

# **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2018**

**ENVIRONMENTAL INVESTIGATION AGENCY**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2019, with Summarized Financial Information for 2018	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2019, with Summarized Financial Information for 2018	7
NOTES TO FINANCIAL STATEMENTS	8 - 15



**CPAs & ADVISORS**

## **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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

June 29, 2020

**ENVIRONMENTAL INVESTIGATION AGENCY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

**ASSETS**

	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,737,433	\$ 2,095,955
Investments	474,893	438,014
Grants and other receivables	209,738	1,441,636
Prepaid expenses	<u>125,524</u>	<u>82,643</u>
Total current assets	<u>3,547,588</u>	<u>4,058,248</u>
<b>FIXED ASSETS</b>		
Website	60,915	60,915
Furniture	73,406	72,781
Leasehold improvements	<u>330,061</u>	<u>63,911</u>
	464,382	197,607
Less: Accumulated depreciation and amortization	<u>(185,238)</u>	<u>(145,171)</u>
Net fixed assets	<u>279,144</u>	<u>52,436</u>
<b>OTHER ASSETS</b>		
Deposits	20,161	200
Right of use asset	<u>1,885,022</u>	<u>-</u>
Total other assets	<u>1,905,183</u>	<u>200</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,731,915</u></b>	<b><u>\$ 4,110,884</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 224,439	\$ 185,948
Grants payable	189,873	40,674
Deferred rent	-	14,062
Lease liability	<u>67,275</u>	<u>-</u>
Total current liabilities	481,587	240,684
<b>LONG-TERM LIABILITIES</b>		
Lease liability, net of current portion	<u>2,202,201</u>	<u>-</u>
Total liabilities	<u>2,683,788</u>	<u>240,684</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	1,094,752	903,031
Board designated	<u>350,068</u>	<u>266,343</u>
Total net assets without donor restrictions	1,444,820	1,169,374
With donor restrictions	<u>1,603,307</u>	<u>2,700,826</u>
Total net assets	<u>3,048,127</u>	<u>3,870,200</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,731,915</u></b>	<b><u>\$ 4,110,884</u></b>

See accompanying notes to financial statements.

## ENVIRONMENTAL INVESTIGATION AGENCY

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND SUPPORT</b>				
Contributions and grants	\$ 696,819	\$ 4,467,951	\$ 5,164,770	\$ 5,671,265
Investment income (loss), net	37,571	9,820	47,391	(4,902)
In-kind contributions	4,993	-	4,993	1,970
Net assets released from donor restrictions	<u>5,575,290</u>	<u>(5,575,290)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>6,314,673</u>	<u>(1,097,519)</u>	<u>5,217,154</u>	<u>5,668,333</u>
<b>EXPENSES</b>				
Program Services:				
Global Climate Campaign	341,241	-	341,241	261,027
Cetaceans Campaign	320,450	-	320,450	264,501
Elephants Campaign	626,946	-	626,946	867,395
Forest Campaign	<u>4,664,388</u>	<u>-</u>	<u>4,664,388</u>	<u>3,492,640</u>
Total program services	<u>5,953,025</u>	<u>-</u>	<u>5,953,025</u>	<u>4,885,563</u>
Supporting Services:				
Management and General	72,062	-	72,062	64,760
Fundraising	<u>14,140</u>	<u>-</u>	<u>14,140</u>	<u>26,617</u>
Total supporting services	<u>86,202</u>	<u>-</u>	<u>86,202</u>	<u>91,377</u>
Total expenses	<u>6,039,227</u>	<u>-</u>	<u>6,039,227</u>	<u>4,976,940</u>
Change in net assets	275,446	(1,097,519)	(822,073)	691,393
Net assets at beginning of year	<u>1,169,374</u>	<u>2,700,826</u>	<u>3,870,200</u>	<u>3,178,807</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,444,820</u></b>	<b><u>\$ 1,603,307</u></b>	<b><u>\$ 3,048,127</u></b>	<b><u>\$ 3,870,200</u></b>

