

## **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2011  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2010**

# ENVIRONMENTAL INVESTIGATION AGENCY

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statement of Financial Position, as of December 31, 2011, with Summarized Financial Information for 2010	3
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2011, with Summarized Financial Information for 2010	4
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2011, with Summarized Financial Information for 2010	5 - 6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2011, with Summarized Financial Information for 2010	7
NOTES TO FINANCIAL STATEMENTS	8 - 13



**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statement of financial position of the Environmental Investigation Agency (EIA) as of December 31, 2011, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of EIA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from EIA's 2010 financial statements and, in our report dated May 10, 2011, we expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EIA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EIA as of December 31, 2011, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

July 6, 2012

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFPCA.COM

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

**ENVIRONMENTAL INVESTIGATION AGENCY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2011**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

<b>ASSETS</b>		<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	1,230,726	\$ 916,236
Investments (Notes 2 and 9)		167,637	140,796
Grants and other receivables (Note 3)		690,379	113,947
Prepaid expenses		<u>20,667</u>	<u>-</u>
Total current assets		<u>2,109,409</u>	<u>1,170,979</u>
<b>FIXED ASSETS</b>			
Furniture		3,203	3,203
Less: Accumulated depreciation		<u>(3,159)</u>	<u>(2,091)</u>
Net fixed assets		<u>44</u>	<u>1,112</u>
<b>OTHER ASSETS</b>			
Deposits		2,500	-
Grants receivable, net of current portion (Note 3)		<u>25,000</u>	<u>-</u>
Total other assets		<u>27,500</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>2,136,953</u></b>	<b>\$ <u>1,172,091</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities (Note 8)	\$	121,608	\$ 85,335
Refundable advance		<u>-</u>	<u>67,518</u>
Total current liabilities		<u>121,608</u>	<u>152,853</u>
<b>NET ASSETS</b>			
Unrestricted:			
Undesignated		457,623	362,510
Board designated (Note 4)		<u>167,637</u>	<u>140,796</u>
Total unrestricted		625,260	503,306
Temporarily restricted (Note 5)		<u>1,390,085</u>	<u>515,932</u>
Total net assets		<u>2,015,345</u>	<u>1,019,238</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>2,136,953</u></b>	<b>\$ <u>1,172,091</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, 2011**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	<u>2011</u>			<u>2010</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Contributions	\$ 37,409	\$ 2,418,535	\$ 2,455,944	\$ 1,450,313
Grants	809,816	-	809,816	368,684
Investment (loss) income (Note 2)	(824)	-	(824)	16,533
Net assets released from donor restrictions (Note 5)	<u>1,544,382</u>	<u>(1,544,382)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,390,783</u>	<u>874,153</u>	<u>3,264,936</u>	<u>1,835,530</u>
<b>EXPENSES</b>				
Program Services:				
Global Climate Campaign	497,614	-	497,614	163,572
Cetaceans Campaign	100,772	-	100,772	192,352
Elephants Campaign	52,398	-	52,398	101,565
Forest Campaign	<u>1,361,200</u>	<u>-</u>	<u>1,361,200</u>	<u>1,276,204</u>
Total program services	<u>2,011,984</u>	<u>-</u>	<u>2,011,984</u>	<u>1,733,693</u>
Supporting Services:				
Management and General	176,402	-	176,402	154,199
Fundraising	<u>80,443</u>	<u>-</u>	<u>80,443</u>	<u>64,368</u>
Total supporting services	<u>256,845</u>	<u>-</u>	<u>256,845</u>	<u>218,567</u>
Total expenses	<u>2,268,829</u>	<u>-</u>	<u>2,268,829</u>	<u>1,952,260</u>
Change in net assets	121,954	874,153	996,107	(116,730)
Net assets at beginning of year	<u>503,306</u>	<u>515,932</u>	<u>1,019,238</u>	<u>1,135,968</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 625,260</u></b>	<b><u>\$ 1,390,085</u></b>	<b><u>\$ 2,015,345</u></b>	<b><u>\$ 1,019,238</u></b>

See accompanying notes to financial statements.

