



Financial Statements

Years ended July 31, 2016 and 2015

DRAFT

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

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Years ended July 31, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors
Sustainable Organic Integrated Livelihoods:

We have audited the accompanying financial statements of *Sustainable Organic Integrated Livelihoods* (a non-profit organization), which comprise the statements of financial position as of July 31, 2016 and 2015 and the related statements of activities, functional expenses and cash flows for the years 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 of 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 *Sustainable Organic Integrated Livelihoods* as of July 31, 2016 and 2015, 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.



December 9, 2016

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Financial Position

July 31, 2016 and 2015

<i>Assets</i>	<u>2016</u>	<u>2015</u>
Cash and equivalents	\$ 409,110	219,301
Grants and contributions receivable	737,885	463,432
Prepaid expenses	<u>32,914</u>	<u>43,867</u>
Total current assets	1,179,909	726,600
Land, buildings and equipment, net	<u>497,963</u>	<u>235,768</u>
	<u>\$ 1,677,872</u>	<u>962,368</u>
 <i>Liabilities and Net Assets</i>		
Accounts payable and accrued expenses	\$ <u>16,520</u>	<u>5,719</u>
Total liabilities	<u>16,520</u>	<u>5,719</u>
Net assets:		
Unrestricted	766,931	420,796
Temporarily restricted	<u>894,421</u>	<u>535,853</u>
Total net assets	<u>1,661,352</u>	<u>956,649</u>
	<u>\$ 1,677,872</u>	<u>962,368</u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Activities

Years ended July 31, 2016 and 2015

	2016			2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:						
Grants	\$ 480,357	1,432,776	1,913,133	373,743	1,156,724	1,530,467
Contributions	221,273	-	221,273	244,919	-	244,919
Service fees and program revenue	82,917	-	82,917	67,989	-	67,989
Net assets released from restrictions:						
Satisfaction of purpose restriction	1,074,208	(1,074,208)	-	649,335	(649,335)	-
Total support and revenue	1,858,755	358,568	2,217,323	1,335,986	507,389	1,843,375
Expenses:						
Program	1,370,990	-	1,370,990	1,070,565	-	1,070,565
Management and general	141,630	-	141,630	91,218	-	91,218
Total expenses	1,512,620	-	1,512,620	1,161,783	-	1,161,783
Change in net assets	346,135	358,568	704,703	174,203	507,389	681,592
Net assets – beginning of year	420,796	535,853	956,649	246,593	28,464	275,057
Net assets – end of year	\$ 766,931	894,421	1,661,352	420,796	535,853	956,649

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Functional Expenses

Years ended July 31, 2016 and 2015

	2016			2015		
	<u>Program</u>	<u>Management and general</u>	<u>Total expenses</u>	<u>Program</u>	<u>Management and general</u>	<u>Total expenses</u>
Salaries	\$ 658,153	65,718	723,871	531,087	58,105	589,192
Employee benefits and payroll taxes	228,717	27,983	256,700	167,311	12,179	179,490
Depreciation expense	156,176	12,076	168,252	91,521	3,808	95,329
Truck and vehicle expense	64,734	7,231	71,965	65,289	3,436	68,725
Office supplies and expenses	35,961	15,834	51,795	28,794	8,466	37,260
Travel and training	42,607	4,579	47,186	19,406	976	20,382
Project supplies	46,198	-	46,198	39,967	-	39,967
Other program expenses	41,893	-	41,893	33,533	-	33,533
Occupancy expense	34,831	3,950	38,781	37,885	1,869	39,754
Contractual services	33,261	2,555	35,816	28,164	1,412	29,576
Telecommunications	10,118	1,228	11,346	14,383	831	15,214
Repairs and site expenses	10,182	174	10,356	9,063	61	9,124
Marketing	8,159	302	8,461	4,162	75	4,237
Total expenses	\$ 1,370,990	141,630	1,512,620	1,070,565	91,218	1,161,783

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Cash Flows

Years ended July 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 704,703	681,592
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	168,252	95,329
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	(274,453)	(413,582)
Prepaid expenses	10,953	(23,457)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>10,801</u>	<u>(17,816)</u>
Net cash provided by operating activities	<u>620,256</u>	<u>322,066</u>
Cash flows from investing activities:		
Purchase of land, property and equipment	<u>(430,447)</u>	<u>(165,556)</u>
Net cash used in investing activities	<u>(430,447)</u>	<u>(165,556)</u>
Increase in cash	189,809	156,510
Cash and equivalents – beginning of year	<u>219,301</u>	<u>62,791</u>
Cash and equivalents – end of year	<u>\$ 409,110</u>	<u>219,301</u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

July 31, 2016 and 2015

(1) **Summary of Significant Accounting Policies**

Nature of Organization

Sustainable Organic Integrated Livelihoods (“SOIL” or “the Organization”) is a 501(c) (3) not for profit corporation based in the United States with its primary operations in Haiti. SOIL’s mission is to promote dignity, health, and sustainable livelihoods through the transformation of wastes into resources.