**ENVIRONMENTAL INVESTIGATION AGENCY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019								2018	
	Program Services				Supporting Services				Total Expenses	Total Expenses
	Global Climate Campaign	Cetaceans Campaign	Elephants Campaign	Forest Campaign	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 214,470	\$ 130,485	\$ 329,047	\$ 1,718,964	\$ 2,392,966	\$ 17,815	\$ 6,754	\$ 24,569	\$ 2,417,535	\$ 2,037,198
Benefits	28,244	21,387	43,467	173,964	267,062	1,721	332	2,053	269,115	215,541
Payroll taxes / fees	18,018	11,136	24,389	137,352	190,895	2,747	585	3,332	194,227	152,238
Contract labor	638	632	3,662	340,477	345,409	1,122	29	1,151	346,560	319,349
Media and communications	10,814	1,347	5,912	106,747	124,820	1,611	384	1,995	126,815	120,137
Workshops, conferences and training	3,363	1,719	4,994	54,607	64,683	921	24	945	65,628	13,899
Office expenses and IT cost	5,202	4,407	11,176	78,691	99,476	4,869	485	5,354	104,830	54,399
Accounting and audit	1,164	1,154	2,200	24,515	29,033	2,047	52	2,099	31,132	33,788
Travel	35,707	55,150	39,589	260,768	391,214	2,256	58	2,314	393,528	289,257
Subgrants	2,500	-	122,315	1,105,547	1,230,362	-	-	-	1,230,362	601,901
Occupancy	6,067	6,012	11,464	65,397	88,940	10,665	273	10,938	99,878	193,733
Lease costs	7,186	7,121	13,580	77,462	105,349	12,632	323	12,955	118,304	-
Depreciation and amortization	2,639	2,615	4,987	28,447	38,688	4,639	119	4,758	43,446	47,014
EIA UK subgrants	-	72,000	-	415,000	487,000	-	-	-	487,000	804,000
Insurance	3,180	3,151	6,008	34,274	46,613	5,589	143	5,732	52,345	55,043
Partner fees, contributions and dues	367	363	693	3,952	5,375	645	4,507	5,152	10,527	5,055
Legal and incorporation fees	214	212	404	20,325	21,155	375	10	385	21,540	29,715
Bank charges and wire fees	141	244	551	3,590	4,526	75	2	77	4,603	3,594
Other	1,327	1,315	2,508	14,309	19,459	2,333	60	2,393	21,852	1,079
<b>TOTAL</b>	<b>\$ 341,241</b>	<b>\$ 320,450</b>	<b>\$ 626,946</b>	<b>\$ 4,664,388</b>	<b>\$ 5,953,025</b>	<b>\$ 72,062</b>	<b>\$ 14,140</b>	<b>\$ 86,202</b>	<b>\$ 6,039,227</b>	<b>\$ 4,976,940</b>

See accompanying notes to financial statements.

**ENVIRONMENTAL INVESTIGATION AGENCY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (822,073)	\$ 691,393
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	43,446	47,014
Unrealized (gain) loss	(26,842)	10,903
Realized loss	-	9,101
Change in the measurement of operating lease	118,304	-
Decrease (increase) in:		
Grants and other receivables	1,231,898	123,310
Prepaid expenses	(42,881)	(2,903)
Deposits	(19,961)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	38,491	(3,965)
Grants payable	149,199	(26,127)
Deferred rent	<u>(14,062)</u>	<u>(22,302)</u>
Net cash provided by operating activities	<u>655,519</u>	<u>826,424</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(4,004)	(6,167)
Purchase of investments	(35,903)	(114,104)
Sale of investments	<u>25,866</u>	<u>46,191</u>
Net cash used by investing activities	<u>(14,041)</u>	<u>(74,080)</u>
Net increase in cash and cash equivalents	641,478	752,344
Cash and cash equivalents at beginning of year	<u>2,095,955</u>	<u>1,343,611</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,737,433</u></b>	<b><u>\$ 2,095,955</u></b>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS</b>		
Right of Use Asset, Net of landlord Allowance in the Amount of \$266,150	<u>\$ 1,955,709</u>	<u>\$ -</u>
Operating Lease Liability for Right of Use Asset	<u>\$ 2,221,859</u>	<u>\$ -</u>



## ENVIRONMENTAL INVESTIGATION AGENCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

#### 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. Since 1989, EIA US has identified and campaigned for solutions to the world's most pressing environmental problems. Our campaigns to protect endangered wildlife, forests, and the global climate operate at the intersection between global trade and the accelerating loss of natural resources and species. EIA US takes advantage of its independence and mobility to produce game-changing primary evidence and analysis of these problems and to build lasting alliances, institutions, and precautionary policies to address those challenges.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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, 2018, 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.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

New accounting pronouncements adopted -

During 2019, EIA adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. EIA adopted the ASU using a modified prospective basis.

During 2019, EIA also adopted ASU 2019-01, *Leases* (Topic 842). The ASU changed the accounting treatment for operating leases by recognizing a right of use asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. EIA early adopted this ASU in fiscal year 2019 as it entered into a new operating lease arrangement for its headquarters office space.

Investments -

Investments are recorded at their readily determinable fair value. Interest and dividends, and realized and unrealized gains and losses are included in investment income (loss) net of investment expenses provided by external investment advisors and allocated internal management costs in the Statement of Activities and Change in Net Assets.

Grants and other receivables -

Grants and other receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. 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. Leasehold improvements are capitalized and amortized over the remaining life of the lease. 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.

Uncertain tax positions -

For the year ended December 31, 2019, 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.

## ENVIRONMENTAL INVESTIGATION AGENCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

##### Contributions and grants -

Contributions and grants are recognized in the appropriate category of net assets in the period received. EIA performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal.

For contributions and grants qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grant agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants awards are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, EIA recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred).

##### In-kind contributions -

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

##### 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 consistently among the programs and supporting services benefited on a reasonable basis. Expenses are allocated on a basis of actual time and effort (such as salaries and benefits) as well using authorized overhead recovery rate (such as depreciation, office and occupancy) or other reasonable basis to assign costs.

