EARTH INNOVATION INSTITUTE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

A Division of SingerLewak

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Earth Innovation Institute

Report on the Financial Statements

We have audited the accompanying financial statements of Earth Innovation Institute (the "Organization"), which comprise the statement of financial position as of December 31, 2017, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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 Organization'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 Organization'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 the Organization as of December 31, 2017, and the changes 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 the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the restated audited financial statements from which it has been derived.

Singer Lewak LLP

July 8, 2018

EARTH INNOVATION INSTITUTE

STATEMENT OF FINANCIAL POSITION

December 31, 2017

(Comparative Information at December 31, 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 566,950	$ 161,246
Restricted cash	834,999	234,985
Grants receivable, current portion	2,186,821	2,314,073
Accounts receivable	79,372	152,178
Prepaid expenses	31,949	28,079
Other assets	97,211	93,483
Total current assets	3,797,302	2,984,044
Noncurrent assets		
Grants receivable, net of discount and current portion	1,705,101	2,988,114
Deposits	34,101	37,872
Total noncurrent assets	1,739,202	3,025,986
Total assets	**$ 5,536,504**	**$ 6,010,030**
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 195,252	$ 87,611
Grants and direct assistance payable	253,490	150,733
Accrued vacation	33,437	46,115
Accrued expenses	33,365	33,285
Total liabilities	515,544	317,744
Net assets		
Unrestricted	320,388	281,619
Temporarily restricted	4,700,572	5,410,667
Total net assets	5,020,960	5,692,286
Total liabilities and net assets	**$ 5,536,504**	**$ 6,010,030**

The accompanying notes are an integral part of these financial statements.

EARTH INNOVATION INSTITUTE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

(Summarized Comparative Information for the Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Revenue				
Grants and contributions	$ 45,070	$ 3,271,157	$ 3,316,227	$ 8,408,821
Contracts	423,154	-	423,154	589,219
Refund on grants and direct assistance	-	-	-	-
In-kind donations	66,408	-	66,408	97,748
Other income	2,289	-	2,289	3,199
Interest income	450	-	450	1,023
Foreign currency translation gain (loss)	-	559,211	559,211	(210,277)
	537,371	3,830,368	4,367,739	8,889,733
Net assets released from restrictions				
Satisfaction of program restrictions	4,540,463	(4,540,463)	-	-
Total revenue	5,077,834	(710,095)	4,367,739	8,889,733
Expenses				
Program services	4,954,498	-	4,954,498	4,425,830
Supporting services				
Management and general	71,495	-	71,495	164,891
Fundraising	13,072	-	13,072	95,512
Total expenses	5,039,065	-	5,039,065	4,686,233
Change in net assets	38,769	(710,095)	(671,326)	4,203,500
Net assets, beginning of year	281,619	5,410,667	5,692,286	1,488,786
Net assets, end of year	**$ 320,388**	**$ 4,700,572**	**$ 5,020,960**	**$ 5,692,286**

EARTH INNOVATION INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017
(Summarized Comparative Information for the Year Ended December 31, 2016)

	Program Services				
	Commodities	Policy	Small-holders	Science	Total Program Services
Personnel expenses	$ 595,257	$ 674,369	$ 165,467	$ 224	$ 1,435,317
Grants and direct assistance	812,768	511,226	221,674	-	1,545,668
Contract services	572,447	313,604	95,066	-	981,117
Operations	196,491	90,353	25,755	2	312,601
Professional services	38,757	36,965	5,270	-	80,992
Facilities and equipment	2,701	2,650	112	-	5,463
Other program implementation	62,059	111,531	6,750	-	180,340
Business expenses	13,252	-	90	-	13,342
Miscellaneous expenses	10	-	-	-	10
Allocated overhead	204,530	155,090	40,004	24	399,648
Total expenses	**$ 2,498,272**	**$ 1,895,788**	**$ 560,188**	**$ 250**	**$ 4,954,498**

	Supporting Services				
	Management & General	Fundraising	Total Supporting Services	Total 2017	Total 2016
Personnel expenses	$ 88,882	$ 6,971	$ 95,853	$ 1,531,170	$ 1,685,558
Grants and direct assistance	-	-	-	1,545,668	1,043,943
Contract services	3,027	375	3,402	984,519	824,011
Operations	135,592	4,150	139,742	452,343	622,211
Professional services	117,228	-	117,228	198,220	193,267
Facilities and equipment	127,305	-	127,305	132,768	174,995
Other program implementation	-	-	-	180,340	128,748
Business expenses	575	-	575	13,917	11,822
Miscellaneous expenses	110	-	110	120	1,678
Allocated overhead	(401,224)	1,576	(399,648)	-	-
Total expenses	**$ 71,495**	**$ 13,072**	**$ 84,567**	**$ 5,039,065**	**$ 4,686,233**

The accompanying notes are an integral part of these financial statements.

