

FINANCIAL STATEMENTS



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

ENVIRONMENTAL INVESTIGATION AGENCY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Environmental Investigation Agency
Washington, D.C.

We have audited the accompanying financial statements of the Environmental Investigation Agency (EIA), 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 EIA 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 EIA's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 27, 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 & Friedman

May 10, 2016

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,709,827	\$ 1,841,055
Investments	330,750	333,180
Grants and other receivables	98,244	144,923
Prepaid expenses	<u>53,798</u>	<u>22,627</u>
Total current assets	<u>2,192,619</u>	<u>2,341,785</u>
FIXED ASSETS		
Website	39,800	-
Furniture	41,255	41,255
Leasehold improvements	<u>53,506</u>	<u>-</u>
	134,561	41,255
Less: Accumulated depreciation	<u>(36,392)</u>	<u>(26,714)</u>
Net fixed assets	<u>98,169</u>	<u>14,541</u>
OTHER ASSETS		
Deposits	<u>2,700</u>	<u>9,568</u>
TOTAL ASSETS	<u>\$ 2,293,488</u>	<u>\$ 2,365,894</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 257,839	\$ 138,840
Grants payable	<u>34,344</u>	<u>147,752</u>
Total current liabilities	292,183	286,592
LONG-TERM LIABILITIES		
Deferred rent	<u>14,258</u>	<u>-</u>
Total liabilities	<u>306,441</u>	<u>286,592</u>
NET ASSETS		
Unrestricted:		
Undesignated	495,658	379,587
Board designated	<u>199,762</u>	<u>203,496</u>
Total unrestricted	695,420	583,083
Temporarily restricted	<u>1,291,627</u>	<u>1,496,219</u>
Total net assets	<u>1,987,047</u>	<u>2,079,302</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,293,488</u>	<u>\$ 2,365,894</u>

See accompanying notes to financial statements.

ENVIRONMENTAL INVESTIGATION AGENCY

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>			<u>2014</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions and grants	\$ 390,794	\$ 4,377,848	\$ 4,768,642	\$ 4,638,251
Investment (loss) income	(1,855)	2,971	1,116	7,757
In-kind contributions	113,481	-	113,481	26,706
Miscellaneous income	750	-	750	-
Net assets released from donor restrictions	<u>4,585,411</u>	<u>(4,585,411)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>5,088,581</u>	<u>(204,592)</u>	<u>4,883,989</u>	<u>4,672,714</u>
EXPENSES				
Program Services:				
Global Climate Campaign	762,054	-	762,054	696,225
Cetaceans Campaign	178,655	-	178,655	228,706
Elephants Campaign	515,077	-	515,077	289,347
Forest Campaign	<u>3,489,742</u>	<u>-</u>	<u>3,489,742</u>	<u>3,062,888</u>
Total program services	<u>4,945,528</u>	<u>-</u>	<u>4,945,528</u>	<u>4,277,166</u>
Supporting Services:				
Management and General	3,009	-	3,009	214,390
Fundraising	<u>27,707</u>	<u>-</u>	<u>27,707</u>	<u>63,715</u>
Total supporting services	<u>30,716</u>	<u>-</u>	<u>30,716</u>	<u>278,105</u>
Total expenses	<u>4,976,244</u>	<u>-</u>	<u>4,976,244</u>	<u>4,555,271</u>
Change in net assets	112,337	(204,592)	(92,255)	117,443
Net assets at beginning of year	<u>583,083</u>	<u>1,496,219</u>	<u>2,079,302</u>	<u>1,961,859</u>
NET ASSETS AT END OF YEAR	<u>\$ 695,420</u>	<u>\$ 1,291,627</u>	<u>\$ 1,987,047</u>	<u>\$ 2,079,302</u>

