

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2012**

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, 2013, 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2013, 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.

Report on Summarized Comparative Information

We have previously audited EIA's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



May 28, 2014

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

ASSETS		<u>2013</u>	<u>2012</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,107,934	\$ 1,406,041	
Investments (Notes 2 and 8)	329,390	184,206	
Grants and other receivables (Note 7)	236,577	292,718	
Prepaid expenses	<u>18,129</u>	<u>11,036</u>	
Total current assets	<u>2,692,030</u>	<u>1,894,001</u>	
FIXED ASSETS			
Furniture	38,325	18,411	
Less: Accumulated depreciation	<u>(14,681)</u>	<u>(6,209)</u>	
Net fixed assets	<u>23,644</u>	<u>12,202</u>	
OTHER ASSETS			
Deposits	9,568	14,368	
Grants receivable, net of current portion	<u>-</u>	<u>97,277</u>	
Total other assets	<u>9,568</u>	<u>111,645</u>	
TOTAL ASSETS	<u>\$ 2,725,242</u>	<u>\$ 2,017,848</u>	
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 105,180	\$ 92,939	
Refundable advance	44,481	-	
Grants payable	<u>613,722</u>	<u>153,380</u>	
Total current liabilities	<u>763,383</u>	<u>246,319</u>	
NET ASSETS			
Unrestricted:			
Undesignated	508,961	490,476	
Board designated (Note 3)	<u>201,467</u>	<u>184,206</u>	
Total unrestricted	710,428	674,682	
Temporarily restricted (Note 4)	<u>1,251,431</u>	<u>1,096,847</u>	
Total net assets	<u>1,961,859</u>	<u>1,771,529</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,725,242</u>	<u>\$ 2,017,848</u>	

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>2013</u>			<u>2012</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions and grants	\$ 593,014	\$ 4,468,106	\$ 5,061,120	\$ 3,124,448
Investment income (Note 2)	20,383	783	21,166	18,275
In-kind contributions	413,873	-	413,873	339,535
Net assets released from donor restrictions (Note 4)	<u>4,314,305</u>	<u>(4,314,305)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>5,341,575</u>	<u>154,584</u>	<u>5,496,159</u>	<u>3,482,258</u>
EXPENSES				
Program Services:				
Global Climate Campaign	1,654,175	-	1,654,175	1,157,627
Cetaceans Campaign	123,459	-	123,459	234,783
Elephants Campaign	296,410	-	296,410	111,062
Forest Campaign	<u>3,167,546</u>	<u>-</u>	<u>3,167,546</u>	<u>2,048,722</u>
Total program services	<u>5,241,590</u>	<u>-</u>	<u>5,241,590</u>	<u>3,552,194</u>
Supporting Services:				
Management and General	21,696	-	21,696	109,561
Fundraising	<u>42,543</u>	<u>-</u>	<u>42,543</u>	<u>64,319</u>
Total supporting services	<u>64,239</u>	<u>-</u>	<u>64,239</u>	<u>173,880</u>
Total expenses	<u>5,305,829</u>	<u>-</u>	<u>5,305,829</u>	<u>3,726,074</u>
Change in net assets	35,746	154,584	190,330	(243,816)
Net assets at beginning of year	<u>674,682</u>	<u>1,096,847</u>	<u>1,771,529</u>	<u>2,015,345</u>
NET ASSETS AT END OF YEAR	<u>\$ 710,428</u>	<u>\$ 1,251,431</u>	<u>\$ 1,961,859</u>	<u>\$ 1,771,529</u>

See accompanying notes to financial statements.

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	2013				
	Program Services				
	Global Climate Campaign	Cetaceans Campaign	Elephants Campaign	Forest Campaign	Total Program Services
Salaries	\$ 421,158	\$ 32,289	\$ 109,088	\$ 718,903	\$ 1,281,438
Benefits (Note 6)	30,068	4,881	9,668	40,914	85,531
Payroll taxes/fees	27,467	2,385	8,365	51,037	89,254
Contract labor	24,106	1,220	513	339,714	365,553
Media and communications	24,439	3,408	5,277	246,508	279,632
Workshops, conferences and training	759	-	500	5,702	6,961
Office expenses and IT cost	6,874	2,241	1,249	19,915	30,279
Accounting and audit	-	-	-	7,141	7,141
Travel	124,587	826	24,859	160,146	310,418
Subgrants	347,843	-	8,000	797,075	1,152,918
Occupancy (Note 5)	-	-	-	-	-
Depreciation	-	-	-	198	198
EIA UK (Note 7)	529,661	59,220	103,880	537,000	1,229,761
Insurance	-	-	-	-	-
Partner fees, contributions and dues	675	8,569	-	225	9,469
Legal and incorporation fees	-	-	-	1,455	1,455
Bank service charges	794	50	107	1,416	2,367
Other	580	-	-	-	580
Subtotal	1,539,011	115,089	271,506	2,927,349	4,852,955
Grant overhead allocation	115,164	8,370	24,904	240,197	388,635
TOTAL	\$ 1,654,175	\$ 123,459	\$ 296,410	\$ 3,167,546	\$ 5,241,590

See accompanying notes to financial statements.

