

# **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

**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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

April 29, 2019

**ENVIRONMENTAL INVESTIGATION AGENCY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

<b>ASSETS</b>		<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	2,095,955	\$ 1,343,611
Investments		438,014	390,105
Grants and other receivables		1,441,636	1,564,946
Prepaid expenses		<u>82,643</u>	<u>79,740</u>
Total current assets		<u>4,058,248</u>	<u>3,378,402</u>
<b>FIXED ASSETS</b>			
Website		60,915	60,915
Furniture		72,781	66,614
Leasehold improvements		<u>63,911</u>	<u>63,911</u>
		197,607	191,440
Less: Accumulated depreciation and amortization		<u>(145,171)</u>	<u>(98,157)</u>
Net fixed assets		<u>52,436</u>	<u>93,283</u>
<b>OTHER ASSETS</b>			
Deposits		<u>200</u>	<u>200</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>4,110,884</u></b>	<b>\$ <u>3,471,885</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$	185,948	\$ 189,913
Grants payable		40,674	66,801
Deferred rent		<u>14,062</u>	<u>22,302</u>
Total current liabilities		240,684	279,016
<b>LONG-TERM LIABILITIES</b>			
Deferred rent, net of current portion		<u>-</u>	<u>14,062</u>
Total liabilities		<u>240,684</u>	<u>293,078</u>
<b>NET ASSETS</b>			
Without Donor Restrictions:			
Undesignated		903,031	720,382
Board designated		<u>266,343</u>	<u>221,142</u>
Total net assets without donor restrictions		1,169,374	941,524
With Donor Restrictions		<u>2,700,826</u>	<u>2,237,283</u>
Total net assets		<u>3,870,200</u>	<u>3,178,807</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>4,110,884</u></b>	<b>\$ <u>3,471,885</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, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>			<u>2017</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions and grants	\$ 623,497	\$ 5,047,768	\$ 5,671,265	\$ 5,050,140
Investment (loss) income, net	(11,628)	6,726	(4,902)	22,895
In-kind contributions	1,970	-	1,970	10,637
Net assets released from donor restrictions	<u>4,590,951</u>	<u>(4,590,951)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>5,204,790</u>	<u>463,543</u>	<u>5,668,333</u>	<u>5,083,672</u>
<b>EXPENSES</b>				
Program Services:				
Global Climate Campaign	261,027	-	261,027	294,648
Cetaceans Campaign	264,501	-	264,501	219,337
Elephants Campaign	867,395	-	867,395	531,949
Forest Campaign	<u>3,492,640</u>	<u>-</u>	<u>3,492,640</u>	<u>3,506,316</u>
Total program services	<u>4,885,563</u>	<u>-</u>	<u>4,885,563</u>	<u>4,552,250</u>
Supporting Services:				
Management and General	64,760	-	64,760	86,738
Fundraising	<u>26,617</u>	<u>-</u>	<u>26,617</u>	<u>29,006</u>
Total supporting services	<u>91,377</u>	<u>-</u>	<u>91,377</u>	<u>115,744</u>
Total expenses	<u>4,976,940</u>	<u>-</u>	<u>4,976,940</u>	<u>4,667,994</u>
Change in net assets	227,850	463,543	691,393	415,678
Net assets at beginning of year	<u>941,524</u>	<u>2,237,283</u>	<u>3,178,807</u>	<u>2,763,129</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,169,374</u></b>	<b><u>\$ 2,700,826</u></b>	<b><u>\$ 3,870,200</u></b>	<b><u>\$ 3,178,807</u></b>

**ENVIRONMENTAL INVESTIGATION AGENCY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018								2017	
	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	\$ 157,794	\$ 105,580	\$ 269,315	\$ 1,378,329	\$ 1,911,018	\$ 109,687	\$ 16,493	\$ 126,180	\$ 2,037,198	\$ 2,115,132
Benefits	18,926	14,598	36,510	111,563	181,597	31,889	2,055	33,944	215,541	199,925
Payroll taxes / fees	12,482	8,248	19,084	92,515	132,329	18,709	1,200	19,909	152,238	155,141
Contract labor	2,490	6,469	654	309,112	318,725	624	-	624	319,349	367,322
Media and communications	4,881	695	8,043	63,574	77,193	40,035	2,909	42,944	120,137	103,952
Workshops, conferences and training	-	-	-	13,899	13,899	-	-	-	13,899	37,965
Office expenses and IT cost	1,784	1,113	5,043	33,460	41,400	12,999	-	12,999	54,399	44,649
Accounting and audit	-	-	-	12,880	12,880	20,908	-	20,908	33,788	24,895
Travel	36,601	24,195	35,528	188,374	284,698	4,063	496	4,559	289,257	340,924
Subgrants	-	6,500	96,631	498,770	601,901	-	-	-	601,901	509,071
Occupancy	-	-	-	-	-	193,733	-	193,733	193,733	196,076
Depreciation and amortization	-	-	-	-	-	47,014	-	47,014	47,014	45,076
EIA UK subgrants	-	62,000	327,000	415,000	804,000	-	-	-	804,000	460,492
Insurance	-	-	-	-	-	55,043	-	55,043	55,043	48,753
Partner fees, contributions and dues	-	489	250	4,127	4,866	189	-	189	5,055	5,397
Legal and incorporation fees	-	-	-	7,860	7,860	21,855	-	21,855	29,715	8,046
Bank charges and wire fees	154	88	234	2,259	2,735	859	-	859	3,594	3,586
Other	-	-	-	125	125	954	-	954	1,079	1,592
Subtotal	235,112	229,975	798,292	3,131,847	4,395,226	558,561	23,153	581,714	4,976,940	4,667,994
Management and general allocation	25,915	34,526	69,103	360,793	490,337	(493,801)	3,464	(490,337)	-	-
<b>TOTAL</b>	<b>\$ 261,027</b>	<b>\$ 264,501</b>	<b>\$ 867,395</b>	<b>\$ 3,492,640</b>	<b>\$ 4,885,563</b>	<b>\$ 64,760</b>	<b>\$ 26,617</b>	<b>\$ 91,377</b>	<b>\$ 4,976,940</b>	<b>\$ 4,667,994</b>

See accompanying notes to financial statements.

