Earth
Innovation
Institute

FINANCIAL REPORT
DECEMBER 31, 2019

EARTH INNOVATION INSTITUTE
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SingerLewak
Accountants & Consultants

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 "Institute"), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, 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 Institute'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 Institute'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 Institute as of December 31, 2019, 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.

Emphasis of Matter – Going Concern

The consolidated financial statements have been prepared assuming the Institute will continue as a going concern. Subsequent to December 31, 2019, the Institute has experienced a decline in the scale of operations and cash flows. Management's evaluation of the events and conditions and management's plans to continue as a going concern are described in Note 3. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Institute's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2020. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

March 25, 2021

EARTH INNOVATION INSTITUTE

STATEMENT OF FINANCIAL POSITION

December 31, 2019

(Summarized Information as of December 31, 2018)

ASSETS

	2019	2018
Current assets		
Cash and cash equivalents	$ 667,404	$ 850,157
Grants and contracts receivable	2,396,846	4,586,025
Accounts receivable	29,004	35,820
Prepaid expenses	32,524	14,168
Grant advances	586,306	165,277
Total current assets	3,712,084	5,651,447
Noncurrent assets		
Grants and contracts receivable	-	1,011,783
Deposits	23,065	34,101
Total noncurrent assets	23,065	1,045,884
Total assets	**$ 3,735,149**	**$ 6,697,331**

LIABILITIES AND NET ASSETS

	2019	2018
Current liabilities		
Accounts payable and accrued expenses	$ 548,909	$ 258,118
Grants and direct assistance payable	64,916	99,638
Total liabilities	613,825	357,756
Net assets		
Without donor restrictions	407,627	398,274
With donor restrictions	2,713,697	5,941,301
Total net assets	3,121,324	6,339,575
Total liabilities and net assets	**$ 3,735,149**	**$ 6,697,331**

See notes to financial statements.

EARTH INNOVATION INSTITUTE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

(Summarized Information for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals 2019	Totals 2018
Revenue				
Grants and contributions	$ 37,137	$ 2,867,725	$ 2,904,862	$ 6,028,159
Contracts	134,632	-	134,632	254,903
In-kind donations	4,133	-	4,133	6,582
Other income	4,983	-	4,983	6,113
Interest income	12	10,918	10,930	168
Net assets released from restrictions - satisfaction of program restrictions	6,106,247	(6,106,247)	-	-
Total revenue	6,287,144	(3,227,604)	3,059,540	6,295,925
Expenses				
Program services	6,120,551	-	6,120,551	4,950,876
Supporting services				
Management and general	5,430	-	5,430	15,985
Fundraising	26,577	-	26,577	10,449
Total expenses	6,152,558	-	6,152,558	4,977,310
Return of Grant Funds	125,233	-	125,233	-
Total expenses and losses	6,277,791	-	6,277,791	4,977,310
Change in net assets	9,353	(3,227,604)	(3,218,251)	1,318,615
Net assets, beginning of year	398,274	5,941,301	6,339,575	5,020,960
Net assets, end of year	**$ 407,627**	**$ 2,713,697**	**$ 3,121,324**	**$ 6,339,575**

See notes to financial statements.

EARTH INNOVATION INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

(Summarized Information for the Year Ended December 31, 2018)

	Program Services							Supporting Services			
	Brazil Program	Colombia Program	Indonesia Program	Peru Program	Other Regions Program	Global Program	Total	Management & General	Fundraising	2019 Total	2018 Total
Personnel	$ 463,732	$ 218,950	$ 286,371	$ 357,053	$ 118,317	$ 344,703	$ 1,789,126	$ 159,762	$ 19,484	$ 1,968,372	$ 1,606,801
Grants and direct assistance	398,935	103,672	264,539	961,605	91,296	-	1,820,047	-	-	1,820,047	1,349,571
Contract services	504,493	236,770	84,132	502,966	92,425	69,139	1,489,925	90	-	1,490,015	1,201,784
Operations	164,428	32,557	41,524	87,002	22,240	22,437	370,188	79,711	3,166	453,065	471,850
Professional services	8,600	5,144	6,235	4,661	2,513	4,278	31,431	79,283	1,024	111,738	111,667
Facilities and equipment	19,479	2,609	594	11,955	-	2,800	37,437	142,803	-	180,240	163,563
Other program implementation	43,226	4,206	3,280	69,032	1,110	1,014	121,868	-	-	121,868	58,325
Business	3,789	989	2,350	-	-	85	7,213	-	-	7,213	13,749
Total expenses by function	1,606,682	604,897	689,025	1,994,274	327,901	444,456	5,667,235	461,649	23,674	6,152,558	4,977,310
Allocated overhead	141,060	60,519	51,634	116,979	28,808	54,316	453,316	(456,219)	2,903	-	-
Total expenses after allocation	**$ 1,747,742**	**$ 665,416**	**$ 740,659**	**$ 2,111,253**	**$ 356,709**	**$ 498,772**	**$ 6,120,551**	**$ 5,430**	**$ 26,577**	**$ 6,152,558**	**$ 4,977,310**

See note to financial statements.

