

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

ENVIRONMENTAL INVESTIGATION AGENCY

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Environmental Investigation Agency
Washington, D.C.

We have audited the accompanying financial statements of the Environmental Investigation Agency (EIA), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EIA as of December 31, 2016, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited EIA's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

May 1, 2017

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,411,018	\$ 1,709,827
Investments	338,899	330,750
Grants and other receivables	172,990	98,244
Prepaid expenses	<u>64,635</u>	<u>53,798</u>
Total current assets	<u>2,987,542</u>	<u>2,192,619</u>
FIXED ASSETS		
Website	75,335	54,220
Furniture	50,613	26,835
Leasehold improvements	<u>63,911</u>	<u>53,506</u>
	189,859	134,561
Less: Accumulated depreciation and amortization	<u>(67,502)</u>	<u>(36,392)</u>
Net fixed assets	<u>122,357</u>	<u>98,169</u>
OTHER ASSETS		
Deposits	<u>200</u>	<u>2,700</u>
TOTAL ASSETS	<u>\$ 3,110,099</u>	<u>\$ 2,293,488</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 198,445	\$ 257,839
Grants payable	96,647	34,344
Deferred rent	<u>15,514</u>	<u>-</u>
Total current liabilities	310,606	292,183
LONG-TERM LIABILITIES		
Deferred rent, net of current portion	<u>36,364</u>	<u>14,258</u>
Total liabilities	<u>346,970</u>	<u>306,441</u>
NET ASSETS		
Unrestricted:		
Undesignated	661,098	495,658
Board designated	<u>206,732</u>	<u>199,762</u>
Total unrestricted	867,830	695,420
Temporarily restricted	<u>1,895,299</u>	<u>1,291,627</u>
Total net assets	<u>2,763,129</u>	<u>1,987,047</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,110,099</u>	<u>\$ 2,293,488</u>

See accompanying notes to financial statements.

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions and grants	\$ 646,165	\$ 4,910,386	\$ 5,556,551	\$ 4,768,642
Investment income	8,297	2,308	10,605	1,116
In-kind contributions	914	-	914	113,481
Miscellaneous income	864	-	864	750
Net assets released from donor restrictions	<u>4,309,022</u>	<u>(4,309,022)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>4,965,262</u>	<u>603,672</u>	<u>5,568,934</u>	<u>4,883,989</u>
EXPENSES				
Program Services:				
Global Climate Campaign	525,073	-	525,073	762,054
Cetaceans Campaign	236,191	-	236,191	178,655
Elephants Campaign	654,010	-	654,010	515,077
Forest Campaign	<u>3,225,757</u>	<u>-</u>	<u>3,225,757</u>	<u>3,489,742</u>
Total program services	<u>4,641,031</u>	<u>-</u>	<u>4,641,031</u>	<u>4,945,528</u>
Supporting Services:				
Management and General	132,414	-	132,414	3,009
Fundraising	<u>19,407</u>	<u>-</u>	<u>19,407</u>	<u>27,707</u>
Total supporting services	<u>151,821</u>	<u>-</u>	<u>151,821</u>	<u>30,716</u>
Total expenses	<u>4,792,852</u>	<u>-</u>	<u>4,792,852</u>	<u>4,976,244</u>
Change in net assets	172,410	603,672	776,082	(92,255)
Net assets at beginning of year	<u>695,420</u>	<u>1,291,627</u>	<u>1,987,047</u>	<u>2,079,302</u>
NET ASSETS AT END OF YEAR	<u>\$ 867,830</u>	<u>\$ 1,895,299</u>	<u>\$ 2,763,129</u>	<u>\$ 1,987,047</u>

