SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2023 AND 2022

tonneson + co
Certified Public Accountants & Consultants

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sustainable Organic Integrated Livelihoods
Takoma Park, Maryland

Opinion

We have audited the accompanying financial statements of Sustainable Organic Integrated Livelihoods (a nonprofit organization), which comprise the statements of financial position as of July 31, 2023 and 2022, and the related statement of activities for the year ended July 31, 2023, and the statements of functional expenses and cash flows for the years ended July 31, 2023 and 2022, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets for the year ended July 31, 2023 and its functional expenses and cash flows for the years ended July 31, 2023 and 2022, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sustainable Organic Integrated Livelihoods and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, Sustainable Organic Integrated Livelihoods adopted FASB ASC 842, *Leases*, effective August 1, 2022. Our opinion was not modified with respect to this matter.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sustainable Organic Integrated Livelihoods' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Sustainable Organic Integrated Livelihoods' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about of Sustainable Organic Integrated Livelihoods' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Sustainable Organic Integrated Livelihoods' July 31, 2022 financial statements and our report dated July 3, 2023 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein for the year ended July 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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Tonneson & Company PC

Wakefield, Massachusetts
June 8, 2024

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2023 AND 2022

	2023	2022
ASSETS:		
Cash	$ 1,209,200	$ 1,424,068
Contributions receivable	838,041	1,195,737
Accounts receivable	4,642	39,771
Prepaid expenses	69,479	28,359
Employee loans	16,498	11,716
Land, property, and equipment, net	382,749	364,457
Right of use assets - operating leases	94,279	-
TOTAL ASSETS	$ 2,614,888	$ 3,064,108
LIABILITIES:		
Accrued expenses	$ 127,207	163,416
Payroll liabilities	128,833	88,722
Operating lease liabilites	94,279	-
Refundable advances	-	173,418
Total liabilities	350,319	425,556
NET ASSETS:		
Without donor restrictions:		
Operations	1,234,304	1,323,188
Board designated	385,313	330,753
With donor restrictions	644,952	984,611
Total net assets	2,264,569	2,638,552
TOTAL LIABILITIES AND NET ASSETS	$ 2,614,888	$ 3,064,108

See Notes to Financial Statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2023 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
REVENUES AND SUPPORT:				
Contributions	$ 1,410,245	$ -	$ 1,410,245	$ 2,998,206
Conditional government grant	-	-	-	62,640
Contributed services	899		899	-
Contributed assets - non-financial	-	-	-	8,978
Program service revenue	63,788	-	63,788	83,862
Gain (loss) on foreign currency translation	(4,026)	-	(4,026)	8,240
Other income	2,107	-	2,107	3,905
Net assets released from restrictions:				
Satisfaction of program and donor restrictions	339,659	(339,659)	-	-
Total revenues and support	1,812,672	(339,659)	1,473,013	3,165,831
EXPENSES:				
Program services				
EkoLakay	765,825	-	765,825	660,085
Waste Treatment	247,079	-	247,079	278,554
Research	246,319	-	246,319	364,516
Education and Outreach	203,879	-	203,879	162,478
Emergency Response	26,777	-	26,777	126,899
Total program service expenses	1,489,879	-	1,489,879	1,592,532
Management and general expenses	280,633	-	280,633	192,085
Fundraising expenses	76,484	-	76,484	119,629
Total expenses	1,846,996	-	1,846,996	1,904,246
CHANGE IN NET ASSETS	(34,324)	(339,659)	(373,983)	1,261,585
NET ASSETS, BEGINNING OF YEAR	1,653,941	984,611	2,638,552	1,376,967
NET ASSETS, END OF YEAR	$ 1,619,617	$ 644,952	$ 2,264,569	$ 2,638,552

See Notes to Financial Statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2023