**ENVIRONMENTAL INVESTIGATION AGENCY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

**2011**

	<b>Program Services</b>				<b>Total Program Services</b>
	<b>Global Climate Campaign</b>	<b>Cetaceans Campaign</b>	<b>Elephants Campaign</b>	<b>Forest Campaign</b>	
Salaries	\$ 215,973	\$ 44,580	\$ 8,633	\$ 609,167	\$ 878,353
Benefits (Note 7)	15,806	2,918	564	31,170	50,458
Payroll taxes/fees	14,731	3,391	647	57,680	76,449
Contract labor	10,385	3,787	500	109,474	124,146
Media and communications	4,931	463	210	49,712	55,316
Workshops, conferences and training	-	-	-	44,929	44,929
Office expenses	2,958	101	-	10,412	13,471
Audit and accounting fees	-	-	-	10,910	10,910
Travel	35,286	-	-	123,676	158,962
Subgrants	-	-	1,060	51,801	52,861
Occupancy (Note 6)	-	-	-	-	-
Depreciation	-	-	-	-	-
EIA UK (Note 8)	165,039	33,870	37,330	99,035	335,274
Insurance	-	-	-	-	-
Government relations/advocacy	-	-	-	-	-
Partner fees, contributions and dues	-	-	-	835	835
Legal and incorporation fees	-	-	-	-	-
Bank service charges	60	-	-	683	743
<b>Subtotal</b>	<b>465,169</b>	<b>89,110</b>	<b>48,944</b>	<b>1,199,484</b>	<b>1,802,707</b>
Overhead allocation	32,445	11,662	3,454	161,716	209,277
<b>TOTAL</b>	<b>\$ 497,614</b>	<b>\$ 100,772</b>	<b>\$ 52,398</b>	<b>\$ 1,361,200</b>	<b>\$ 2,011,984</b>

See accompanying notes to financial statements.

<b>Supporting Services</b>					<b>2010</b>
<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>	
\$ 134,036	\$ 71,596	\$ 205,632	\$ 1,083,985	\$ 934,064	
13,924	2,866	16,790	67,248	49,173	
6,301	5,577	11,878	88,327	77,902	
30,540	-	30,540	154,686	54,892	
12,441	175	12,616	67,932	56,590	
-	-	-	44,929	13,281	
9,736	-	9,736	23,207	56,905	
72,489	-	72,489	83,399	20,013	
12,913	229	13,142	172,104	185,297	
-	-	-	52,861	380,745	
51,258	-	51,258	51,258	46,176	
1,068	-	1,068	1,068	1,112	
21,496	-	21,496	356,770	57,820	
16,667	-	16,667	16,667	6,890	
-	-	-	-	5,634	
-	-	-	835	2,835	
955	-	955	955	355	
1,855	-	1,855	2,598	2,576	
385,679	80,443	466,122	2,268,829	1,952,260	
(209,277)	-	(209,277)	-	-	
<b>\$ 176,402</b>	<b>\$ 80,443</b>	<b>\$ 256,845</b>	<b>\$ 2,268,829</b>	<b>\$ 1,952,260</b>	

See accompanying notes to financial statements.

**ENVIRONMENTAL INVESTIGATION AGENCY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 996,107	\$ (116,730)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,068	1,112
Net realized and unrealized loss (gain)	7,108	(10,916)
(Increase) decrease in:		
Grants and other receivables	(601,432)	196,226
Prepaid expenses	(20,667)	-
Other current assets	-	2,500
Deposits	(2,500)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	36,273	47,409
Refundable advance	<u>(67,518)</u>	<u>67,518</u>
Net cash provided by operating activities	<u>348,439</u>	<u>187,119</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchases and sales of investments	<u>(33,949)</u>	<u>(898)</u>
Net cash used by investing activities	<u>(33,949)</u>	<u>(898)</u>
Net increase in cash and cash equivalents	314,490	186,221
Cash and cash equivalents at beginning of year	<u>916,236</u>	<u>730,015</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,230,726</u></b>	<b><u>\$ 916,236</u></b>



# ENVIRONMENTAL INVESTIGATION AGENCY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### Organization -

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

#### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with EIA's financial statements for the year ended December 31, 2010, 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.