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	2015				
	Program Services				
	Global Climate Campaign	Cetaceans Campaign	Elephants Campaign	Forest Campaign	Total Program Services
Salaries	\$ 410,499	\$ 80,295	\$ 245,902	\$ 1,004,172	\$ 1,740,868
Benefits	47,909	8,728	26,084	88,961	171,682
Payroll taxes/fees	29,635	6,631	17,839	74,337	128,442
Contract labor	30,584	665	73,598	455,392	560,239
Media and communications	8,305	1,835	5,604	74,884	90,628
Workshops, conferences and training	345	-	-	39,709	40,054
Office expenses and IT cost	1,075	224	926	27,770	29,995
Accounting and audit	-	-	-	18,982	18,982
Travel	146,723	7,274	55,868	278,880	488,745
Subgrants	-	-	25,000	729,054	754,054
Occupancy	-	-	-	-	-
Depreciation	-	-	-	1,831	1,831
EIA UK subgrants	-	53,618	-	391,674	445,292
Insurance	-	-	-	-	-
Partner fees, contributions and dues	150	2,800	5,750	4,400	13,100
Legal and incorporation fees	-	-	-	816	816
Bank charges and wire fees	325	115	253	3,903	4,596
Other	-	-	-	-	-
Subtotal	675,550	162,185	456,824	3,194,765	4,489,324
Allocation of management and general	86,504	16,470	58,253	294,977	456,204
TOTAL	\$ 762,054	\$ 178,655	\$ 515,077	\$ 3,489,742	\$ 4,945,528

					2014
Supporting Services					
Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$ 142,547	\$ 14,992	\$ 157,539	\$ 1,898,407	\$ 1,684,400	
15,437	1,734	17,171	188,853	169,647	
19,017	1,108	20,125	148,567	128,279	
4,645	6,259	10,904	571,143	377,585	
8,387	-	8,387	99,015	159,426	
1,192	-	1,192	41,246	117,901	
51,997	-	51,997	81,992	80,306	
20,004	-	20,004	38,986	27,502	
4,406	-	4,406	493,151	419,911	
-	-	-	754,054	913,035	
121,368	-	121,368	121,368	105,872	
7,847	-	7,847	9,678	12,033	
-	-	-	445,292	260,724	
55,054	-	55,054	55,054	54,458	
538	-	538	13,638	32,029	
3,540	-	3,540	4,356	6,598	
797	-	797	5,393	2,200	
6,051	-	6,051	6,051	3,365	
462,827	24,093	486,920	4,976,244	4,555,271	
(459,818)	3,614	(456,204)	-	-	
\$ 3,009	\$ 27,707	\$ 30,716	\$ 4,976,244	\$ 4,555,271	

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (92,255)	\$ 117,443
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	9,678	12,033
Unrealized loss	7,609	3,892
Realized gain	-	(1,390)
(Increase) decrease in:		
Grants and other receivables	46,679	91,654
Prepaid expenses	(31,171)	(4,498)
Deposits	6,868	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	118,999	33,660
Refundable advance	-	(44,481)
Grants payable	(113,408)	(465,970)
Deferred rent	<u>14,258</u>	<u>-</u>
Net cash used by operating activities	<u>(32,743)</u>	<u>(257,657)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(93,306)	(2,930)
Purchase of investments	(5,179)	(33,621)
Sale of investments	<u>-</u>	<u>27,329</u>
Net cash used by investing activities	<u>(98,485)</u>	<u>(9,222)</u>
Net decrease in cash and cash equivalents	(131,228)	(266,879)
Cash and cash equivalents at beginning of year	<u>1,841,055</u>	<u>2,107,934</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,709,827</u>	<u>\$ 1,841,055</u>

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Environmental Investigation Agency (EIA) is a non-profit organization, incorporated in the District of Columbia on September 8, 1989 to establish and promote programs to preserve wildlife, ecosystems and the global environment. EIA has directly brought about changes in international laws and the policies of governments, saving the lives of millions of rare and endangered animals and putting a stop to the devastating effects of environmental criminals.

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 EIA's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Cash and cash equivalents -

EIA 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, EIA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Grants and other receivables -

Grants and other receivables approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$2,500 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 seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

EIA 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. EIA is not a private foundation.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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

Uncertain tax positions -

For the year ended December 31, 2015, EIA 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 three 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 EIA 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 EIA 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.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by EIA. As of December 31, 2015, there were no permanently restricted net assets.

