

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

ENVIRONMENTAL INVESTIGATION AGENCY

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

May 7, 2021

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS		2020	2019
CURRENT ASSETS			
Cash and cash equivalents	\$	3,623,084	\$ 2,737,433
Investments		518,996	474,893
Grants and other receivables		248,927	209,738
Prepaid expenses		<u>75,017</u>	<u>125,524</u>
Total current assets		<u>4,466,024</u>	<u>3,547,588</u>
FIXED ASSETS			
Website		60,915	60,915
Furniture		90,618	73,406
Leasehold improvements		<u>330,061</u>	<u>330,061</u>
		481,594	464,382
Less: Accumulated depreciation and amortization		<u>(214,863)</u>	<u>(185,238)</u>
Net fixed assets		<u>266,731</u>	<u>279,144</u>
OTHER ASSETS			
Deposits		20,161	20,161
Right of use asset		<u>1,763,785</u>	<u>1,885,022</u>
Total other assets		<u>1,783,946</u>	<u>1,905,183</u>
TOTAL ASSETS		<u>\$ 6,516,701</u>	<u>\$ 5,731,915</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	328,869	\$ 224,439
Grants payable		292,174	189,873
Lease liability		<u>139,471</u>	<u>67,275</u>
Total current liabilities		760,514	481,587
LONG-TERM LIABILITIES			
Lease liability, net of current portion		<u>2,062,731</u>	<u>2,202,201</u>
Total liabilities		<u>2,823,245</u>	<u>2,683,788</u>
NET ASSETS			
Without donor restrictions:			
Undesignated		1,136,089	1,094,752
Board designated		<u>441,282</u>	<u>350,068</u>
Total net assets without donor restrictions		1,577,371	1,444,820
With donor restrictions		<u>2,116,085</u>	<u>1,603,307</u>
Total net assets		<u>3,693,456</u>	<u>3,048,127</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 6,516,701</u>	<u>\$ 5,731,915</u>

See accompanying notes to financial statements.

ENVIRONMENTAL INVESTIGATION AGENCY

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions and grants	\$ 1,141,545	\$ 6,581,072	\$ 7,722,617	\$ 5,164,770
Investment income, net	46,786	3,321	50,107	47,391
In-kind contributions	2,785	-	2,785	4,993
Net assets released from donor restrictions	<u>6,071,615</u>	<u>(6,071,615)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>7,262,731</u>	<u>512,778</u>	<u>7,775,509</u>	<u>5,217,154</u>
EXPENSES				
Program Services:				
Global Climate Campaign	338,691	-	338,691	341,241
Cetaceans Campaign	347,961	-	347,961	320,450
Elephants Campaign	679,464	-	679,464	626,946
Forest Campaign	<u>5,560,851</u>	<u>-</u>	<u>5,560,851</u>	<u>4,664,388</u>
Total program services	<u>6,926,967</u>	<u>-</u>	<u>6,926,967</u>	<u>5,953,025</u>
Supporting Services:				
Management and General	164,863	-	164,863	72,062
Fundraising	<u>38,350</u>	<u>-</u>	<u>38,350</u>	<u>14,140</u>
Total supporting services	<u>203,213</u>	<u>-</u>	<u>203,213</u>	<u>86,202</u>
Total expenses	<u>7,130,180</u>	<u>-</u>	<u>7,130,180</u>	<u>6,039,227</u>
Change in net assets	132,551	512,778	645,329	(822,073)
Net assets at beginning of year	<u>1,444,820</u>	<u>1,603,307</u>	<u>3,048,127</u>	<u>3,870,200</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,577,371</u>	<u>\$ 2,116,085</u>	<u>\$ 3,693,456</u>	<u>\$ 3,048,127</u>