At times during the year, EIA maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

#### Investments -

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

#### Grants and other receivables -

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

#### Fixed assets -

Fixed assets in excess of \$2,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

#### Income taxes -

EIA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. EIA is not a private foundation.

# ENVIRONMENTAL INVESTIGATION AGENCY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

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

#### Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2011, EIA has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

#### Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of EIA and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of EIA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by EIA. As of December 31, 2011, there were no permanently restricted net assets.

#### Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

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

#### 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.

# ENVIRONMENTAL INVESTIGATION AGENCY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

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

Fair value measurements -

EIA adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. 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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

### 2. INVESTMENTS

Investments consisted of the following at December 31, 2011:

	<u>Market Value</u>
Equities	\$ 48,090
Certificates of deposit	<u>119,547</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 167,637</u></b>

Included in investment loss are the following:

Interest and dividends	\$ 6,284
Unrealized loss	<u>(7,108)</u>
<b>TOTAL INVESTMENT LOSS</b>	<b><u>\$ (824)</u></b>

**ENVIRONMENTAL INVESTIGATION AGENCY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**3. GRANTS AND OTHER RECEIVABLES**

All grants and other receivables are considered to be collectible within one year, unless otherwise stated by the donor.

Grants and other receivables are due as follows at December 31, 2011:

Less than one year	\$ 690,379
One to five years	<u>25,000</u>
<b>TOTAL GRANTS AND OTHER RECEIVABLES</b>	<b><u>\$ 715,379</u></b>

**4. BOARD DESIGNATED NET ASSETS**

As of December 31, 2011, net assets have been designated by the Board of Directors for the following purposes:

<b>Operating Reserve</b>	<b><u>\$ 167,637</u></b>
--------------------------	--------------------------

**5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2011:

Global Climate Campaign	\$ 726,510
Cetaceans Campaign	80,596
Elephants Campaign	10,566
Forest Campaign	<u>572,413</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$1,390,085</u></b>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Global Climate Campaign	\$ 497,614
Cetaceans Campaign	100,772
Elephants Campaign	31,610
Forest Campaign	<u>914,386</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$1,544,382</u></b>

**6. LEASE COMMITMENTS**

EIA leases office space, which originated in May 2008. During March 2012, EIA extended its lease agreement through April 30, 2013. Base rent is \$48,060 per year plus fees for various tenant services, which are determined by use and on a monthly basis. The base rent increases by 4% each year commencing May 1.

## ENVIRONMENTAL INVESTIGATION AGENCY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

#### 6. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments as of December 31, 2011:

#### Year Ended December 31,

2012	\$ 49,342
2013	<u>16,661</u>
	<u>\$ 66,003</u>

Rent expense for the year ended December 31, 2011 totaled \$49,670.

#### 7. RETIREMENT PLAN

EIA has adopted a defined contribution plan for all eligible employees. Matching employer contributions to the plan are on a discretionary basis. During the year ended December 31, 2011, no matching contributions were made.

#### 8. RELATED PARTY

EIA cooperates with the Environmental Investigation Agency Charitable Trust, a United Kingdom charitable organization and the Environmental Investigation Agency 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. From time-to-time, each organization may incur expenses on behalf of another, which are reimbursed. As of December 31, 2011, EIA was owed \$7,339 from the Environmental Investigation Agency Limited which is included in accounts payable and accrued liabilities in the accompanying statement of financial position.

#### 9. FAIR VALUE MEASUREMENTS

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

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

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

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

9. FAIR VALUE MEASUREMENTS (Continued)

**Level 3.** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2011.

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

The table below summarizes, by level within the fair value hierarchy, EIA's investments as of December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Equities	\$ 48,090	\$ -	\$ -	\$ 48,090
Certificates of deposit	<u>-</u>	<u>119,547</u>	<u>-</u>	<u>119,547</u>
<b>TOTAL</b>	<b><u>\$ 48,090</u></b>	<b><u>\$ 119,547</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 167,637</u></b>

10. SUBSEQUENT EVENTS

In preparing these financial statements, EIA has evaluated events and transactions for potential recognition or disclosure through July 6, 2012, the date the financial statements were issued.