

**EARTH ISLAND INSTITUTE, INC.**

**BERKELEY, CALIFORNIA**

**FINANCIAL STATEMENTS  
AND  
SINGLE AUDIT REPORT**

**JUNE 30, 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Earth Island Institute, Inc.  
Berkeley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Earth Island Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Earth Island Institute, Inc. as of June 30, 2016, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017 on our consideration of the Earth Island Institute, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Earth Island Institute, Inc.'s internal control over financial reporting and compliance.

*R. J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
January 10, 2017

Earth Island Institute, Inc.  
STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,468,064
Cash and investments - Wetland Restoration Trust Fund	629,181
Investments	4,733,585
Grants receivable	1,065,482
Accounts receivable	274,314
Bequests receivable	114,300
Inventory	52,011
Prepaid expenses and other current assets	<u>150,506</u>
Total current assets	<u>8,487,443</u>

Non-current assets:

Fixed assets, net of accumulated depreciation	<u>1,188,902</u>
Total non-current assets	<u>1,188,902</u>

Total assets \$ 9,676,345

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 77,209
Accrued vacation	193,852
Deferred revenue	153,960
Wetland Restoration Trust Fund	<u>629,181</u>
Total current liabilities	<u>1,054,202</u>

Net assets:

Unrestricted, undesignated	3,370,131
Unrestricted, board designated	2,624,124
Temporarily restricted	<u>2,627,888</u>
Total net assets	<u>8,622,143</u>

Total liabilities and net assets \$ 9,676,345

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

Earth Island Institute, Inc.  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grants	\$ 1,466,707	\$ 3,911,084	\$ 5,377,791
Contributions	4,029	2,713,169	2,717,198
Membership	-	396,373	396,373
Events	169,123	120,712	289,835
Earned revenue	1,249,267	-	1,249,267
In-kind	-	233,643	233,643
Investment income	104,673	-	104,673
Other revenue	297,094	-	297,094
Net assets released from restrictions	<u>7,230,311</u>	<u>(7,230,311)</u>	<u>-</u>
Total revenues	<u>10,521,204</u>	<u>144,670</u>	<u>10,665,874</u>
Expenses:			
Program services	8,251,905	-	8,251,905
Administrative and general	1,287,861	-	1,287,861
Fundraising	<u>1,147,947</u>	<u>-</u>	<u>1,147,947</u>
Total expenses	<u>10,687,713</u>	<u>-</u>	<u>10,687,713</u>
Change in net assets	(166,509)	144,670	(21,839)
Net assets, beginning of period	<u>6,160,764</u>	<u>2,483,218</u>	<u>8,643,982</u>
Net assets, end of period	<u>\$ 5,994,255</u>	<u>\$ 2,627,888</u>	<u>\$ 8,622,143</u>

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

Earth Island Institute, Inc.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2016

	<u>Program</u> <u>Services</u>	<u>Administrative</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Salaries	\$ 3,550,166	\$ 742,008	\$ 424,920	\$ 4,717,094
Payroll taxes and benefits	601,854	125,791	72,036	799,681
Outside services and contractors	2,260,396	162,838	42,885	2,466,119
Rent and utilities	313,849	65,597	37,565	417,011
Fundraising and membership	15,011	-	130,970	145,981
Special events	17,808	-	223,752	241,560
Office expenses	272,705	56,997	32,640	362,342
Travel and meetings	398,545	83,299	47,702	529,546
Insurance, legal and taxes	88,780	9,774	5,597	104,151
Printing and mailing	84,305	15,149	8,675	108,129
Promotions and public relations	75,439	-	19,391	94,830
Grants made to others	421,553	-	-	421,553
Other	151,494	26,408	101,814	279,716
	<u>151,494</u>	<u>26,408</u>	<u>101,814</u>	<u>279,716</u>
 Total expenses	 <u>\$ 8,251,905</u>	 <u>\$ 1,287,861</u>	 <u>\$ 1,147,947</u>	 <u>\$ 10,687,713</u>