EARTH INNOVATION INSTITUTE

STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

(Summarized Information for the Year Ended December 31, 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (3,218,251)	$ 1,318,615
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in operating assets and liabilities:		
Grants receivable	3,200,962	(1,705,886)
Accounts receivable	6,816	43,552
Prepaid expenses	(18,356)	17,781
Other assets	(421,029)	(68,066)
Deposits	11,036	-
Accounts payable and accrued expenses	290,791	(3,936)
Grants and direct assistance payable	(34,722)	(153,852)
Net change in cash and cash equivalents	(182,753)	(551,792)
Cash and cash equivalents, beginning of year	850,157	1,401,949
Cash and cash equivalents, end of year	**$ 667,404**	**$ 850,157**

See notes to financial statements.

NOTE 1 – NATURE OF ORGANIZATION

Earth Innovation Institute (EII or the "Institute") pursues the goals of slowing climate change, conserving tropical forests and fisheries, and improving rural livelihoods by promoting sustainable, low-emission rural development through a blend of research, consensus-building, policy analysis and reform, and private sector engagement. EII pursues large-scale goals without becoming a large institution through strategic partnerships with other organizations. Some of our cross-cutting initiatives in support of our regional programs include research on the performance and effectiveness of low-emission rural development strategies, online platforms for providing access to information on tropical forest jurisdictions, and work in support of forest carbon markets to incentivize low-emissions development.

Key Program Areas

In all of EII regional programs, EII uses a similar approach to support the transitions of entire jurisdictions to a development pathway of sustainable, low-emission rural development. This approach includes the establishment of jurisdiction-wide goals that are understood and supported by key sectors, a system for monitoring and reporting on progress towards those goals, and incentive systems for driving progress towards these goals. EII works with jurisdictions on the implementation plan to manage these transitions.

<u>Brazil</u>
In Brazil, EII's work is focused on five states in the Amazon and Cerrado regions: Acre, Maranhão, Mato Grosso, Pará, and Tocantins. In each state, EII is supporting the government and other stakeholders to design and implement low-emission development strategies. EII's work includes support for state-wide consultations and support for indigenous peoples (Acre and Mato Grosso), sustainable aquaculture and wild fisheries management (all states, especially Pará), sustainable soybean production (Mato Grosso, Maranão, Tocantins), and forest carbon incentives for forest conservation. EII also works with the Ministry of Agriculture (MAPA) and Environment (MMA) at the federal level.

<u>Colombia</u>
In Colombia, EII's work is focused on the Department of Caquetá in the Amazon region with new partnerships under discussion with other Departments. EII's work here supports the government's territorial planning agenda, and the organization of cocoa and coffee supply chains to deliver sustainably-produced products to new markets and investors. At the national level, EII has supported FINAGRO of the Ministry of Agriculture to develop a line of sustainable finance.

<u>Indonesia</u>
EII's work in Indonesia has focused on supporting the provincial governments of Central Kalimantan and West Papua in the development of their low-emission development plans. EII has also supported District governments, for example, Seruyan in Central Kalimantan and Fak Fak in West Papua, to make their productions systems of palm oil and nutmeg, respectively, more sustainable with greater market access.

NOTE 1 – NATURE OF ORGANIZATION (Continued)

Peru
EII's work in Peru is focused on the Regional Governments of San Martin and Ucayali, although EII also provides support to the governments of other Amazon jurisdictions including Amazonas, Huánuco, Loreto, Piura and Madre de Dios. This work has supported each regional government to develop their low-emission rural development strategies and has also contributed to the creation and work of the "Public-Private Coalition for Low-Emission Rural Development of the Peruvian Amazon."

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).

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.

Comparative Financial Information
The financial statements include certain prior year summarized comparative information in total but not by net asset class or function. 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 Institute's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Cash and Cash Equivalents
The Institute considers all highly liquid financial instruments without donor restrictions with a maturity of three months or less at the purchase date to be cash equivalents.