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020								2019	
	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	\$ 260,158	\$ 166,332	\$ 341,636	\$ 1,912,258	\$ 2,680,384	\$ 56,886	\$ 24,827	\$ 81,713	\$ 2,762,097	\$ 2,417,535
Benefits	34,235	24,848	54,237	234,649	347,969	7,888	3,595	11,483	359,452	269,115
Payroll taxes/fees	21,478	13,660	25,742	161,040	221,920	6,963	1,996	8,959	230,879	194,227
Contract labor	16	15,306	20,969	781,495	817,786	85	2	87	817,873	346,560
Media and communications	1,426	4,891	6,460	63,890	76,667	2,698	614	3,312	79,979	126,815
Workshops, conferences and training	78	102	184	58,783	59,147	403	12	415	59,562	65,628
Office expenses and IT cost	4,508	6,457	8,715	91,501	111,181	9,677	680	10,357	121,538	104,830
Accounting and audit	1,099	1,451	2,611	25,701	30,862	5,699	165	5,864	36,726	31,132
Travel	1,207	8,988	14,561	73,216	97,972	17	-	17	97,989	393,528
Subgrants	-	7,400	169,851	1,446,349	1,623,600	-	-	-	1,623,600	1,230,362
Occupancy and lease costs	9,732	12,845	23,117	149,654	195,348	50,459	1,461	51,920	247,268	218,182
Depreciation and amortization	1,166	1,539	2,770	17,930	23,405	6,045	175	6,220	29,625	43,446
EIA UK subgrants	-	72,746	-	386,391	459,137	-	-	-	459,137	487,000
Insurance	3,205	4,230	7,613	49,285	64,333	16,617	481	17,098	81,431	52,345
Partner fees, contributions and dues	178	478	422	4,992	6,070	922	4,325	5,247	11,317	10,527
Legal	21	6,498	50	98,482	105,051	109	3	112	105,163	21,540
Bank charges and wire fees	184	190	526	5,235	6,135	395	14	409	6,544	4,603
Other	-	-	-	-	-	-	-	-	-	21,852
TOTAL	\$ 338,691	\$ 347,961	\$ 679,464	\$ 5,560,851	\$ 6,926,967	\$ 164,863	\$ 38,350	\$ 203,213	\$ 7,130,180	\$ 6,039,227

See accompanying notes to financial statements.

ENVIRONMENTAL INVESTIGATION AGENCY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 645,329	\$ (822,073)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	29,625	43,446
Unrealized gain	(34,391)	(26,842)
Change in the measurement of operating lease	53,963	118,304
(Increase) decrease in:		
Grants and other receivables	(39,189)	1,231,898
Prepaid expenses	50,507	(42,881)
Deposits	-	(19,961)
Increase (decrease) in:		
Accounts payable and accrued liabilities	104,430	38,491
Grants payable	102,301	149,199
Deferred rent	-	(14,062)
Net cash provided by operating activities	<u>912,575</u>	<u>655,519</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(17,212)	(4,004)
Purchase of investments	(38,831)	(35,903)
Sale of investments	29,119	25,866
Net cash used by investing activities	<u>(26,924)</u>	<u>(14,041)</u>
Net increase in cash and cash equivalents	885,651	641,478
Cash and cash equivalents at beginning of year	<u>2,737,433</u>	<u>2,095,955</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,623,084</u>	<u>\$ 2,737,433</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Right of Use Asset, Net of landlord Allowance in the Amount of \$266,150	<u>\$ -</u>	<u>\$ 1,955,709</u>
Operating Lease Liability for Right of Use Asset	<u>\$ -</u>	<u>\$ 2,221,859</u>

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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, 2019, 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, 2020

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

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 net of investment expenses paid to external investment advisors 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, 2020, 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.

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 and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

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.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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

Contributions and grants (continued) -

Grant agreements qualifying as conditional contributions contain a right of return from obligation provision that limits EIA on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grants awards are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. EIA recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as conditional contributions, EIA had approximately \$3,726,555 in unrecognized conditional awards as of December 31, 2020.

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 rates (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. 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.

ENVIRONMENTAL INVESTIGATION AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Fair value measurement (continued) -

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.

Economic uncertainties -

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.