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

Earth Island Institute, Inc.  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Changes in net assets	\$ (21,839)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	88,322
Unrealized losses on investments	83,697
Changes in certain assets and liabilities:	
Grants receivable	(418,279)
Accounts receivable	(137,030)
Bequests receivable	57,853
Inventory	14,825
Prepaid expenses and other current assets	(31,870)
Accounts payable and accrued expenses	(168,031)
Accrued vacation	(5,375)
Deferred revenue	<u>79,072</u>
Net cash provided (used) by operating activities	<u>(458,655)</u>
Cash flows from investing activities:	
Acquisition of investments	(1,163,045)
Disposition of investments	1,124,092
Gains on sale of investments	(33,966)
Acquisition of fixed assets	<u>(24,520)</u>
Net cash provided by investing activities	<u>(97,439)</u>
Net increase (decrease) in cash during the period	(556,094)
Cash balance, beginning of period	<u>2,024,158</u>
Cash balance, end of period	<u><u>\$ 1,468,064</u></u>
Supplemental disclosures of cash flow information:	
Noncash activities:	
Disposition of fixed assets	<u><u>\$ 26,892</u></u>

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

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - GENERAL

A. Organization

Earth Island Institute, Inc. (the Institute) was incorporated in California in September 1982 as a nonprofit organization for the purposes of promoting, through education, the social welfare of the general public in global conservation, environmental, and ecological principles.

The Institute promotes the conservation, preservation, and restoration of the Earth through various program services worldwide under the administration of the Institute's Network Services. Many of those activities are carried out through fiscally sponsored projects managed under the Institute's Project Support core program. Other core programs of Network Services providing services to the public and other constituencies are Publishing/Public Education, Restoration Initiatives, and New Leaders Initiative. Most of the Institute's revenues come from contributions from the general public and foundation grants.

B. Program Services

The Institute cultivates environmental leadership by acting as an incubator for new programs and providing long-term support for established environmental projects, giving crucial assistance to groups and individuals promoting ecological sustainability and social justice. Project Support provides incubation services to our project network; Public Education publishes *Earth Island Journal*, a quarterly publication on international environmental issues as well as the Institute's website and monthly *IslandWire* e-newsletter; our New Leaders Initiative oversees the Brower Youth Awards and emerging leaders; Restoration Initiative supports grassroots environmental restoration.

The following is a list of 70 projects under sponsorship with the Institute during all or part of the fiscal year.

\*These projects were *inactive* during all or part of fiscal year 2016.

\*\*These projects *separated* from the Institute during the fiscal year 2016.

~These projects were *new* to the Institute in fiscal year 2016.

**CLEAN ENERGY & CLIMATE CHANGE**

- **CarbonfreeDC\*** is a grassroots initiative to promote local environmental causes and build community resilience in Washington, DC.
- **Climate Wise Women** is a global platform for the promotion of women's leadership on climate change.
- **CoalSwarm** serves as an information clearinghouse for the worldwide clean energy movement.
- **EcoEquity** is a small, activist think tank working to inform the international climate equity debate by producing political and economic analyses and developing practical policy proposals.
- **Project Survival Media\*\*** is a global media network producing photo and video documentaries on climate change issues.
- **Renew Missouri** is working to transform Missouri into a leading state in renewable energy and energy efficiency.
- **Solar Campus Initiative\*\*** (formerly Solar College Initiative) serves as a partner to colleges and universities helping them to bring solar photovoltaic systems to their campuses.

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - GENERAL (continued)

