EARTH INNOVATION INSTITUTE

FINANCIAL REPORT

DECEMBER 31, 2018 and 2017

EARTH INNOVATION INSTITUTE
CONTENTS
December 31, 2018 and 2017

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, 2018, 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 audits. We conducted our audits 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.

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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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Institute adopted Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities,* during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Institute's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 8, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

March 31, 2020

EARTH INNOVATION INSTITUTE
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 850,157	$ 1,401,949
Grants receivable, current portion	4,586,025	2,186,821
Accounts receivable	35,820	79,372
Prepaid expenses	14,168	31,949
Other assets	165,277	97,211
Total current assets	5,651,447	3,797,302
Noncurrent assets		
Grants receivable, noncurrent portion	1,011,783	1,705,101
Deposits	34,101	34,101
Total noncurrent assets	1,045,884	1,739,202
Total assets	**$ 6,697,331**	**$ 5,536,504**
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 178,616	$ 195,252
Grants and direct assistance payable	99,638	253,490
Accrued vacation	35,041	33,437
Accrued expenses	44,461	33,365
Total liabilities	357,756	515,544
Net assets		
Without donor restrictions	398,274	320,388
With donor restrictions	5,941,301	4,700,572
Total net assets	6,339,575	5,020,960
Total liabilities and net assets	**$ 6,697,331**	**$ 5,536,504**

See notes to financial statements.

EARTH INNOVATION INSTITUTE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

(Summarized Information for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Totals 2018	Totals 2017
Revenue				
Grants and contributions	$ 116,945	$ 6,114,742	$ 6,231,687	$ 3,323,988
Contracts	254,903	-	254,903	423,154
In-kind donations	6,582	-	6,582	66,408
Other income	6,113	-	6,113	2,289
Interest income	22	146	168	450
Foreign currency translation gain (loss)	(6,760)	(196,768)	(203,528)	551,450
	377,805	5,918,120	6,295,925	4,367,739
Net assets released from restrictions				
Satisfaction of program restrictions	4,677,391	(4,677,391)	-	-
Total revenue	5,055,196	1,240,729	6,295,925	4,367,739
Expenses				
Program services	4,950,876	-	4,950,876	4,954,498
Supporting services:				
Management and general	15,985	-	15,985	71,495
Fundraising	10,449	-	10,449	13,072
Total expenses	4,977,310	-	4,977,310	5,039,065
Change in net assets	77,886	1,240,729	1,318,615	(671,326)
Net assets, beginning of year	320,388	4,700,572	5,020,960	5,692,286
Net assets, end of year	**$ 398,274**	**$ 5,941,301**	**$ 6,339,575**	**$ 5,020,960**

See notes to financial statements.

EARTH INNOVATION INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

(Summarized Information for the Year Ended December 31, 2017)

	Program Services							Supporting Services			
	Brazil Program	Colombia Program	Indonesia Program	Peru Program	Other Regions Program	Global Program	Total Program Services	Management & General	Fundraising	2018 Total	2017 Total
Personnel	$ 387,786	$ 170,313	$ 340,780	$ 243,805	$ 234,955	$ 94,140	$ 1,471,779	$ 130,911	$ 4,111	$ 1,606,801	$ 1,531,170
Grants and direct assistance	325,192	-	638,594	153,099	231,456	-	1,348,341	1,230	-	1,349,571	1,545,668
Contract services	461,567	148,896	208,614	242,279	34,832	100,870	1,197,058	3,774	952	1,201,784	984,519
Operations	153,207	37,245	48,429	50,734	18,774	73,012	381,401	86,511	3,531	471,443	452,343
Professional services	9,675	3,706	3,483	4,356	3,733	1,903	26,856	84,227	584	111,667	198,220
Facilities and equipment	111	1,879	231	5,177	116	18,818	26,332	137,231	-	163,563	132,768
Other program implementation	24,702	13,137	6,001	9,891	3,642	686	58,059	266	-	58,325	180,340
Business	9,773	-	1,797	-	-	-	11,570	2,179	-	13,749	13,917
Miscellaneous	-	-	-	-	-	-	-	407	-	407	120
	1,372,013	375,176	1,247,929	709,341	527,508	289,429	4,521,396	446,736	9,178	4,977,310	5,039,065
Allocated overhead	139,972	49,603	85,271	75,086	40,058	39,490	429,480	(430,751)	1,271	-	-
Total expenses	**$ 1,511,985**	**$ 424,779**	**$ 1,333,200**	**$ 784,427**	**$ 567,566**	**$ 328,919**	**$ 4,950,876**	**$ 15,985**	**$ 10,449**	**$ 4,977,310**	**$ 5,039,065**

See note to financial statements.

EARTH INNOVATION INSTITUTE

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 1,318,615	$ (671,326)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in operating assets and liabilities:		
Grants receivable	(1,705,886)	1,410,265
Accounts receivable	43,552	72,806
Prepaid expenses	17,781	(3,870)
Other assets	(68,066)	(3,728)
Deposits	-	3,771
Accounts payable	(16,636)	107,641
Grants and direct assistance payable	(153,852)	102,757
Accrued vacation	1,604	(12,678)
Accrued expenses	11,096	80
Net change in cash and cash equivalents	(551,792)	1,005,718
Cash and cash equivalents, beginning of year	1,401,949	396,231
Cash and cash equivalents, end of year	**$ 850,157**	**$ 1,401,949**

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).

Basis of Financial Presentation

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.