Grants and Contracts Receivable
Grants and contracts consist primarily of noninterest-bearing amounts due from governmental entities, nonprofits, and private foundations. The Institute determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections and are written off when deemed uncollectable. At December 31, 2019 and 2018, management determined no allowance was necessary.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Institute records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Institute determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Grants and Direct Assistance

Payments to entities in and outside the United States by the Institute 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 Institute'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.

Net Assets

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.

- *Net Assets with Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donated Services

The Institute 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 Institute would have purchased the services at fair market value. For the years ended December 31, 2019 and 2018, the Institute received $4,133 and $6,582, respectively, of donated advertising.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition
The Institute recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Institutes revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under federal and state contracts and grants.

Functional Allocation of Expenses
Directly identifiable expenses are charged to programs and supporting services. Salaries are directly allocated to supporting and program services based on employees' timekeeping by activity. Indirect costs are costs incurred for common or joint objectives and therefore cannot be readily and specifically identified with a particular program, project or activity. These costs are grouped into a common pool and allocated to benefiting activities by a cost allocation process.

Foreign Currency Translation
Assets and liabilities denominated in foreign currencies are translated into U.S. dollars, the reporting currency at exchange rates in effect at the statement of financial position date, and revenue and expenses are translated at rates which approximate those in effect on transaction dates. Net transaction and translation losses totaled $63,761 and $203,528 for the years ended December 31, 2019 and 2018, respectively, and are included in grants and contributions on the accompanying statement of activities.

Income Taxes
The Institute is exempt from income taxes under Internal Revenue Code (IRC) §501(c)(3). The Institute qualifies for the charitable contribution deduction under IRC §170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under IRC §509(a)(1). As of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Recently Adopted Pronouncements
During the year ended December 31, 2019, the Institute adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 did not have a material impact on the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements
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. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2015-14 one year, making it effective for annual reporting periods beginning after December 15, 2020. The Institute believes the impact of its pending adoption of the new standard on its financial statements will be minimal.

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. 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. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021. The Institute is currently evaluating the impact of the pending adoption of the new standard on the financial statements. The Institute 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 September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. These presentation changes include: 1) Present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and 2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets with additional disclosures for each category presented. The amendments should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Institute is currently evaluating the impact of the adoption of this guidance on its financial statements.

NOTE 3 – GOING CONCERN

The impact of the ongoing COVID pandemic and notifications received from two sources that provided significant grand funding in prior years that the Institute was not selected to receive new grant funding (see Note 10) created an unprecedented challenge for the Institute and its ability to continue as a going concern for a reasonable period of time. In response to these circumstances, a Financial Resilience Committee composed of key board and staff of the Institute began meeting in two-week intervals to monitor results, identify opportunities and develop strategies. The following actions were taken:

Paycheck Protection Program (PPP)

- The Institute received a Paycheck Protection Program (PPP) loan totaling $319,477 (see Note 10) in 2020 and expects the loan to be fully forgiven.
- The Institute began the analysis necessary to determine if it qualifies for a second round Paycheck Protection Program loan in accordance with the legislation passed in December 2020.

Reduced and delayed expenditures

- The Institute has implemented staff austerity measures including workforce reductions, hour reductions, and salary reductions to decrease costs.
- The Institute has eliminated 2020 payments to the staff SEP IRA and has deferred the 2021 payment until funds are secured.
- The Institute has substantially decreased the operating expenditures including marketing, supplies, credit card fees, administration, utilities, and outside services.
- The Institute has made and will continue to negotiate payment deferral arrangements with key contractors to optimize cash usage.
- The Institute did not renew the lease for the 98 Battery Street, San Francisco location that expired in January 2021 (See Note 10).

Implementation of expanded fundraising activities

- The Institute is developing a new revenue model, including actively pursuing new earned income streams.
- In 2020, the Institute submitted over 45 grant applications totaling more than $7,000,000.

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019	2018
Cash and cash equivalents	$ 667,404	$ 850,157
Grants and contribution receivable	2,396,846	4,586,025
Accounts receivable	29,004	35,820
Financial assets available to meet general expenditures within one year	**$ 3,093,254**	**$ 5,472,002**

The Institute considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Institute manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Institute manages deposit concentration risk by placing cash with financial institutions believed by the Institute to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Institute has not experienced losses in any of these accounts, and the Institute does not believe that it is exposed to any significant risk in connection with these cash balances.