B. Program Services (continued)

**ENVIRONMENTAL EDUCATION & LEADERSHIP DEVELOPMENT**

- **Bay Area Wilderness Training** creates opportunities for youth from the San Francisco Bay Area to experience wilderness first hand. To this end, they train teachers and youth workers, provide outdoor gear loans, give financial support, and foster community collaboration.
- **Changing Gears Community Bike Shop** is a social enterprise that recycles used bikes and benefits the under-served people of our local area through bicycle sales, repairs, job training, and service opportunities.
- **Children in Nature Collaborative** is part of a network of regional movements across the country focused on helping people to create healthier lives and more vibrant communities through restoring their relationship with nature and each other.
- **EcoVillage Farm Learning Center** works towards the creation of a healthy environment and socially/economically just society for present and future generations.
- **Generation Waking Up** is igniting a generation of young people to bring forth a thriving, just, and sustainable world. Through workshops and leadership training programs, GWU is empowering the rising generation with the skills they need to thrive in the 21<sup>st</sup> century.
- **Green Life** peer education, self-sufficiency, and eco-literacy program teaches incarcerated individuals and those reentering community the importance of a healthy relationship with the Earth.
- **iMatter, Kids vs. Global Warming\*\*** is a youth-driven organization dedicated to listening to and amplifying the voice of the generation that will be most impacted by the effects of climate change.
- **Junior Wildlife Rangers** ~ (formerly National Junior Refuge Rangers) propels childhood curiosity into lasting environmental stewardship through education and engagement with our public lands system.
- **Kids for the Bay** (formerly Estuary Action Challenge) collaborates with teachers to inspire environmental consciousness in children and cultivate a love of learning. They are committed to equal access to environmental education and to restoring a healthy environment for all.
- **Los Angeles Wilderness Training** creates opportunities for urban youth to experience wilderness first-hand by training and equipping their adult leaders.
- **Real Food Real Stories** ~ humanizes the food system and uplifts local changemakers through authentic storytelling to connect and inspire eaters to social actions.
- **Rooted in Community** is a national network that empowers young people to take leadership in their own communities -- fostering health and food justice through urban and rural agriculture, community gardening, food security, and related environmental justice work.
- **Sustainable World Coalition** (formerly World Sustainability Hearings) produces programs, events, and education materials to promote engagement and action that restores and maintains the health of the planet.
- **Urban Farmacy** is a wellness, entrepreneurship and education organization that provides personalized sustainable food production programs for schools, businesses, and communities.
- **West County DIGS (Developing Instructional Gardens in the Schools)** support school gardens in West Contra Costa County by providing resources, advocacy, and partnerships that build community resilience and cultivate wellness, academic achievement, and sustainability.
- **Wild Hope** ~ publishes stories and images that raise awareness of the need to preserve our biodiversity heritage and inspire readers to get involved in protecting other species from extinction.

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - GENERAL (continued)

B. Program Services (continued)

- **Youth Empowered Action (YEA) Camp** is a summer camp focused on leadership development for teens interested in environmental and social change. A life changing camp for world-changing teens.

**INTERNATIONAL & INDIGENOUS COMMUNITIES**

- **Altai Project** protects the natural and cultural heritage of the Altai – a uniquely diverse, mountainous region of southern Siberia – through small grants, professional exchanges, and joint projects with indigenous partners.
- **AlterTerra** works for restoration, protection, conservation and sustainable development of coastal zones through the design and implementation of innovative and effective education, scientific research, and infrastructure projects that promote healthy terrestrial and aquatic ecosystems.
- **Armenia Environmental Network** promotes sound environmental policymaking and enforcement; stakeholder education and participation; and sustainable development.
- **Baikal Watch** aims to help nurture the growing environmental movement in northeast Asia.
- **Borneo Project** brings international attention and support to community-led efforts to defend forests, sustainable livelihoods, and human rights in Malaysian Borneo.
- **Center for Safe Energy** strengthens democratic society and improves environmental conditions with a focus on energy issues in the former Soviet Union.
- **Ethical Traveler** is dedicated to educating travelers about the social and environmental impact of their decisions, showing how travel can be a potent form of diplomacy, and giving travelers a forum through which their united voices can serve the world community.
- **Friends of Barefoot College** (formerly Barefoot College Global) works to champion the work and values of barefoot education internationally through the creation of regional barefoot education centers -- transforming rural communities through the empowerment of women.
- **Friends of Muonde** supports locally driven efforts to foment creativity and sustainable development in the Mazvihwa and neighboring areas of south central Zimbabwe.
- **Global Women's Water Initiative** is training and building a movement of local women water experts – bringing sustainable water solutions to their communities.
- **Numi Foundation** ~ nurtures and empowers thriving communities through environmental education and access to clean, safe drinking water.
- **Sacred Land Film Project** produces a variety of media and educational materials designed to rekindle reverence for land, increase respect for cultural diversity, stimulate dialogue about nature and culture, and help protect sacred lands and diverse spiritual practices.
- **Serengeti Watch** (formerly Save the Serengeti) is building a strong coalition of support, advocacy, and funding for the Serengeti ecosystem, the people living near it, and adjacent reserves and protected areas.
- **Viva Sierra Gorda** (formerly Friends of Sierra Gorda) is building public and private partnerships for long-term conservation and sustainability of high biodiversity regions in extreme poverty, particularly the Sierra Gorda Biosphere Reserve, Mexico.
- **Women's Earth Alliance** invests in grassroots women's leadership to drive solutions to our most pressing ecological concerns – water, food, land, and climate.