2012				
Supporting Services				
Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
\$ 160,517	\$ 23,038	\$ 183,555	\$ 1,464,993	\$ 1,199,060
9,959	2,515	12,474	98,005	76,621
20,959	1,760	22,719	111,973	98,784
2,217	6,321	8,538	374,091	477,534
4,357	149	4,506	284,138	69,806
560	-	560	7,521	10,733
46,029	-	46,029	76,308	42,242
18,596	-	18,596	25,737	25,643
652	3,211	3,863	314,281	269,095
-	-	-	1,152,918	459,530
82,049	-	82,049	82,049	63,952
8,274	-	8,274	8,472	3,050
-	-	-	1,229,761	837,088
49,342	-	49,342	49,342	40,045
2,605	-	2,605	12,074	31,020
8,197	-	8,197	9,652	11,456
317	-	317	2,684	1,372
1,250	-	1,250	1,830	9,043
415,880	36,994	452,874	5,305,829	3,726,074
(394,184)	5,549	(388,635)	-	-
\$ 21,696	\$ 42,543	\$ 64,239	\$ 5,305,829	\$ 3,726,074

See accompanying notes to financial statements.

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 190,330	\$ (243,816)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,472	3,050
Unrealized gain	(12,560)	(12,001)
(Increase) decrease in:		
Grants and other receivables	153,418	325,384
Prepaid expenses	(7,093)	9,631
Deposits	4,800	(11,868)
Increase (decrease) in:		
Accounts payable and accrued liabilities	12,241	(28,669)
Refundable advance	44,481	-
Grants payable	<u>460,342</u>	<u>153,380</u>
Net cash provided by operating activities	<u>854,431</u>	<u>195,091</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(19,914)	(15,208)
Net purchases and sales of investments	<u>(132,624)</u>	<u>(4,568)</u>
Net cash used by investing activities	<u>(152,538)</u>	<u>(19,776)</u>
Net increase in cash and cash equivalents	701,893	175,315
Cash and cash equivalents at beginning of year	<u>1,406,041</u>	<u>1,230,726</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,107,934</u>	<u>\$ 1,406,041</u>

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

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, 2012, from which the summarized information was derived.

Cash and cash equivalents -

EIA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, EIA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

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

Grants and other receivables -

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

Fixed assets -

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

Income taxes -

EIA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

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

Income taxes (continued) -

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, 2013, 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.

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, 2013, 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.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

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

Contributions and grants (continued) -

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

In-kind contributions -

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

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

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

Risks and uncertainties -

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

Fair value measurement -

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

2. INVESTMENTS

Investments consisted of the following at December 31, 2013:

	<u>Fair Value</u>
Equities	\$ 75,785
Certificates of deposit	<u>253,605</u>
TOTAL INVESTMENTS	<u>\$ 329,390</u>

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. INVESTMENTS (Continued)

Included in investment income are the following at December 31, 2013:

Interest and dividends	\$ 8,606
Unrealized gain	<u>12,560</u>
TOTAL INVESTMENT INCOME	<u>\$ 21,166</u>

3. BOARD DESIGNATED NET ASSETS

As of December 31, 2013, net assets have been designated by the Board of Directors for the following purposes:

Operating Reserve	<u>\$ 201,467</u>
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4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013:

Global Climate Campaign	\$ 130,168
Cetaceans Campaign	72,420
Elephants Campaign	63,916
Forest Campaign	<u>984,927</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,251,431</u>

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

Global Climate Campaign	\$ 1,654,174
Cetaceans Campaign	123,459
Elephants Campaign	68,755
Forest Campaign	<u>2,467,917</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 4,314,305</u>

5. LEASE COMMITMENTS

EIA leases office space, which originated in May 2008. During 2013, EIA extended its lease agreement through August 30, 2014. 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, 2013

5. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments as of December 31, 2013:

Year Ending December 31, 2014	\$ <u>43,995</u>
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Rent expense for the year ended December 31, 2013 totaled \$71,241, and it is included in occupancy expense in the accompanying Statement of Functional Expenses.

6. 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, 2013, no matching contributions were made.

7. RELATED PARTY

EIA cooperates with the Environmental Investigation Agency Trust, a United Kingdom charitable organization and the Environmental Investigation Agency (UK) Limited, a United Kingdom not-for-profit organization, both of which have a common mission with EIA. While there is no controlling interest, one Director of EIA is also a Trustee or a Director of the cooperating agencies. EIA grants funds to the Environmental Investigation Agency (UK) Limited in order to carry out certain projects. Also, from time-to-time, each organization may incur expenses on behalf of another, which are reimbursed. As of December 31, 2013, EIA was owed \$5,788 from the Environmental Investigation Agency (UK) Limited, which was included in other receivables in the accompanying Statement of Financial Position.

8. FAIR VALUE MEASUREMENT

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

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

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

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

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

8. FAIR VALUE MEASUREMENT (Continued)

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, 2013.

- *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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Equities	\$ 75,785	\$ -	\$ -	\$ 75,785
Certificates of deposit	<u>-</u>	<u>253,605</u>	<u>-</u>	<u>253,605</u>
TOTAL	<u>\$ 75,785</u>	<u>\$ 253,605</u>	<u>\$ -</u>	<u>\$ 329,390</u>

9. SUBSEQUENT EVENTS

In preparing these financial statements, EIA has evaluated events and transactions for potential recognition or disclosure through May 28, 2014, the date the financial statements were issued.