Cash Equivalents

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

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)

Revenue With and Without Donor Restrictions

Contributions received are recorded as increases in net assets with or without donor restrictions, 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 net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

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.

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, 2018 and 2017, the Institute received $6,582 and $66,408, respectively, of donated advertising.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

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 Institute's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

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. The Institute has not yet selected a transition method and is currently evaluating the effect that ASU 2014-09 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 years beginning after December 15, 2021, including interim periods within those 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 Institute is currently evaluating the impact of the pending adoption of the new standard on its 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 June 2018, the FASB issued 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. ASU 2018-08 should be applied on a modified prospective basis and retrospective application is permitted. ASU 2018-08 will be effective for years beginning after December 15, 2018, and interim periods within years beginning after December 15, 2019. The Institute expects the adoption of the standard will not have a material impact on its financial statements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

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 current three classes of net assets with two new classes, “net assets with donor restrictions” and “net asset without donor restrictions,” and expands disclosures about the nature and amount of any donor restrictions.

The Institute adopted ASU 2016-14 as of and for the year ended December 31, 2018 with retrospective application for the 2017 financial statements. The Institute has opted to not disclose liquidity and availability information for 2017, as permitted under the ASU in the year of adoption. In addition, the Institute changed its presentation of net asset classes and expanded the footnote disclosures as required by ASU 2016-14.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE (Continued)

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net assets classifications, as previously presented as follows:			
Unrestricted	$ 320,388	$ -	$ 320,388
Temporarily restricted	-	4,700,572	4,700,572
Net assets, as reclassified	$ 320,388	$ 4,700,572	$ 5,020,960

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:

	2018	2017
Cash and cash equivalents	$ 850,157	$ 1,401,949
Accounts receivable	35,820	79,372
Grants and contribution receivable, current portion	4,586,025	2,186,821
Financial assets available to meet general expenditures within one year	**$ 5,472,002**	**$ 3,668,142**

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, 2018, three donors represented 83% of total revenue and 95% of grants receivable. As of and for the year ended December 31, 2017, two donors represented 68% of total revenue and 92% of grants receivable.

NOTE 6 – GRANTS RECEIVABLE

As of December 31, 2018 and 2017, grants receivable is comprised of the following:

	2018	2017
Due in less than one year	$ 4,586,025	$ 2,186,821
Due in two to three years	1,039,708	1,790,616
Total grants receivable	5,625,733	3,977,437
Present value discount	(27,925)	(85,515)
Grants receivable, net	**$ 5,597,808**	**$ 3,891,922**

Grants receivable to be received after December 31, 2019 and 2018 are discounted at 2.76% and 2.11%, respectively, which is based on the Internal Revenue Service's published applicable short-term federal rate (AFR) at December 31, 2018 and 2017, which approximates the fair value of the assets.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2018 and 2017, net assets with donor restrictions are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for a specified purpose		
Implementation of REDD+ policies and supply chain initiatives for low emission rural development	$5,261,286	$4,451,867
Supporting smallholder palm oil producers through jurisdictional strategies	-	246,774
Jurisdictional sustainability approach to commodity-driven deforestation	-	1,931
Jurisdictional sustainability frameworks for the Cerrado, Brazil	542,564	-
Scientific advisory	137,451	-
	$5,941,301	**$4,700,572**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or the passage of time or other events specified by the donors are as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Satisfaction of purpose restrictions		
Implementation of REDD+ policies and supply chain initiatives for low emission rural development	$ 4,308,245	$ 4,039,805
Supporting smallholder palm oil producers through jurisdictional strategies	246,774	264,713
Jurisdictional sustainability approach to commodity-driven deforestation	1,931	235,945
Jurisdictional sustainability frameworks for the Cerrado, Brazil	57,436	-
Scientific advisory	63,005	-
	$ 4,677,391	**$ 4,540,463**

NOTE 8 – 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, 2018 and 2017, expenses related to the SEP plan totaled approximately $104,000 and $109,000, respectively.

NOTE 9 – 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, 2018 and 2017, NOK 41,809,706 (USD $4,811,509) and NOK 30,000,000 (USD $3,649,770), 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, 2018, disbursements scheduled for approval in future years ending December 31 are as follows:

2019	NOK 20,881,285
2020	NOK 20,928,421
	NOK 41,809,706

The Institute expects to fulfill the terms of the conditional grant. For the years ended December 31, 2018 and 2017, the Institute recognized NOK 10,984,918 (USD $1,393,159) and NOK 24,826,771 (USD $3,006,555), respectively, of revenue related to this grant.

NOTE 10 – LEASES

The Institute leases office space under a non-cancelable operating lease through December 2020, which requires monthly rental payments of $10,715 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, 2018, minimum lease payments for future years ending December 31 are as follows:

2019	$ 132,000
2020	136,000
	$ 268,000

For the years ended December 31, 2018 and 2017, rent expense related to the lease was approximately $135,000 and $130,000, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2020, the date on which the financial statements were available to be issued and determined the following subsequent events to be reported.

On March 13, 2019, Norad approved the 2019 funding appropriation of NOK 20,881,285 and the corresponding amount of USD $2,517,668 will be recognized as revenue for the year ended December 31, 2019. See Note 9 for details.

On March 20, 2020, Norad approved the 2020 funding appropriation of NOK 20,928,421 and the corresponding amount of USD $2,300,281 will be recognized as revenue for the year ending December 31, 2020. See Note 9 for details.

The disruption resulting from the COVID-19 pandemic is currently expected to be temporary, but there is considerable uncertainty around the duration and the Company expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.