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - GENERAL (continued)

B. Program Services (continued)

**RESTORATION & PRESERVATION**

- **California Urban Stream Partnership** (formerly Urban Creeks Coalition and Urban Stream Alliance) works to protect, restore, and steward urban streams and watersheds in California. They advocate for the improvement of habitat and the return of functioning ecosystems.
- **Center for Ecosystem Restoration** improves communities through projects that restore land and water, strengthen local economies, and foster civic engagement.
- **Global Trails Alliance's\*** mission is to identify, inform, and inspire trail visionaries – expanding the environmental, cultural, health and economic benefits of trails worldwide.
- **John Muir Project** is dedicated to the ecological management of our national forests – using scientific research, public outreach, and legal action to protect critical forest ecosystems.
- **Nature in the City** is inspiring San Francisco to discover local nature – through eco-literacy, restoration, and stewardship.
- **South Coast Habitat Restoration's** mission is to protect, conserve, and restore the various habitats and native biodiversity of the Santa Barbara and Ventura areas.
- **The Wild Oyster Project** ~ is bringing native oysters back to the San Francisco Bay through restoration, community engagement, and thoughtful urban planning.
- **Urban Biofilter** designs, implements, and advocates for the integration of biological systems into our existing urban infrastructure. They focus on transforming undervalued urban resources, such as brownfields and wastewater, into community assets.

**SUSTAINABILITY & COMMUNITY RESILIENCE**

- **ALERT: A Locally Empowered Response Team** (formerly Energy Democracy Program) empowers front-line communities, at-risk from social, economic, and environmental impacts of oil activities, to have a voice in the energy choices that impact them.
- **All One Ocean** educates people about the destructive impacts of our trash by providing a simple way for beachgoers, any time they visit the beach, to help clean up our Ocean, beautify beaches and prevent needless death and suffering to marine life.
- **California Student Sustainability Coalition** unites, connects, supports, and empowers students from across California to transform their educational institutions and communities into models of ecological, economic, and social sustainability.
- **Campaign to Safeguard America's Waters** works to protect and maintain the beneficial uses of all public waters by advocating for the full implementation of the goals and objectives of the Clean Water Act.
- **Cultivate Oregon** ~ is raising awareness about the socio-political and health implications of pesticide-intensive transgenic crops, while also strengthening seed diversity, cultural connections to food, and urban and rural alliances.
- **Environmental Finance Center West** works to create a more sustainable world, through research, training, and capacity building that integrates economy, environment, community, and culture.
- **Food Shift** is developing sustainable solutions that reduce wasted food and hunger by addressing the underlying structural causes and developing an effective and equitable system for food recovery and redistribution.

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - GENERAL (continued)

B. Program Services (continued)

- **Greenwash Action\*\*** (formerly Alliance Against Greenwash) supports progress towards a healthy, biodiverse, climate-stable world by defending programs that represent true environmental leadership and challenging special interests that use greenwash to confuse the marketplace.
- **Hempstead Project HEART**'s mission is to use music and the arts to raise awareness of the many benefits of hemp for people and the planet.
- **Oakland Food Policy Council** is a 21-seat community council working towards an equitable and sustainable food system.
- **Plastic Pollution Coalition** is a global alliance of individuals, organizations, businesses and policy makers working toward a world free of plastic pollution and its toxic impact on humans, animals, the ocean, and the environment.
- **Rooted in Resilience** (formerly Bay Localize) inspires and supports community leaders in building equitable, resilient communities.
- **Safe Food and Fertilizer** seeks to ban the use of hazardous and other industrial wastes in fertilizer, soil amendments, and animal feeds due to their potential risk to human health and the environment.
- **Transition Earth** ~ promotes human rights and nature's rights in a world of unsustainable population and economic growth and advocates for global systems change to enable the shift to a sustainable planet for all.
- **Ultimate Civics** – changing minds, changing culture, changing the Constitution: they work in schools and communities across the nation to empower youth and adults to challenge corporate power and co-create the democracy we thought we had.
- **Wholly H2O** is a catalyst for sustainable, localized water management in California. Their education and outreach advances locally-appropriate solutions for water conservation and water reuse.