2. INVESTMENTS

The table below summarizes the investments, measured at fair value on a recurring basis, by level within the fair value hierarchy. EIA's investments as of December 31, 2020 were as follows:

Asset Class:	Level 1	Level 2	Level 3	Total
Equities	\$ 188,872	\$ -	\$ -	\$ 188,872
Certificates of deposit	<u>-</u>	<u>330,124</u>	<u>-</u>	<u>330,124</u>
TOTAL	<u>\$ 188,872</u>	<u>\$ 330,124</u>	<u>\$ -</u>	<u>\$ 518,996</u>

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, 2020. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2020.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. INVESTMENTS (Continued)

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, 2020:

Interest and dividends, net	\$ 15,716
Unrealized gain	<u>34,391</u>
TOTAL INVESTMENT INCOME, NET	\$ <u>50,107</u>

3. BOARD DESIGNATED NET ASSETS

As of December 31, 2020, net assets have been designated by the Board of Directors for the following purposes:

Operating Reserve	\$ <u>441,282</u>
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4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2020:

Global Climate Campaign	\$ 222,550
Cetaceans Campaign	47,389
Elephants Campaign	79,386
Forest Campaign	<u>1,766,760</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>2,116,085</u>

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	\$ 183,787
Cetaceans Campaign	284,071
Elephants Campaign	349,515
Forest Campaign	<u>5,254,242</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>6,071,615</u>

5. FUNDING FROM THE PAYCHECK PROTECTION PROGRAM

On April 22, 2020, EIA received loan proceeds in the amount of \$425,400 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. FUNDING FROM THE PAYCHECK PROTECTION PROGRAM (Continued)

During the year ended December 31, 2020, EIA expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and believes they have met all conditions set forth for full forgiveness. Accordingly, under guidance found in FASB ASC 958-605, EIA has recognized the PPP funding as a conditional grant by which all conditions have been met. EIA has deemed the forgiveness by the SBA to be highly probable, an administrative task only, and not a barrier to recognition. \$425,400 of grant income is included in Contributions and grants in the accompanying Statement of Activities and Change in Net Assets.

On January 11, 2021, EIA received notification that their PPP loan forgiveness application had been approved by the Small Business Administration.

6. LEASE COMMITMENTS

In 2019, EIA entered into a lease agreement for office space in Washington, D.C. The agreement commenced July 1, 2019 and ends 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. 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, 2020, the unamortized right-of-use asset net of the landlord allowance was \$1,763,785 and the unamortized operating lease liability was \$2,062,731. 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, 2020, was \$236,608, and is included in occupancy and lease costs 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,

2021	\$	248,592
2022		254,807
2023		261,177
2024		267,707
2025		274,400
Thereafter		<u>1,556,965</u>
	\$	<u>2,863,648</u>

ENVIRONMENTAL INVESTIGATION AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

7. 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, 2020 totaled \$75,025.

8. 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, 2020, totaled \$459,137. Also, from time-to-time, each organization may incur expenses on behalf of another, which are reimbursed.

During the year ended December 31, 2020, EIA incurred expenses of \$1,289 on behalf of the Environmental Investigation Agency (UK) Limited. These expenses were outstanding at year end and are included with grants and other receivables on the accompanying statement of financial position. These amounts have been reimbursed subsequent to year-end.

9. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following at December 31, 2020:

Cash and cash equivalents	\$ 3,623,084
Investments	518,996
Grants and other receivables	248,927
Less: Donor restricted funds	(2,116,085)
Less: Board designated funds	<u>(441,282)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,833,640</u>
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EIA has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2020, The governing Board has established a fund 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.

10. SUBSEQUENT EVENTS

In preparing these financial statements, EIA has evaluated events and transactions for potential recognition or disclosure through May 7, 2021, the date the financial statements were issued.

Subsequent to year end, EIA received notification that the Small Business Administration had approved forgiveness for the Paycheck Protection Program (PPP) loan, as discussed further in Note 5.