##### Risks and uncertainties -

EIA invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

**ENVIRONMENTAL INVESTIGATION AGENCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

Risks and uncertainties (continued) -

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.

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.

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

For disclosure of inputs and valuation techniques, see Note 2.

**2. INVESTMENTS**

The table below summarizes the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as determined by management. EIA's investments as of December 31, 2019 were as follows:

<b>Asset Class:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 150,790	\$ -	\$ -	\$ 150,790
Certificates of deposit	-	324,103	-	324,103
<b>TOTAL</b>	<b>\$ 150,790</b>	<b>\$ 324,103</b>	<b>\$ -</b>	<b>\$ 474,893</b>

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

2. INVESTMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *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.

Included in investment income are the following for the year ended December 31, 2019:

Interest and dividends, net	\$ 20,549
Unrealized gain	<u>26,842</u>
<b>TOTAL INVESTMENT INCOME, NET</b>	<b>\$ <u>47,391</u></b>

3. BOARD DESIGNATED NET ASSETS

As of December 31, 2019, net assets have been designated by the Board of Directors for the following purposes:

<b>Operating Reserve</b>	<b>\$ <u>350,068</u></b>
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4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2019:

Global Climate Campaign	\$ 114,252
Cetaceans Campaign	46,395
Elephants Campaign	233,926
Forest Campaign	<u>1,208,734</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ <u>1,603,307</u></b>

The following net assets with donor restrictions 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	\$ 339,822
Cetaceans Campaign	283,823
Elephants Campaign	326,257
Forest Campaign	<u>4,625,388</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$ <u>5,575,290</u></b>

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

5. LEASE COMMITMENTS

In October 2015, EIA entered into a lease agreement for office space in Washington, D.C. The agreement commenced on November 3, 2015 and extended through June 30, 2019. Base rent was \$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. Rent expense under this lease agreement during the year ended December 31, 2019 totaled \$89,218 and is included in occupancy expense in the accompanying Statement of Functional Expenses.

During 2019, EIA entered into a new long-term office lease, commencing July 1, 2019 and ending on March 31, 2031. Monthly rent is \$19,961 per month, escalating by 2.5% annually. The first nine (9) months of rent are abated.

The Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2019-01 related to Leases (Topic 842)*, in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statement of Financial Position and disclosing key information about leasing arrangements for operating leases that are greater than one year in duration. The ASU specifically requires an organization to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the Statement of Financial Position and recognize a single lease cost, calculated so the cost of the lease is allocated over the lease term on a straight line basis. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is permitted. EIA elected on July 1, 2019 to early implement the ASU. As a result, EIA recorded a right-of-use asset in the amount of \$1,955,709, net of the landlord allowance of \$266,150. EIA recorded an operating lease liability in the amount of \$2,221,859 by calculating the net present value using the discount rate of 5.1%. The right-of-use asset and the operating lease liability are being amortized over the life of the lease agreement.

As of December 31, 2019, the unamortized right-of-use asset net of the landlord allowance was \$1,885,022 and the unamortized operating lease liability was \$2,202,201. The lease cost, including imputed interest and amortization of the right-of-use asset plus the straight-line rent expense for the year ended December 31, 2019, was \$118,304, and is included in occupancy expense in the accompanying Statement of Functional Expenses. The future minimum lease payments (shown below) reflect the rental payments through the termination date of the new lease.

The following is a schedule of future minimum lease payments:

Year Ending December 31,

2020	\$ 182,645
2021	248,592
2022	254,807
2023	261,177
2024	267,707
Thereafter	<u>1,831,364</u>
	<u>\$ 3,046,292</u>

## ENVIRONMENTAL INVESTIGATION AGENCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

#### 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, 2019 totaled \$61,702.

#### 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. Total funds granted to the Environmental Investigation Agency (UK) Limited by EIA during the year ended December 31, 2019, totaled \$487,000. Also, from time-to-time, each organization may incur expenses on behalf of another, which are reimbursed.

During the year ended December 31, 2019, EIA incurred expenses of \$1,814 on behalf of the Environmental Investigation Agency (UK) Limited. These expenses were all reimbursed during the year ended December 31, 2019 and there were no outstanding amounts at year-end.

#### 8. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 2,737,433
Investments	474,893
Grants and other receivables	209,738
Less: Donor restricted funds	(1,603,307)
Less: Board designated funds	<u>(350,068)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS  
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 1,468,689**

EIA has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019, There is a fund established by the governing Board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

#### 9. SUBSEQUENT EVENTS

In preparing these financial statements, EIA has evaluated events and transactions for potential recognition or disclosure through June 29, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact EIA's operations. The overall potential impact is unknown at this time.

**ENVIRONMENTAL INVESTIGATION AGENCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**9. SUBSEQUENT EVENTS (Continued)**

On April 22, 2020, EIA entered into a two-year promissory note agreement in the amount of \$425,400 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.