518             |                     |                |
| <b>Total</b>             | <b>\$ 2,576,244</b> | <b>\$ 1,257,449</b> | <b>\$ 1,318,795</b> | <b>\$ -0-</b>  |

| <b>December 31, 2008</b> | <b>Fair Value</b>   | <b>Level 1</b>      | <b>Level 2</b>    | <b>Level 3</b> |
|--------------------------|---------------------|---------------------|-------------------|----------------|
| Money market funds       | \$ 727,386          | \$ 727,386          |                   |                |
| Certificates of deposit  | 356,697             |                     | \$ 356,697        |                |
| Corporate bonds          | 588,367             |                     | 588,367           |                |
| Equities                 | 702,690             | 702,690             |                   |                |
| Closed end fund          | 6,835               | 6,835               |                   |                |
| <b>Total</b>             | <b>\$ 2,381,975</b> | <b>\$ 1,436,911</b> | <b>\$ 945,064</b> | <b>\$ -0-</b>  |

**NOTE I - INVESTMENTS**

Investment income was comprised of the following for the years ended December 31, 2009 and 2008:

| <b>Description</b>                    | <b>2009</b>       | <b>2008</b>         |
|---------------------------------------|-------------------|---------------------|
| Interest and dividends                | <b>\$ 79,894</b>  | \$ 102,715          |
| Net gain (loss)                       | <b>206,999</b>    | (472,552)           |
| <b>Total investment income (loss)</b> | <b>\$ 286,893</b> | <b>\$ (369,837)</b> |

**NOTE J - SUBSEQUENT EVENTS**

We have evaluated whether events or transactions have occurred after December 31, 2009 that would require recognition or disclosure in these financial statements through May 3, 2010, which is the date the financial statements were available to be issued.



Drolet + Associates PLLC

CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors  
Environmental and Energy Study Institute  
Washington, DC

Independent Auditor's Report  
On Supplementary Information

Our report on our audits of the basic financial statements of Environmental and Energy Study Institute for 2009 and 2008 appears on page one. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Drolet + Associates, P.L.L.C.*

Washington, DC  
May 3, 2010

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2009**

|                                   | Program Services                |                              |                   | General and<br>Administrative | Development      | Total             |
|-----------------------------------|---------------------------------|------------------------------|-------------------|-------------------------------|------------------|-------------------|
|                                   | Transportation/<br>Smart Growth | Energy and<br>Climate Change | Total<br>Programs |                               |                  |                   |
| Salaries                          | \$ 123,465                      | \$ 400,556                   | \$ 524,021        | \$ 33,376                     | \$ 36,572        | \$ 593,969        |
| Metro fare cards                  | 1,946                           | 6,253                        | 8,199             | 252                           | 552              | 9,003             |
| Payroll taxes                     | 9,071                           | 29,434                       | 38,505            | 2,470                         | 2,689            | 43,664            |
| Health insurance                  | 7,760                           | 25,294                       | 33,054            | 1,927                         | 2,263            | 37,244            |
| Life & disability insurance       | 1,454                           | 4,742                        | 6,196             | 387                           | 426              | 7,009             |
| Pension                           | 7,606                           | 24,922                       | 32,528            | 8,987                         | 2,254            | 43,769            |
| Workers compensation<br>insurance | 617                             | 1,847                        | 2,464             | 136                           | 132              | 2,732             |
| Education benefits                | 19                              | 84                           | 103               | 3                             | 4                | 110               |
| Contract labor                    | 4,437                           | 14,672                       | 19,109            | 2,870                         | 1,240            | 23,219            |
| Supplies                          | 662                             | 2,372                        | 3,034             | 735                           | 195              | 3,964             |
| Dues & subscriptions              | 875                             | 3,314                        | 4,189             | 280                           | 213              | 4,682             |
| Telephone                         | 2,438                           | 8,557                        | 10,995            | 1,016                         | 716              | 12,727            |
| Postage & delivery                | 1,419                           | 5,969                        | 7,388             | 760                           | 304              | 8,452             |
| Meetings & conferences            | 1,045                           | 3,989                        | 5,034             | 162                           | 236              | 5,432             |
| Printing & copying                | 1,228                           | 4,125                        | 5,353             | 211                           | 328              | 5,892             |
| Travel                            | 843                             | 1,481                        | 2,324             | 99                            | 98               | 2,521             |
| Rent                              | 25,173                          | 82,086                       | 107,259           | 8,552                         | 7,398            | 123,209           |
| Liability & property insurance    | 1,465                           | 4,479                        | 5,944             | 331                           | 301              | 6,576             |
| Depreciation                      | 4,175                           | 13,588                       | 17,763            | 1,374                         | 1,227            | 20,364            |
| Miscellaneous expense             | 633                             | 1,930                        | 2,563             | 292                           | 244              | 3,099             |
| Accounting & legal fees           | 3,699                           | 11,317                       | 15,016            | 1,763                         | 1,309            | 18,088            |
| Investment management fees        | 2,388                           | 7,752                        | 10,140            | 587                           | 782              | 11,509            |
| <b>Total expenses</b>             | <b>\$ 202,418</b>               | <b>\$ 658,763</b>            | <b>\$ 861,181</b> | <b>\$ 66,570</b>              | <b>\$ 59,483</b> | <b>\$ 987,234</b> |