**ENVIRONMENTAL INVESTIGATION AGENCY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 691,393	\$ 415,678
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	47,014	45,076
Unrealized loss (gain)	10,903	(10,820)
Realized loss	9,101	-
Decrease (increase) in:		
Grants and other receivables	123,310	(1,391,956)
Prepaid expenses	(2,903)	(15,105)
Decrease in:		
Accounts payable and accrued liabilities	(3,965)	(8,531)
Grants payable	(26,127)	(29,846)
Deferred rent	<u>(22,302)</u>	<u>(15,514)</u>
Net cash provided (used) by operating activities	<u>826,424</u>	<u>(1,011,018)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(6,167)	(16,002)
Purchase of investments	(114,104)	(40,387)
Sale of investments	<u>46,191</u>	<u>-</u>
Net cash used by investing activities	<u>(74,080)</u>	<u>(56,389)</u>
Net increase (decrease) in cash and cash equivalents	752,344	(1,067,407)
Cash and cash equivalents at beginning of year	<u>1,343,611</u>	<u>2,411,018</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,095,955</u></b>	<b><u>\$ 1,343,611</u></b>



## ENVIRONMENTAL INVESTIGATION AGENCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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, 2017, 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. Interest and dividends, and realized and unrealized gains and losses are included in investment (loss) income 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.

## ENVIRONMENTAL INVESTIGATION AGENCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

##### Income taxes -

EIA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is immaterial. EIA is not a private foundation.

##### Uncertain tax positions -

For the year ended December 31, 2018, 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 -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) 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 (or certain grantors) 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 Statements of Activities and Changes in Net Assets as net assets released from donor restrictions.

##### Contributions and grants -

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with 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 restriction 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.

## ENVIRONMENTAL INVESTIGATION AGENCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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

##### Contributions and grants (continued) -

Accordingly, such grants are considered exchange transactions and are recorded as without donor restrictions 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. 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. 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, 2018

#### 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.

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. EIA has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. EIA has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

New accounting pronouncements (not yet adopted) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease 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. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

EIA plans to adopt the new ASUs at the respective required implementation dates.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$941,524 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$2,237,283 are now classified as net assets with donor restrictions.

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, 2018 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Equities	\$ 96,088	\$ -	\$ -	\$ 96,088
Government bonds	-	24,842	-	24,842
Certificates of deposit	-	317,084	-	317,084
<b>TOTAL</b>	<b>\$ 96,088</b>	<b>\$ 341,926</b>	<b>\$ -</b>	<b>\$ 438,014</b>

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 years ended December 31, 2018. 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.
- *Government bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**2. INVESTMENTS (Continued)**

Included in investment loss are the following for the year ended December 31, 2018:

Interest and dividends	\$ 15,102
Unrealized loss	(10,903)
Realized loss	<u>(9,101)</u>
<b>TOTAL INVESTMENT LOSS</b>	<b>\$ <u>(4,902)</u></b>

**3. BOARD DESIGNATED NET ASSETS**

As of December 31, 2018, net assets have been designated by the Board of Directors for the following purposes:

<b>Operating Reserve</b>	<b>\$ <u>266,343</u></b>
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**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2018:

Global Climate Campaign	\$ 329,600
Cetaceans Campaign	72,153
Elephants Campaign	207,055
Forest Campaign	<u>2,092,018</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ <u>2,700,826</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	\$ 220,374
Cetaceans Campaign	254,588
Elephants Campaign	630,218
Forest Campaign	<u>3,485,771</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$ <u>4,590,951</u></b>

**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 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.

**ENVIRONMENTAL INVESTIGATION AGENCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**5. LEASE COMMITMENTS (Continued)**

Subsequent to year-end, 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.

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.

The following is a schedule of future minimum lease payments:

**Year Ending December 31,**

2019	\$ 103,280
2020	182,645
2021	248,592
2022	254,807
2023	261,177
Thereafter	<u>2,099,071</u>
	<b><u>\$ 3,149,572</u></b>

Rent expense for the year ended December 31, 2018 totaled \$187,333, 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, 2018 totaled \$52,679.

**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, 2018, totaled \$804,000. Also, from time-to-time, each organization may incur expenses on behalf of another, which are reimbursed.

During the year ended December 31, 2018, EIA incurred expenses of \$5,457 on behalf of the Environmental Investigation Agency (UK) Limited. These expenses were all reimbursed during the year ended December 31, 2018 and there were no outstanding amounts at year end.

ENVIRONMENTAL INVESTIGATION AGENCY

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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, 2018:

Cash and cash equivalents	\$ 2,095,955
Investments	438,014
Grants and other receivables	1,441,636
Less: Donor restricted funds	(2,700,826)
Less: Board designated funds	<u>(266,343)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 1,008,436</u></b>

EIA has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018, 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. EIA has financial assets equal to approximately 2.5 months of operating expenses.

9. SUBSEQUENT EVENTS

In preparing these financial statements, EIA has evaluated events and transactions for potential recognition or disclosure through April 29, 2019, the date the financial statements were issued.