**WILDLIFE PROTECTION**

- **International Marine Mammal Project** is leading the international effort to stop the slaughter of dolphins, end commercial whaling, eliminate the use of drift nets, halt commercial exploitation of cetaceans by aquariums and sea parks, and protect key whale and dolphin habitats.
- **Project Coyote** is a coalition of wildlife scientists, educators, ranchers, and community leaders promoting compassionate conservation and coexistence between people and wildlife through education, science, and advocacy.
- **Raptors are the Solution** educates people about the ecological role of raptors and the enormous danger to raptors and all wildlife, as well as pets and children, from the wide use and availability of rat poisons.
- **SAVE International** (Spoonbill Action Voluntary Echo) seeks to protect the critically endangered Black-faced Spoonbill and its Asian habitat throughout its flyway by promoting alternative economic development and long-term sustainability of the ecosystems and local communities.
- **Shark Stewards'** mission is to protect sharks and other imperiled marine life – restoring health to the oceans and protecting critical marine habitat.
- **Urban Bird Foundation** (formerly Burrowing Owl Conservation Network) works to engage, educate and nurture a broad-based constituency to ensure the conservation of bird populations, and preserve the interconnected relationship between people and nature.

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1 - GENERAL (concluded)

B. Program Services (concluded)

- **WildFutures** (formerly the Wildlife Network) works with scientists, government agencies, and nonprofits to bridge the gap between science and conservation, finding collaborative ways to develop and implement effective conservation strategies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Institute are prepared on the accrual basis of accounting and, therefore, include support and revenues when earned and expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of a period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

B. Basis of Presentation

The financial statements of the Institute have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles. The statements are presented in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-205), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Institute 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.

C. Unrestricted Net Assets

Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income-producing assets. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Institute and the purposes specified in its Articles of Incorporation or Bylaws and limits resulting from contractual agreements entered into during the course of its operations.

D. Temporarily Restricted Net Assets

The Institute reports donations and other assets as restricted if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

E. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and short-term marketable securities with a maturity of three months or less.

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Investments

The Institute invests in marketable securities and money market funds. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Institute's fiscal year. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are calculated on an adjusted cost basis. Adjusted cost is the estimated fair value of the security at the beginning of the year, or the cost if purchased during the year. Dividend and interest income are accrued when earned.

G. Contributions Receivable

The Institute accounts for contributions receivable in accordance with the recommendations of FASB ASC 958, *Accounting for Contributions and Presentation of Financial Statements*. Under FASB ASC 958, contributions receivable are either unconditional or conditional. Unconditional contributions are contributions that depend only on the passage of time or the demand by the pledge for performance. A conditional contribution is a pledge that depends on the occurrence of a specified future and uncertain event to bind the promisor. Unconditional contributions represent the remaining pledges due from the donors who have pledged funds to the Institute for use in its programs.

H. Inventory

Inventory consists primarily of T-shirts, books, bicycle parts and other various items sold to the general public for educational and fundraising purposes. The inventory is stated at the lower of cost or market with cost determined by the first-in, first-out method.

I. Property and Equipment

Property and equipment are stated at cost of acquisition or construction. Contributed property and equipment are recorded at their estimated fair market values at the date of donation. The Institute reports donated property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Restoration works on property where the Institute's project has no ownership title are reported as expenses. The cost of maintenance and repairs is expensed as incurred while significant renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the term of the lease including extensions. The Institute uses \$5,000 as its capitalization threshold for property and equipment.

J. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The projects of the Institute usually solicit contributions for its own use. All contributions received by the projects are reported as temporarily restricted net assets. Furthermore, for restricted contributions, when restrictions are fulfilled in the same period in which the contribution is received, they are reported first as temporarily restricted contributions and then released to unrestricted upon satisfaction of the restrictions.

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Membership

Various projects of the Institute have memberships; the membership dues are in fact small donations and are recognized as revenue upon receipt.

L. Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions and Presentation of Financial Statements*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Institute. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

M. Grants Made

The Institute periodically provides grants to unrelated nonprofit organizations for the support of various environmental, educational, and informational activities. Unconditional grants made by the Institute to unrelated nonprofit organizations are recorded as expense upon commitment.

N. Functional Expense Allocations

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

O. Indirect Costs

The Institute uses a negotiated indirect cost rate approved by the National Oceanic and Atmospheric Administration. The 10.73% indirect rate is charged to each applicable grant on a regular basis.

P. Concentration of Credit Risk

The Institute maintains its cash, cash equivalents, and investments at one bank and one brokerage firm. The cash balances in the banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per customer per bank. The securities in the brokerage accounts are protected by Security Investor Protection Corporation (SIPC) for a maximum of \$500,000; moreover, the brokerage firms usually carry additional insurance to provide further protection for their customers. Neither SIPC nor the additional coverage protects against losses on investments due to market fluctuations.

At times, these balances may exceed the FDIC limits or the SIPC limits; however, the Institute has not experienced any losses with respect to its bank and brokerage accounts.