EARTH INNOVATION INSTITUTE

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

(Comparative Information for the Year Ended December 31, 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	$ (671,326)	$ 4,203,500
Adjustments to reconcile change in net assets to net cash used by operating activities		
Loss on disposal of construction in process	-	52,400
Change in operating assets and liabilities		
Grants receivable	1,410,265	(4,690,982)
Accounts receivable	72,806	177,896
Prepaid expenses	(3,870)	12,968
Other assets	(3,728)	7,082
Deposits	3,771	(15,601)
Accounts payable	107,641	(199,750)
Grants and direct assistance payable	102,757	(41,509)
Accrued vacation	(12,678)	6,442
Accrued expenses	80	(4,238)
Deferred revenue	-	(73,892)
Net cash used by operating activities	1,005,718	(565,684)
Net change in cash, cash equivalents, and restricted cash	1,005,718	(565,684)
Cash, cash equivalents, and restricted cash, beginning of year	$ 396,231	$ 961,915
Cash, cash equivalents, and restricted cash, end of year	$ 1,401,949	$ 396,231

The accompanying notes are an integral part of these financial statements.

NOTE 1 – NATURE OF ACTIVITIES

Earth Innovation Institute (the "Organization") pursues the goals of slowing climate change, conserving tropical forests and fisheries, and improving rural livelihoods by promoting sustainable rural development through a blend of research, consensus-building, policy analysis and reform, and private sector engagement.

Key Program Areas:

Commodities
Expansion of cropland and pastures for the production of agricultural commodities such as palm oil, soy beans, beef and timber is an important driver of forest clearing and degradation, especially in the tropics. Earth Innovation Institute, together with partners, seeks to reduce the negative impacts of expanding commodity production by supporting regional dialogues among agriculture leaders, government and civil society to establish regional ("territorial") milestones for reducing deforestation and greenhouse gas emissions, increasing productivity, and eliminating chemical contamination. Our strategy strives to support and strengthen existing initiatives, such as commodity roundtable sustainability standards, by developing incentives for supporting the transition to sustainable production - especially among smallholders.

Policy
Sound public policy is critical to confronting humanity's most urgent environmental challenges: climate change, forest loss, and the scarcity of arable land. Earth Innovation Institute works to achieve transformative change at all levels of government, internationally and in the regions where we and our partners work.

We encourage governments and international institutions to adopt, enforce, and strengthen policies that promote responsible natural resource management and improved livelihoods for local communities. We provide support and technical analyses to decision-makers and stakeholders. We seek smarter solutions to the major challenges, seizing opportunities to align policies, market forces, finance, and local governance to achieve the sustainable management of natural resources before they are depleted.

Smallholders
The expansion of commercial logging, agriculture, and fishing has led to land conflicts and depletion of forest and fisheries resources for the developing world's 1.5 billion smallholder households. Simultaneously, unclear land tenure and limited access to technical assistance, credit, and quality inputs make it difficult for most smallholders to meet increasingly rigorous production standards and access modern markets.

Commercial partnerships between smallholders and agribusinesses can provide the assistance that smallholders need. Earth Innovation Institute is working to develop regional governance conditions that ensure equitable contract arrangements as the basis for an inclusive rural development strategy in which integration into sustainable supply chains drives low-emission rural development.

NOTE 1 – NATURE OF ACTIVITIES (Continued)

Science
At Earth Innovation Institute, we believe that rigorously established evidence and broad dissemination of information is the basis for good policy-making and progressive social change. Our Science program focuses on designing and conducting research and analysis driven by the environmental and socioeconomic challenges tropical nations face.

Together with our partners, we study diverse elements of these challenges including the nature of contract arrangements between smallholders and logging and agriculture companies, the impacts of fire and drought on rainforest ecology, the financial and policy barriers to sustainable land-use, the impacts of deforestation on hydropower generation, and methods for assessing fisheries and forest stocks at community levels.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP), which reflects revenues when earned and expenses as incurred.

Basis of Presentation
The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2017, the Organization has no permanently restricted net assets.

Cash and Cash Equivalents
For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less at the purchase date to be cash equivalents.

Restricted Cash
Restricted cash represents funds received from the Norwegian Agency for Development Cooperation that are required to be held in a separate bank account, and are limited in use to expenses under the related grant.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual events and results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue
Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a donor-specified restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

Grants and Accounts Receivable
Grants and Accounts Receivable relate primarily to governmental entities, nonprofits, and private foundations. Based on receivable support, confirmations and subsequent collections, management has determined that no allowance for uncollectible receivables is considered necessary. Unconditional grants and accounts receivables are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional grants and accounts receivables are recorded at net realizable value.