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016		
	Program Services		
	Global Climate Campaign	Cetaceans Campaign	Elephants Campaign
Salaries	\$ 312,064	\$ 93,360	\$ 247,531
Benefits	41,188	11,765	38,871
Payroll taxes/fees	24,482	7,310	18,185
Contract labor	6,383	13,248	38,036
Media and communications	8,211	2,620	14,833
Workshops, conferences and training	-	469	4,428
Office expenses and IT cost	2,847	-	4,733
Accounting and audit	-	-	-
Travel	78,023	11,244	52,328
Subgrants	-	13,340	98,000
Occupancy	-	-	-
Depreciation and amortization	-	-	-
EIA UK subgrants	-	51,980	54,750
Insurance	-	-	-
Partner fees, contributions and dues	590	-	-
Legal and incorporation fees	-	-	400
Bank charges and wire fees	175	135	580
Other	-	-	-
Subtotal	473,963	205,471	572,675
Grant overhead allocation	51,110	30,720	81,335
TOTAL	\$ 525,073	\$ 236,191	\$ 654,010

						2015
Supporting Services						
Forest Campaign	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
\$1,323,090	\$ 1,976,045	\$ 160,156	\$ 13,315	\$ 173,471	\$ 2,149,516	\$ 1,898,407
105,054	196,878	13,661	1,669	15,330	212,208	188,853
90,117	140,094	17,425	1,140	18,565	158,659	148,567
283,719	341,386	7,039	504	7,543	348,929	571,143
78,928	104,592	15,184	213	15,397	119,989	99,015
55,500	60,397	75	-	75	60,472	41,246
21,867	29,447	84,515	-	84,515	113,962	81,992
6,872	6,872	13,733	-	13,733	20,605	38,986
248,658	390,253	11,448	-	11,448	401,701	493,151
322,196	433,536	35,000	-	35,000	468,536	754,054
-	-	188,350	-	188,350	188,350	121,368
-	-	31,110	-	31,110	31,110	9,678
350,000	456,730	-	-	-	456,730	445,292
-	-	49,810	-	49,810	49,810	55,054
3,610	4,200	-	-	-	4,200	13,638
-	400	408	-	408	808	4,356
4,019	4,909	1,645	35	1,680	6,589	5,393
-	-	678	-	678	678	6,051
2,893,630	4,145,739	630,237	16,876	647,113	4,792,852	4,976,244
332,127	495,292	(497,823)	2,531	(495,292)	-	-
\$3,225,757	\$ 4,641,031	\$ 132,414	\$ 19,407	\$ 151,821	\$ 4,792,852	\$ 4,976,244

ENVIRONMENTAL INVESTIGATION AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 776,082	\$ (92,255)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	31,110	9,678
Unrealized (gain) loss	(3,916)	7,609
(Increase) decrease in:		
Grants and other receivables	(74,746)	46,679
Prepaid expenses	(10,837)	(31,171)
Deposits	2,500	6,868
Increase (decrease) in:		
Accounts payable and accrued liabilities	(59,394)	118,999
Grants payable	62,303	(113,408)
Deferred rent	<u>37,620</u>	<u>14,258</u>
Net cash provided (used) by operating activities	<u>760,722</u>	<u>(32,743)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(55,298)	(93,306)
Purchase of investments	<u>(4,233)</u>	<u>(5,179)</u>
Net cash used by investing activities	<u>(59,531)</u>	<u>(98,485)</u>
Net increase (decrease) in cash and cash equivalents	701,191	(131,228)
Cash and cash equivalents at beginning of year	<u>1,709,827</u>	<u>1,841,055</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,411,018</u>	<u>\$ 1,709,827</u>

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Environmental Investigation Agency (EIA) is a non-profit organization, incorporated in the District of Columbia on September 8, 1989. Since 1989, EIA US has identified and campaigned for solutions to the world's most pressing environmental problems. Our campaigns to protect endangered wildlife, forests, and the global climate operate at the intersection between global trade and the accelerating loss of natural resources and species. EIA US takes advantage of its independence and mobility to produce game-changing primary evidence and analysis of these problems and to build lasting alliances, institutions, and policies to address those challenges.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with EIA's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Cash and cash equivalents -

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

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

Investments -

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

Grants and other receivables -

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

Fixed assets -

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

Income taxes -

EIA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. EIA is not a private foundation.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Uncertain tax positions -

For the year ended December 31, 2016, EIA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of EIA and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of EIA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by EIA. As of December 31, 2016, there were no permanently restricted net assets.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

EIA receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs.

Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

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

ENVIRONMENTAL INVESTIGATION AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

In-kind contributions -

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

Use of estimates -

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

Functional allocation of expenses -

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

Risks and uncertainties -

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

Fair value measurement -

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

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the EIA's financial statements, it is not expected to alter the EIA's reported financial position activities.

ENVIRONMENTAL INVESTIGATION AGENCY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2016:

	<u>Fair Value</u>
Equities	\$ 75,187
Certificates of deposit	<u>263,712</u>
TOTAL INVESTMENTS	\$ <u>338,899</u>

Included in investment income are the following for the year ended December 31, 2016:

Interest and dividends	\$ 6,689
Unrealized gain	<u>3,916</u>
TOTAL INVESTMENT INCOME	\$ <u>10,605</u>

3. **BOARD DESIGNATED NET ASSETS**

As of December 31, 2016, net assets have been designated by the Board of Directors for the following purposes:

Operating Reserve	\$ <u>206,732</u>
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4. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2016:

Global Climate Campaign	\$ 111,240
Cetaceans Campaign	75,926
Elephants Campaign	278,740
Forest Campaign	<u>1,429,393</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>1,895,299</u>

ENVIRONMENTAL INVESTIGATION AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

4. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

Global Climate Campaign	\$ 464,571
Cetaceans Campaign	231,638
Elephants Campaign	388,556
Forest Campaign	<u>3,224,257</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 4,309,022</u>

5. LEASE COMMITMENTS

In October 2015, EIA entered into a lease agreement for office space in Washington, D.C. The agreement commenced on November 3, 2015 and extends through June 29, 2019. Base rent is \$186,305 per year, plus a proportionate share of expenses, increasing by a factor of 3.5% per year. EIA received rent abatement for four months of the lease. EIA deposited an irrevocable letter of credit in the amount of \$31,051, corresponding to two months of base rent as a security deposit for the lease agreement.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statement of Financial Position.

The following is a schedule of the future minimum lease payments as of December 31, 2016:

Year Ending December 31,

2017	\$ 193,950
2018	200,739
2019	<u>103,280</u>
	<u>\$ 497,969</u>

Rent expense for the year ended December 31, 2016 totaled \$188,350, and is included in occupancy expense in the accompanying Statement of Functional Expenses.

6. RETIREMENT PLAN

EIA provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with six months of employment. EIA contributes 3% of gross wages. Contributions to the plan during the year ended December 31, 2016 totaled \$56,354.

ENVIRONMENTAL INVESTIGATION AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

7. RELATED PARTY

EIA cooperates with the Environmental Investigation Agency Trust, a United Kingdom charitable organization and the Environmental Investigation Agency (UK) Limited, a United Kingdom not-for-profit organization, both of which have a common mission with EIA. While there is no controlling interest, one Director of EIA is also a Trustee or a Director of the cooperating agencies. EIA grants funds to the Environmental Investigation Agency (UK) Limited in order to carry out certain projects. Also, from time-to-time, each organization may incur expenses on behalf of another, which are reimbursed. As of December 31, 2016, EIA owed \$24,750 to the Environmental Investigation Agency (UK) Limited, which was included in grants payable in the accompanying Statement of Financial Position.

8. FAIR VALUE MEASUREMENT

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

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, by level within the fair value hierarchy, EIA's investments as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Equities	\$ 75,187	\$ -	\$ -	\$ 75,187
Certificates of deposit	<u>-</u>	<u>263,712</u>	<u>-</u>	<u>263,712</u>
TOTAL	<u>\$ 75,187</u>	<u>\$ 263,712</u>	<u>\$ -</u>	<u>\$ 338,899</u>

ENVIRONMENTAL INVESTIGATION AGENCY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

9. SUBSEQUENT EVENTS

In preparing these financial statements, EIA has evaluated events and transactions for potential recognition or disclosure through May 1, 2017, the date the financial statements were issued.