Q. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

R. Risk Management

The Institute is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, which are covered by commercial insurance.

S. Contingencies

The Institute participates in various federal grants. Disbursement of funds received under these grantor agencies requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

T. Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through January 10, 2017, the date the financial statements were available to be issued.

NOTE 3 - INCOME TAXES

The Institute is an exempt corporation under Section 501(c)(3) of the Internal Revenue Code and 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes.

The Institute adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Institute has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates.

The Institute has elected to utilize Section 501(h) of the Internal Revenue Code, which allows limited lobbying activities by Section 501(c)(3) nonprofit organizations.

The Institute believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Institute's financial condition, results of operations or cash flows. Accordingly, the Institute has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2016.

The Institute is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2016, were as follows:

Wells Fargo Bank	\$	965,806
Merrill Lynch		497,758
Petty cash		4,500
Total		\$ 1,468,064

The bank balances were insured under the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balances were uninsured and held by the financial institutions in the Institute's name. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

NOTE 5 - CASH AND INVESTMENTS - WETLAND RESTORATION TRUST FUND

Cash and investments held for the Wetland Restoration Trust Fund (see Note 14) as of June 30, 2016, were as follows:

Merrill Lynch - cash	\$	405,463
Merrill Lynch - investments		223,718
Total		\$ 629,181

The bank balances were insured under the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balances were uninsured and held by the financial institutions in the Institute's name. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

NOTE 6 - INVESTMENTS

Activity for the year ended June 30, 2016 is as follows:

		<u>Merrill Lynch</u>
Account balances as of 6/30/15	\$	4,744,363
Purchases		1,038,378
Dividends and interest		124,667
Sales		(1,124,092)
Realized capital gains and (losses), net of fees		33,966
Unrealized gains (losses)		(83,697)
Account balances as of 6/30/16		\$ 4,733,585
Fixed Income	\$	801,020
Equities		2,545,662
Mutual Funds		1,386,903
Total		\$ 4,733,585

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 7 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Institute has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Institute's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Institute's financial assets and liabilities are not indicators of the risks associated with those investments.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2016:

Level 1: Quoted prices	\$ 4,733,585
Level 2: Other significant observable inputs	-
Level 3: Significant unobservable inputs	-
Total	\$ 4,733,585

FSP FAS 157-4 which supersedes FSP FAS 157-3 provides further clarification on SFAS 157 in determining an inactive market and a non-distressed transaction. The above investments for June 30, 2016 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Fixed Income	\$ 801,020	\$ 801,020	\$ -	\$ -
Equities	2,545,662	2,545,662	-	-
Mutual Funds	1,386,903	1,386,903	-	-
Total	\$ 4,733,585	\$ 4,733,585	\$ -	\$ -

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 8 - GRANTS RECEIVABLE

Grants receivable for the year ended June 30, 2016 was \$1,065,482. The Institute has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable all receivables will be collected.

NOTE 9 - ACCOUNTS RECEIVABLE

Accounts receivable for the year ended June 30, 2016 was \$274,314. The Institute has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable all receivables will be collected.

NOTE 10 - BEQUESTS RECEIVABLE

Bequests receivable for the year ended June 30, 2016 was \$114,300. The Institute did not provide a reserve against bequests receivable and believes the amounts to be fully collectible. The Institute has not recorded the discount to net present value because the amount was considered immaterial.

NOTE 11 - FIXED ASSETS

Fixed assets as of June 30, 2016 are as follows:

	Years		
Land - EcoVillage	N/A	\$	628,628
Land improvements - EcoVillage	15		533,589
Building and improvements - EcoVillage	30		63,638
Leasehold improvements – David Brower Center	15		230,775
Furniture, equipment & vehicles	3-30		185,008
Total			1,641,638
Less accumulated depreciation			(452,736)
Fixed assets, net		\$	1,188,902

Depreciation expense was \$88,322 for the year ended June 30, 2016.

NOTE 12 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Institute. The amount of accumulated vacation was \$193,852 as of June 30, 2016.

NOTE 13 - DEFERRED REVENUE

Deferred revenue represents funds received in advance for camp fees. Deferred revenue for the year ended June 30, 2016 was \$153,960.