As of and for the year ended December 31, 2019, three donors represented 82% of total revenue and 92% of grants receivable. As of and for the year ended December 31, 2018, three donors represented 83% of total revenue and 95% of grants receivable.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2019 and 2018, net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Implementation of REDD+ policies and supply chain initiatives for low emission rural development	$ 2,082,069	$ 5,261,286
Implementation of policy and institutional framework for sustainable development of Pará's Fisheries	205,751	-
Jurisdictional sustainability frameworks for the Cerrado, Brazil	425,877	542,564
Scientific advisory	-	137,451
	$ 2,713,697	**$ 5,941,301**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors are as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Implementation of REDD+ policies and supply chain initiatives for low emission rural development	$ 5,597,566	$ 4,308,245
Supporting smallholder palm oil producers through jurisdictional strategies	-	246,774
Jurisdictional sustainability approach to commodity-driven deforestation	43,253	1,931
Jurisdictional sustainability frameworks for the Cerrado, Brazil	326,992	57,436
Return of grant funds	125,233	-
Scientific advisory	13,203	63,005
	$ 6,106,247	**$ 4,677,391**

NOTE 7 – PENSION PLAN

Effective July 1, 2012, the Institute established a Simplified Employee Pension (SEP) plan under IRC §408(k). With this SEP plan, the employer agrees to provide discretionary contributions in each calendar year to the individual retirement account or individual retirement annuity of all employees who are at least 21 years old and have performed at least one year of service. The Institute's contribution equals 10% of eligible employees' salary.

For the years ended December 31, 2019 and 2018, expenses related to the SEP plan totaled approximately $118,200 and $104,000, respectively.

NOTE 8 – CONDITIONAL GRANT

In 2016, the Institute received a five-year grant from the Norwegian Agency for Development Cooperation (Norad) in the amount of NOK 65,000,000. An additional NOK 12,500,000 was added to this grant via an amendment executed on November 13, 2018. As of December 31, 2019 and 2018, NOK 20,928,421 (USD $2,377,611) and NOK 41,809,706 (USD $4,811,509), respectively, 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.

As of December 31, 2019, disbursements scheduled for approval in the final year ending December 31, 2020 are NOK 20,928,421.

The Institute expects to fulfill the terms of the conditional grant. For the years ended December 31, 2019 and 2018, the Institute recognized NOK 20,881,285 (USD $2,442,256) and NOK 10,984,918 (USD $1,393,159), respectively, of revenue related to this grant.

NOTE 9 – LEASES

The Institute leases office space under a non-cancelable operating lease through December 2020, which requires monthly rental payments of $11,036 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.

As of December 31, 2019, minimum lease payments for the year ending December 31, 2020 is $136,000.

For the years ended December 31, 2019 and 2018, rent expense related to the lease was approximately $140,000 and $135,000, respectively.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 25, 2021, the date on which the financial statements were available to be issued and determined the following subsequent events to be reported.

On March 20, 2020, Norad approved the 2020 funding appropriation of NOK 20,928,421 and the corresponding amount of USD $2,377,611 will be recognized as revenue for the year ending December 31, 2020. See Note 8 for details.

NOTE 10 – SUBSEQUENT EVENTS (Continued)

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The disruption resulting from the COVID-19 pandemic is currently expected to be temporary, but there is considerable uncertainty around the duration and the Institute expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

On April 26, 2020, the Institute was informed by a bank that the U.S. Small Business Administration (SBA) approved the Institute's request for a loan under the SBA's Paycheck Protection Program (PPP) as authorized under the CARES Act. The Institute signed a promissory note of $319,477 for a PPP loan and, in accordance with the CARES Act, the Institute will use the PPP loan proceeds for eligible costs that should result in forgiveness of the PPP loan. The PPP loan bears interest at 1.0% and will mature on April 28, 2022.

On September 24, 2020, the Institute was notified by a major funder, Norad, that it was not selected to receive the five-year grant titled "Building resilient, inclusive, prosperous tropical forest jurisdictions." This represents a material change in income in subsequent year. The Institute is working to identify and secure alternative sources of revenue.

On December 2, 2020, the Institute was notified by a major funder, the International Climate Initiative (IKI), that it was not selected to receive the grant titled "Reducing the risk of a large-scale Amazon forest dieback through forest restoration, regeneration, and protection from fire and clearing." This represents a material change in income in subsequent years. The Institute is working to identify and secure alternative sources of revenue. See Note 3 for management plans related to going concern.

Effective December 31, 2020, the Institute made the decision not to renew the lease on its headquarters located at 98 Battery Street, Suite 250, San Francisco, California 94111. Going forward, for the duration of the pandemic and until such time in-person work is deemed appropriate, all staff of the Institute will work remotely with no central Bay Area-based office space.