In support of this mission, SOIL primarily focuses on designing, building, and refining ecological sanitation (EcoSan) solutions. EcoSan is a process by which human wastes are converted into valuable compost. EcoSan simultaneously tackles some of the world’s toughest challenges: providing sanitation to people who would otherwise have no access to a toilet and producing rich, organic compost critical for agriculture and reforestation. Working with Haitian communities to design and test ecologically and socially beneficial solutions, SOIL implements low-cost EcoSan technologies that are simple, easy to replicate, require minimal water, and provide safe and dignified access to sanitation. By turning a public health problem into a sustainable solution for soil restoration, SOIL’s work sets a global example for how sanitation services can recycle nutrients and create livelihoods.

Basis of Presentation

The Organization follows accounting for not-for-profit organizations as outlined in AICPA professional standards. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unrestricted contributions, and contributions that are restricted by the donor, for which the restriction expires in the year in which the contributions are recognized, are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restriction. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Concentration of Credit Risk

The Organization maintains its cash in U.S. bank accounts which, at times, may exceed federally insured limits. The Organization also maintains bank accounts in Haiti that are not insured. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash equivalents.

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

Land, Buildings and Equipment

Land, buildings and equipment are recorded at historical cost on the date purchased or fair market value on the date donated. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the related assets, generally 30 years for buildings and two to six years for other assets. When assets are retired or otherwise disposed of the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized in income.

The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Individual assets purchased for less than \$1,000 are charged to expense.

Income Taxes

SOIL is a not-for-profit organization operating under section 501(c) (3) of the Internal Revenue Code, and is generally exempt from federal and state taxes and, accordingly, no provision for income taxes (in the United States of America or any of its jurisdictions) is recorded in the financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if it has taken an uncertain position that more-likely-than-not would not be sustained upon examination by the applicable taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of July 31, 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for the years prior to the fiscal year ending July 31, 2013.

Donated Services and Materials

Contributed services and materials are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no contributed services that met the above criteria for the years ended July 31, 2016 and 2015. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time and perform a variety of tasks that assist SOIL with their project and program delivery.

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

Use of Estimates in Preparation of Financial Statements

The preparation of 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 and disclosure 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 results could differ from those estimates.

Functional Allocation of Expenses

The Organization's expenses are presented on a functional basis, showing basic program activities and support services. The Organization allocates expenses to programs and support services based on the specific work functions of various employees for payroll and related expenses; all other expenses are allocated based upon management's estimate of expenses incurred by functional area.

Subsequent Events

Subsequent events have been evaluated through December 9, 2016, which is the date the financial statements were available to be issued.

(2) Land, Buildings and Equipment

Land, buildings and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 37,798	37,798
Buildings	85,187	77,907
Vehicles	216,911	193,867
Project equipment	164,384	15,441
Compost structures	133,519	31,981
Toilets	79,998	28,994
Equipment	<u>17,877</u>	<u>6,689</u>
	735,674	392,677
Less accumulated depreciation and amortization	<u>237,711</u>	<u>156,909</u>
Land, buildings and equipment, net	\$ <u>497,963</u>	<u>235,768</u>

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

(2) **Land, Buildings and Equipment (continued)**

The land and vehicles included in land, buildings and equipment purchased prior to August 2015 were registered in the name of third parties while the Organization obtained legal status in Haiti. Documents attesting to ownership of the above listed property have been legally signed. The Organization obtained legal status in Haiti in August 2015 and is in the process of transferring ownership of the land and vehicles to the Organization.

Depreciation expense was approximately \$168,300 and \$95,300 for the years ended July 31, 2016 and 2015.

(3) **Operating Leases**

The Organization leases various locations under non-cancellable operating leases. The leases expire at various times through June 2017.

The approximate future minimum payments under these leases are as follows: 2017, \$22,000. Total occupancy expense for the years ended July 31, 2016 and 2015 amounted to approximately \$38,800 and \$39,700, respectively.

(4) **Temporarily Restricted Assets**

Temporarily restricted net assets in the amount of approximately \$894,400 as of July 31, 2016 are restricted in connection with SOIL's household toilet project, agriculture trials, compost testing, vehicle purchases and staff salary payments.

(5) **Related Party Transactions**

The Organization entered into a multi-year consulting contract for approximately \$12,000 with a relative of the Executive Director during the year ending July 31, 2016. The transaction was arms-length and with the approval of the Board of Directors.

(6) **Compliance with Laws and Regulations**

SOIL filed as a non-governmental organization in Haiti, and the application was approved in August 2015. The organization registered with the Directorate General of Taxes ("DGI"), the Haitian tax authority and began paying DGI payroll taxes in March 2016. Management believes that there will be no penalties or taxes related as a result of this registration, and consequently no accrued liabilities have been recorded in the accompanying financial statements.