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. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

EIA receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

In-kind contributions -

In-kind contributions consist of donated skilled labor and materials, primarily donated legal services. In-kind contributions are recorded at their fair market value as of the date of the gift.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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.

Risks and uncertainties -

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

Fair value measurement -

EIA adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. EIA accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2015:

	<u>Fair Value</u>
Equities	\$ 69,242
Certificates of deposit	<u>261,508</u>
TOTAL INVESTMENTS	<u>\$ 330,750</u>

Included in investment income are the following for the year ended December 31, 2015:

Interest and dividends	\$ 8,725
Unrealized loss	<u>(7,609)</u>
TOTAL INVESTMENT INCOME	<u>\$ 1,116</u>

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. BOARD DESIGNATED NET ASSETS

As of December 31, 2015, net assets have been designated by the Board of Directors for the following purposes:

Operating Reserve	\$ <u>199,762</u>
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4. TEMPORARILY RESTRICTED NET ASSETS

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

Global Climate Campaign	\$ 162,785
Cetaceans Campaign	43,120
Elephants Campaign	201,171
Forest Campaign	<u>884,551</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>1,291,627</u>

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:

Global Climate Campaign	\$ 748,421
Cetaceans Campaign	178,591
Elephants Campaign	227,835
Forest Campaign	<u>3,430,564</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>4,585,411</u>

5. LEASE COMMITMENTS

In 2008, EIA entered into a lease agreement for office space in Washington, D.C., which was extended in 2014 through August 31, 2015. Base rent was \$8,152 per month, plus fees for various tenant services, which are determined by use on a monthly basis. During 2015, EIA extended their lease agreement through December 31, 2015.

In October 2015, EIA entered into a new lease agreement for new office space in Washington, D.C. The agreement commenced on November 3, 2015 and extends through June 29, 2019. Base rent is \$186,305 per year, plus a proportionate share of expenses, increasing by a factor of 3.5% per year. EIA received rent abatement for four months of the lease. EIA deposited an irrevocable letter of credit in the amount of \$31,051 corresponding to two months of base rent as a security deposit for the lease agreement.

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 in the Statement of Financial Position.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

5. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments as of December 31, 2015:

<u>Year Ending December 31,</u>	
2016	\$ 140,816
2017	193,950
2018	200,739
2019	<u>103,280</u>
	<u>\$ 638,785</u>

Rent expense for the year ended December 31, 2015 totaled \$121,368, and is included in occupancy expense in the accompanying Statement of Functional Expenses.

6. RETIREMENT PLAN

EIA provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with six months of employment. EIA contributes 3% of gross wages. Contributions to the plan during the year ended December 31, 2015 totaled \$51,062.

7. RELATED PARTY

EIA cooperates with the Environmental Investigation Agency Trust, a United Kingdom charitable organization and the Environmental Investigation Agency (UK) Limited, a United Kingdom not-for-profit organization, both of which have a common mission with EIA. While there is no controlling interest, one Director of EIA is also a Trustee or a Director of the cooperating agencies. EIA grants funds to the Environmental Investigation Agency (UK) Limited in order to carry out certain projects. Also, from time-to-time, each organization may incur expenses on behalf of another, which are reimbursed. As of December 31, 2015, EIA was owed \$39,545 from the Environmental Investigation Agency (UK) Limited, which was included in other receivables in the accompanying Statement of Financial Position.

8. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, EIA has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market EIA has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. FAIR VALUE MEASUREMENT (Continued)

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2015.

- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, by level within the fair value hierarchy, EIA's investments as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Equities	\$ 69,242	\$ -	\$ -	\$ 69,242
Certificates of deposit	<u>-</u>	<u>261,508</u>	<u>-</u>	<u>261,508</u>
TOTAL	<u>\$ 69,242</u>	<u>\$ 261,508</u>	<u>\$ -</u>	<u>\$ 330,750</u>

9. SUBSEQUENT EVENTS

In preparing these financial statements, EIA has evaluated events and transactions for potential recognition or disclosure through May 10, 2016, the date the financial statements were issued.