**ENVIRONMENTAL AND ENERGY STUDY INSTITUTE**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2008**

|                                   | Program Services                |                              |                   | General and<br>Administrative | Development      | Total             |
|-----------------------------------|---------------------------------|------------------------------|-------------------|-------------------------------|------------------|-------------------|
|                                   | Transportation/<br>Smart Growth | Energy and<br>Climate Change | Total<br>Programs |                               |                  |                   |
| Salaries                          | \$ 187,487                      | \$ 262,766                   | \$ 450,253        | \$ 72,354                     | \$ 47,013        | \$ 569,620        |
| Metro fare cards                  | 2,938                           | 4,189                        | 7,127             | 2,839                         | 722              | 10,688            |
| Payroll taxes                     | 13,580                          | 19,006                       | 32,586            | 5,307                         | 3,398            | 41,291            |
| Health insurance                  | 9,428                           | 13,243                       | 22,671            | 3,705                         | 2,367            | 28,743            |
| Life & disability insurance       | 2,288                           | 3,198                        | 5,486             | 184                           | 574              | 6,244             |
| Pension                           | 8,869                           | 12,570                       | 21,439            | 3,469                         | 2,194            | 27,102            |
| Workers compensation<br>insurance | 594                             | 835                          | 1,429             | 234                           | 149              | 1,812             |
| Education benefits                | 369                             | 527                          | 896               | 120                           | 73               | 1,089             |
| Contract labor                    | 7,234                           | 26,061                       | 33,295            | 3,020                         | 1,922            | 38,237            |
| Supplies                          | 2,280                           | 3,433                        | 5,713             | 956                           | 593              | 7,262             |
| Dues & subscriptions              | 2,385                           | 3,963                        | 6,348             | 1,184                         | 903              | 8,435             |
| Telephone                         | 3,999                           | 5,617                        | 9,616             | 1,573                         | 1,004            | 12,193            |
| Equipment rental                  | 16                              | 30                           | 46                | 238                           | 5                | 289               |
| Postage & delivery                | 1,713                           | 3,016                        | 4,729             | 471                           | 547              | 5,747             |
| Meetings & conferences            | 2,421                           | 5,039                        | 7,460             | 239                           | 351              | 8,050             |
| Printing & copying                | 2,185                           | 3,245                        | 5,430             | 846                           | 540              | 6,816             |
| Travel                            | 348                             | 4,501                        | 4,849             | 1,041                         | 90               | 5,980             |
| Rent                              | 37,738                          | 52,571                       | 90,309            | 20,543                        | 9,487            | 120,339           |
| Liability & property insurance    | 2,496                           | 3,505                        | 6,001             | 979                           | 627              | 7,607             |
| Depreciation                      | 5,960                           | 8,372                        | 14,332            | 2,342                         | 1,497            | 18,171            |
| Miscellaneous expense             | 770                             | 959                          | 1,729             | 3,895                         | 150              | 5,774             |
| Accounting & legal fees           | 4,919                           | 8,029                        | 12,948            | 2,851                         | 1,133            | 16,932            |
| Investment management fees        | 4,708                           | 6,612                        | 11,320            | 1,850                         | 1,182            | 14,352            |
| Realized loss from disposal       |                                 |                              |                   | 2,052                         |                  | 2,052             |
| <b>Total expenses</b>             | <b>\$ 304,725</b>               | <b>\$ 451,287</b>            | <b>\$ 756,012</b> | <b>\$ 132,292</b>             | <b>\$ 76,521</b> | <b>\$ 964,825</b> |