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 14 - WETLAND RESTORATION TRUST FUND

The Wetland Restoration Trust Fund was established at Merrill Lynch brokerage firm by the Institute per a Stipulation and Consent Decree as amended on March 22, 2001 by the United States District Court Southern District of California. This fund is to be used on restoration projects designated by the Southern California Wetlands Recovery Project Work Plan (the Recovery Project) and for administrative expenses. The Recovery Project is an inter-agency task force composed of the state and federal resources agencies and for which the California Coastal Conservancy acts as staff. According to the Consent Decree, the Institute must designate at least 33% of the Fund exclusively for use on any of these projects listed on the Recovery Project 2001-2002 Work Plan and approved by the Governing Board of the Recovery Project on or about May 18, 2001. The Institute should designate which projects were to be recipients of these funds before the expiration of the 2001-2002 Work Plan on or about June 1, 2002. The remaining funds must be designated to projects listed on any of the Recovery Projects work plan through June 1, 2004. Any funds remaining undesignated after June 1, 2004 should be allocated at the sole discretion of the Recovery Project. Any funds remaining unspent by the Recovery Project by June 1, 2005 might be redirected by the Institute to another restoration project on the then approved work plan. If any funds remaining unallocated after December 31, 2006, those funds should be released to the California Coastal Conservancy for wetlands restoration projects in Southern California. The parties have agreed to continue the administrative arrangement with the Institute under the same terms after December 31, 2006 until all funds are allocated. Any disbursement of the funds from Merrill Lynch needs to be approved by the California Coastal Conservancy.

The Wetland Restoration Trust Fund not yet spent is recorded as an agency obligation. The fund is invested through Merrill Lynch and the fair market value at June 30, 2016 was \$629,181.

NOTE 15 - UNRESTRICTED NET ASSETS - BOARD DESIGNATED

Unrestricted net assets were designated by the Board for supported projects. The amount of board designated net assets as of June 30, 2016 were available for the following purposes.

International/Indigenous Communities	\$ 138,357
Wildlife Protection	944,527
Energy/Climate Change	242,704
Restoration/Preservation	7,927
Education/Youth Development	854,704
Sustainability/Community Resilience	<u>435,905</u>
Total	<u>\$ 2,624,124</u>

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 16 - TEMPORARILY RESTRICTED NET ASSETS

The Institute categorized its projects into groups based on the common nature of the projects. Temporarily restricted net assets as of June 30, 2016 were available for the following purposes:

	Beginning Balance	Additions	Releases	Ending Balance
International/Indigenous Communities	\$ 494,253	\$ 1,110,665	\$ (1,205,949)	\$ 398,969
Wildlife Protection	381,496	616,232	(702,840)	294,888
Energy/Climate Change	226,502	1,001,326	(965,251)	262,577
Restoration/Preservation	84,840	705,012	(532,515)	257,337
Education/Youth Development	933,629	1,097,993	(1,138,989)	892,633
Sustainability/Community Resilience	362,498	1,986,007	(1,827,021)	521,484
Network Services/Other	-	857,746	(857,746)	-
Total	<u>\$ 2,483,218</u>	<u>\$ 7,374,981</u>	<u>\$ (7,230,311)</u>	<u>\$ 2,627,888</u>

NOTE 17 - LEASES

The Institute's main office is located at the David Brower Center in Berkeley, California. This lease is for five years commencing on April 20, 2009 with two five-year renewal options. In November 2013, the Institute renewed the lease for five years through April 2019. The monthly rent is currently \$23,044.

The Institute has been subleasing some of its office spaces at David Brower Center to other unrelated parties. These subleases are currently on a month-to-month basis.

The David Brower Center building was owned by Oxford Street Development, LLC until December 2014 when the David Brower Center acquired the building. The David Brower Center held a master lease for the building before its acquisition of the building. Oxford Street Development, LLC has two members and one of which is the David Brower Center, a California non-profit organization that qualifies within the meaning of Section 509(a)(3) of the Internal Revenue Code as a supporting organization for public charities described in section 509(a)(1) or (2) of the Internal Revenue Code. The David Brower Center has designated two supported organizations – one of them is the Earth Island Institute, Inc. The David Brower Center engages in efforts to protect the natural world, educates the public about the natural world, and promotes sustainable human communities.

In addition, the projects of the Institute also have separate offices that are under noncancelable term leases, one-time lease, and/or month-to-month leases. The Institute also pays some of the project directors for the usage of their home offices. Some may also sublease its spaces.

The monthly rent of some of these leases increases annually. In addition, one of the Institute's programs has free use of space with value totaling \$20,298 for the year ended June 30, 2016. The Institute and some of its projects subleased part of their space to unrelated parties, and the sublease revenue is reported as an offset against the rent expenses. The rent and occupancy costs incurred during the year ended June 30, 2016 for all the leases, net of sublease income, totaled \$417,011.