Contract and Contributions Receivable
Unconditional contracts and contributions receivables are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional contracts and contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Fixed Assets
The Organization records acquisitions of items with a cost of $5,000 or more as fixed assets. Fixed assets are recorded at cost when purchased or at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the fixed assets. As of December 31, 2017, the Organization had no fixed assets.

Grants and Direct Assistance
Payments to entities in and outside the United States by the Organization are only made upon execution of a written agreement signed by the two parties outlining the terms and conditions of use of the funds. Terms require the recipient to submit periodic accounting of use of funds and reporting on activities and progress made under the purpose as defined in the agreement. Additional monitoring requirements are implemented when pertinent, such as expanded financial reports, external project audit reports, copies of receipts and site visits. The Organization's program and administrative staff monitor performance and adherence to the terms of the agreement, and no subsequent payments are made until the recipient has demonstrated compliance with the agreement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services
The Organization recognizes donated services and goods in-kind when (a) the services required specialized knowledge or skill and (b) if the services or goods were not donated, the Organization would have purchased the services at fair market value. The Organization received $66,408 of in-kind advertising during the year ended December 31, 2017.

Allocation of Functional Expenses
Salaries are directly allocated to supporting and program services based on employees timekeeping by activity. Common costs are allocated based primarily on the ratio of direct costs of each activity to total direct costs.

Income Taxes
The Organization is exempt from income taxes under Internal Revenue Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Comparative Financial Information
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 the Organization's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Recent Accounting Pronouncements
In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Organization beginning on January 1, 2019. The adoption of ASU 2016-18 is not expected to have a material impact on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)
In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements. The Organization currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the balance sheet in amounts that will be material.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at one financial institution, where accounts are insured up to $250,000. At December 31, 2017, The Organization's uninsured cash balance totaled $1,133,143. The Organization does not believe that it is exposed to any significant risk in connection with these cash balances.

At December 31, 2017, two donors comprised approximately 92% of The Organization's grants receivable, 90% of grant revenue and 68% of total revenue for the year then ended.

NOTE 4 – GRANTS RECEIVABLE

Due in less than one year	$ 2,186,821
Due in two to three years	1,790,616
Total grants receivable	3,977,437
Less: discount to present value	(85,515)
Net grants receivable	**$ 3,891,922**

Grants receivable to be received after December 31, 2018 are discounted at 2.11%, which is based on the IRS risk free mid-term rate at December 31, 2017 and approximates the fair value of the assets.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

	Beginning	**Additions**	**Releases**	**Ending**
Restricted as to purpose:				
Policy	$ 4,410,033	$ 663,621	$ (1,600,835)	$ 3,472,819
Smallholders	725,035	-	(460,462)	264,573
Commodities	275,599	3,166,747	(2,479,166)	963,180
Total	**$ 5,410,667**	**$ 3,830,368**	**$ (4,540,463)**	**$ 4,700,572**

NOTE 6 – LEASE COMMITMENTS

The Organization signed a lease for office space under a non-cancelable operating lease expiring in May 2020. The lease calls for base monthly rent of $10,403 with 3% annual increases over the term of the lease, and additional monthly common area maintenance (CAM) expenses based 5.5% of the Landlord's calculated operating costs.

Future minimum annual lease payment under this lease are as follows:

Year Ending December 31,	
2018	$ 128,575
2019	132,432
2020	136,405
Total	**$ 397,412**

NOTE 7 – PENSION PLAN

Effective July 1, 2012, The Organization established a Simplified Employee Pension (SEP) Plan under Section 408(k) of the Internal Revenue Code. With this plan, the employer agrees to provide discretionary contributions in each calendar year to the individual retirement account or individual retirement annuity (IRA) of all employees who are at least 21 years old and have performed at least one year of service. The Organization's contribution equals 10% of eligible employees' salary. The related expense for the year ended December 31, 2017 was $109,074.

NOTE 8 – CONDITIONAL GRANT

In 2016, The Organization received a five-year grant from the Norwegian Agency for Development Cooperation (Norad) in the amount of NOK 65,000,000. As of December 31, 2017, NOK 30,000,000 (USD 3,649,770) of this grant is deemed conditional based on annual appropriation by the Norwegian Parliament.

The conditional portion of the grant will not be recognized as an asset or revenue until the appropriation has been approved by the grantor. Future disbursements scheduled for approval are as follows:

Year Ended December 31,	
2018	NOK 6,000,000
2019	12,000,000
2020	12,000,000
Total	**NOK 30,000,000**

The Organization expects to fulfill the terms of the conditional grant. For the year ended December 31, 2017, the Organization recognized NOK 24,826,771 (USD 3,006,555) of revenue related to this grant.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 8, 2018, the date on which the financial statements were available to be issued, and determined there were no subsequent events to be reported.