



**Financial Statements**

**Years ended July 31, 2017 and 2016**

# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

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Years ended July 31, 2017 and 2016

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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, 2017 and 2016 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, 2017 and 2016, 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 1, 2017

# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Statements of Financial Position

July 31, 2017 and 2016

<i>Assets</i>	<u>2017</u>	<u>2016</u>
Cash and equivalents	\$ 427,661	409,110
Grants and contributions receivable	1,045,540	737,885
Prepaid expenses	<u>33,959</u>	<u>32,914</u>
<b>Total current assets</b>	1,507,160	1,179,909
Land, property and equipment, net	<u>500,271</u>	<u>497,963</u>
	<u>\$ 2,007,431</u>	<u>1,677,872</u>
 <i>Liabilities and Net Assets</i>		
Accounts payable and accrued expenses	\$ <u>35,050</u>	<u>16,520</u>
<b>Total liabilities</b>	<u>35,050</u>	<u>16,520</u>
<b>Net assets:</b>		
Unrestricted	697,671	766,931
Temporarily restricted	<u>1,274,710</u>	<u>894,421</u>
<b>Total net assets</b>	<u>1,972,381</u>	<u>1,661,352</u>
	<u>\$ 2,007,431</u>	<u>1,677,872</u>

See accompanying notes to financial statements.

**SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS**

**Statements of Activities**

**Years ended July 31, 2017 and 2016**

	<b>2017</b>			<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenue:</b>						
Grants	\$ 377,355	1,237,164	1,614,519	480,357	1,432,776	1,913,133
Contributions	346,803	-	346,803	221,273	-	221,273
Service fees and program revenue	123,945	-	123,945	82,917	-	82,917
Net assets released from restrictions:						
Satisfaction of purpose restriction	856,875	(856,875)	-	1,074,208	(1,074,208)	-
<b>Total support and revenue</b>	<b>1,704,978</b>	<b>380,289</b>	<b>2,085,267</b>	<b>1,858,755</b>	<b>358,568</b>	<b>2,217,323</b>
<b>Expenses:</b>						
Program	1,606,695	-	1,606,695	1,370,990	-	1,370,990
Management and general	167,543	-	167,543	141,630	-	141,630
<b>Total expenses</b>	<b>1,774,238</b>	<b>-</b>	<b>1,774,238</b>	<b>1,512,620</b>	<b>-</b>	<b>1,512,620</b>
<b>Change in net assets</b>	<b>(69,260)</b>	<b>380,289</b>	<b>311,029</b>	<b>346,135</b>	<b>358,568</b>	<b>704,703</b>
<b>Net assets – beginning of year</b>	<b>766,931</b>	<b>894,421</b>	<b>1,661,352</b>	<b>420,796</b>	<b>535,853</b>	<b>956,649</b>
<b>Net assets – end of year</b>	<b>\$ 697,671</b>	<b>1,274,710</b>	<b>1,972,381</b>	<b>766,931</b>	<b>894,421</b>	<b>1,661,352</b>

See accompanying notes to financial statements.

**SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS**

**Statements of Functional Expenses**

**Years ended July 31, 2017 and 2016**

	<b>2017</b>			<b>2016</b>		
	<b><u>Program</u></b>	<b><u>Management and general</u></b>	<b><u>Total expenses</u></b>	<b><u>Program</u></b>	<b><u>Management and general</u></b>	<b><u>Total expenses</u></b>
Salaries	\$ 757,077	86,306	843,383	658,153	65,718	723,871
Employee benefits and payroll taxes	220,433	26,930	247,363	228,717	27,983	256,700
Depreciation expense	193,913	13,583	207,496	156,176	12,076	168,252
Truck and vehicle expense	103,869	10,082	113,951	64,734	7,231	71,965
Other program expenses	99,929	-	99,929	41,893	-	41,893
Contractual services	52,990	11,041	64,031	33,261	2,555	35,816
Project supplies	51,516	-	51,516	46,198	-	46,198
Office supplies and expenses	38,606	9,348	47,954	35,961	15,834	51,795
Occupancy expense	41,845	4,843	46,688	34,831	3,950	38,781
Travel and training	32,783	4,257	37,040	42,607	4,579	47,186
Telecommunications	9,998	1,140	11,138	10,118	1,228	11,346
Marketing	2,726	13	2,739	8,159	302	8,461
Repairs and site expenses	1,010	-	1,010	10,182	174	10,356
<b>Total expenses</b>	<b>\$ 1,606,695</b>	<b>167,543</b>	<b>1,774,238</b>	<b>1,370,990</b>	<b>141,630</b>	<b>1,512,620</b>

See accompanying notes to financial statements.

# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Statements of Cash Flows

Years ended July 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 311,029	704,703
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	207,496	168,252
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	(307,655)	(274,453)
Prepaid expenses	(1,045)	10,953
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>18,530</u>	<u>10,801</u>
<b>Net cash provided by operating activities</b>	<u>228,355</u>	<u>620,256</u>
<b>Cash flows from investing activities:</b>		
Acquisition of land, property and equipment	<u>(209,804)</u>	<u>(430,447)</u>
<b>Net cash used in investing activities</b>	<u>(209,804)</u>	<u>(430,447)</u>
<b>Increase in cash</b>	18,551	189,809
<b>Cash and equivalents – beginning of year</b>	<u>409,110</u>	<u>219,301</u>
<b>Cash and equivalents – end of year</b>	<u>\$ 427,661</u>	<u>409,110</u>

See accompanying notes to financial statements.

# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Notes to Financial Statements

July 31, 2017 and 2016

(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.

SOIL is a founding member of the Container-based Sanitation Alliance (“Alliance”) which was established during 2017. Alliance is a group of organizations whose vision is a world where access to dignified, safe and affordable sanitation is no longer out of reach for families in impoverished communities in dense urban areas, worldwide. As a part of the Alliance, SOIL is committed to transparently sharing its research so that its work in Haiti can be adapted in vulnerable urban communities, worldwide.

*Basis of Presentation*

The Organization follows accounting for not-for-profit organizations as outlined in American Institute of Certified Public Accountants 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. The organization has no permanently restricted net assets.

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# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Notes to Financial Statements

### (1) Summary of Significant Accounting Policies (continued)

#### *Cash and Concentration of Credit Risk*

The Organization maintains 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.

#### *Land, Property and Equipment*

Land, property 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 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, 2017, 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, 2014.

#### *Donated Services and Materials*

Contributed services and materials are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, which are provided by individuals or organizations possessing those skills that would typically need to be purchased if not provided by donation. The Organization received donated consulting services for the year ended July 31, 2017. General volunteer services do not meet these criteria for recognition. However, many volunteers and organizations 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 1, 2017, which is the date the financial statements were available to be issued.

### (2) Land, Property and Equipment

Land, property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 37,798	37,798
Buildings	126,318	85,187
Vehicles	222,124	216,911
Compost structures	196,352	133,519
Toilets	122,144	79,998
Project equipment	177,599	164,384
Equipment	<u>27,104</u>	<u>17,877</u>
	909,439	735,674
Less accumulated depreciation and amortization	<u>409,168</u>	<u>237,711</u>
Land, property and equipment, net	\$ <u>500,271</u>	<u>497,963</u>

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# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Notes to Financial Statements

### (2) **Land, Property and Equipment (continued)**

The land and vehicles included in land, property 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 to the Organization. Most of the vehicles purchased prior to August 2015 have been written off or are almost fully depreciated so the organization made the decision not to transfer the ownership of these vehicles.

Depreciation expense was approximately \$207,500 and \$168,300 for the years ended July 31, 2017 and 2016.

### (3) **Operating Leases**

The Organization leases various locations under non-cancellable operating leases. The leases expire at various times through June 2018.

The approximate future minimum payments under these leases are as follows: 2018, \$17,000. Total occupancy expense for the years ended July 31, 2017 and 2016 amounted to approximately \$46,600 and \$38,800, respectively.

### (4) **Temporarily Restricted Assets**

Temporarily restricted net assets in the amount of approximately \$1,274,700 as of July 31, 2017 are restricted in connection with SOIL's household toilet and waste treatment projects and staff salaries.

### (5) **Related Party Transactions**

During 2016, the Organization entered into a multi-year consulting contract for approximately \$12,000 with a relative of the Executive Director. The contract was still in effect during the fiscal year ended July 31, 2017. 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 as a result of this registration, and consequently no accrued liabilities have been recorded in the accompanying financial statements.

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# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Notes to Financial Statements

### (7) **Implementation of Future FASB Pronouncements**

The FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), in August 2016. Several changes to nonprofit financial reporting include:

- Improvements to the presentation and disclosures for net assets classes from the previous three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two classes (without donor restrictions and with donor restrictions).
- Allowing free choice between the direct and indirect methods in presenting cash flows.
- Providing better information about functional expenses and disclosures about how expenses are allocated to management and general.
- Augmenting disclosures on underwater endowment funds.
- Unifying the reporting of investment returns.
- Enhancements to information provided about the liquidity and availability of financial resources.

The new standard aims to improve reporting the liquidity and availability of resources. Qualitative information will be required to be disclosed on how the organization manages its liquid available resources and its liquidity risk to meet cash needs for general expenditures within one year of the year-end date.

The goal of this new ASU is to provide more useful information to the users of nonprofit financial statements to understand how the organization manages its liquidity. The ASU is effective for periods beginning after December 15, 2017.