Earth Island Institute, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 17 - LEASES (concluded)

The future minimum payments for these leases are as follows:

<u>Fiscal Year Ending June 30</u>	
2017	\$ 439,301
2018	327,501
2019	<u>237,038</u>
Total	<u>\$ 1,003,840</u>

NOTE 18 - RELATED PARTY TRANSACTIONS

The Institute leases office space from the David Brower Center (see Note 17). Furthermore, the Institute has several board members that serve on the board of the David Brower Center.

INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Earth Island Institute, Inc.  
Berkeley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Earth Island Institute, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Earth Island Institute, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Earth Island Institute, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Earth Island Institute, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Earth Island Institute, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Earth Island Institute, Inc. in a separate letter dated January 10, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
January 10, 2017

INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Earth Island Institute, Inc.  
Berkeley, California

Report on Compliance for Each Major Federal Program

We have audited Earth Island Institute, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Earth Island Institute, Inc.'s major federal programs for the year ended June 30, 2016. Earth Island Institute, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Earth Island Institute, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Earth Island Institute, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Earth Island Institute, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Earth Island Institute, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Earth Island Institute, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Earth Island Institute, Inc.'s internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Earth Island Institute, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
January 10, 2017

Earth Island Institute, Inc.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2016

Grantor/Program Title	Federal CFDA Number	Grantor's Number	Award Amount	Expenditures
<u>U. S. Department of Commerce:</u>				
Pass through the National Oceanic and Atmospheric Administration:				
Maria Ygancio Fish Passage	11.438	1935008	\$ 732,018	\$ 2,959
Circle G	11.438	P1450010	813,866	799,482
Total U. S. Department of Commerce			<u>1,545,884</u>	<u>802,441</u>
<u>U. S. Department of Interior:</u>				
Pass through the U.S. Fish and Wildlife Services:				
Circle G	15.608/15.631	F13AC00536	35,000	35,000
Total U. S. Department of Interior			<u>35,000</u>	<u>35,000</u>
<u>U. S. Department of State:</u>				
Pass through the U.S. Embassy Moscow/Foreign Assistance Act:				
U.S.-Russia Peer-to-Peer Dialogue Program	19.900	S-RS500-15-GR-174	50,000	24,645
Total U. S. Department of State			<u>50,000</u>	<u>24,645</u>
<u>U. S. Department of Environmental Protection Agency:</u>				
Pass through the University of Chapel Hill:				
Small Water Resiliency Training	66.424	EPA-OW-OGWDW-14-01	126,000	60,280
Total U. S. Department of Environmental Protection Agency			<u>126,000</u>	<u>60,280</u>
Total Federal Awards			<u>\$ 1,756,884</u>	<u>\$ 922,366</u>

Earth Island Institute, Inc.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Earth Island Institute, Inc. and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within Earth Island Institute, Inc.'s financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA number included in the accompanying Schedule of Expenditures of Federal Awards was determined based on the program name, review of the award contract, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 3 - INDIRECT COSTS

Earth Island Institute, Inc. elected not to use the 10% de minimis cost rate as covered in the Uniform Guidance Part 200.414 Indirect (F&A) Costs.

Earth Island Institute, Inc.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016

**Section I – Summary of Auditors’ Results**

1. Type of auditors’ report issued: unmodified
2. Internal control over financial reporting:
  - A. Material weakness(es) identified? no
  - B. Significant deficiencies identified that were not considered to be material weakness(es)? none reported
  - C. Noncompliance material to financial statements noted? no
3. Internal control over major programs:
  - A. Material weakness(es) identified? no
  - B. Significant deficiencies identified that were not considered to be material weakness(es)? none reported
  - C. Type of auditors’ report issued on compliance for major programs: unmodified
  - D. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? no
4. Audited as Major Programs:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Expenditures</u>
11.438	Maria Yganciao Fish Passage and Circle G	\$ 802,441
5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
6. Auditee qualified as a low-risk auditee? no

**Section II – Financial Statement Findings**

There are no financial statement findings.

**Section III – Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs.

Earth Island Institute, Inc.  
STATUS OF PRIOR YEAR FINDINGS & RECOMMENDATIONS  
For the Year Ended June 30, 2016

Recommendation

Status/Explanation

There were no prior year findings or recommendations.