	Program Services						Supporting Services		
	EkoLakay	Waste Treatment	Research	Education and Outreach	Emergency Response	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 340,840	$ 167,747	$ 180,573	$ 145,428	$ 5,505	$ 840,093	$ 75,838	$ 67,167	$ 983,098
Employee benefits and payroll taxes	29,066	16,394	23,299	19,394	366	88,519	17,091	6,619	112,229
Total personnel	369,906	184,141	203,872	164,822	5,871	928,612	92,929	73,786	1,095,327
Contractual services	37,143	904	13,403	12,145	-	63,595	125,052	-	188,647
Depreciation	101,149	26,533	2,501	427	3,779	134,389	3,445	-	137,834
Office supplies and expenses	20,947	1,862	145	2,325	-	25,279	56,642	-	81,921
Truck and vehicle expenses	94,523	2,443	118	-	-	97,084	-	-	97,084
Repairs and site expenses	48,609	7,829	34	-	5,891	62,363	13	-	62,376
Project supplies	48,035	9,792	3,160	-	2,961	63,948	5	-	63,953
Marketing	4,379	788	-	-	-	5,167	-	-	5,167
Travel and training	8,225	795	18,450	18,952	1,241	47,663	2,252	445	50,360
Occupancy	8,458	4,863	-	-	109	13,430	-	-	13,430
Telecommunication	11,236	4,780	183	-	-	16,199	295	-	16,494
Other expenses	13,215	2,349	4,247	5,208	6,925	31,944	-	2,253	34,197
Loss on sale of equipment	-	-	206	-	-	206	-	-	206
Total other expenses	395,919	62,938	42,447	39,057	20,906	561,267	187,704	2,698	751,669
Total expenses	$ 765,825	$ 247,079	$ 246,319	$ 203,879	$ 26,777	$ 1,489,879	$ 280,633	$ 76,484	$ 1,846,996

See Notes to Financial Statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2022

	Program Services						Supporting Services		
	EkoLakay	Waste Treatment	Research	Education and Outreach	Emergency Response	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 315,936	$ 167,199	$ 171,050	$ 125,458	$ 4,189	$ 783,832	$ 59,906	$ 62,911	$ 906,649
Employee benefits and payroll taxes	45,852	24,908	41,362	14,624	1,443	128,189	3,541	14,513	146,243
Total personnel	361,788	192,107	212,412	140,082	5,632	912,021	63,447	77,424	1,052,892
Contractual services	25,892	10,831	97,975	2,108	5,222	142,028	93,730	24,254	260,012
Depreciation	35,197	14,890	19,433	8,715	6,705	84,940	10,129	6,385	101,454
Office supplies and expenses	39,538	8,952	9,289	4,221	3,554	65,554	22,029	9,646	97,229
Truck and vehicle expenses	91,751	10,029	1,539	68	52	103,439	79	49	103,567
Repairs and site expenses	32,341	14,249	1,976	5	9,379	57,950	6	4	57,960
Project supplies	28,298	12,735	3,353	46	2,132	46,564	54	34	46,652
Marketing	7,311	728	-	-	-	8,039	-	229	8,268
Travel and training	11,169	2,784	15,055	4,244	952	34,204	1,113	708	36,025
Occupancy	10,282	4,647	1,632	732	3,715	21,008	851	536	22,395
Telecommunication	9,360	4,180	540	121	93	14,294	140	89	14,523
Other expenses	7,158	2,422	1,312	2,136	89,463	102,491	507	271	103,269
Total other expenses	298,297	86,447	152,104	22,396	121,267	680,511	128,638	42,205	851,354
Total expenses	$ 660,085	$ 278,554	$ 364,516	$ 162,478	$ 126,899	$ 1,592,532	$ 192,085	$ 119,629	$ 1,904,246

See Notes to Financial Statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 2023 AND 2022

INCREASE (DECREASE) IN CASH

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (373,983)	$ 1,261,585
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Depreciation	137,834	101,454
Loss on sale of equipment	206	-
Changes in certain operating assets and liabilities:		
Contributions receivable	357,696	(983,215)
Accounts receivable	35,129	(34,055)
Prepaid expenses	(41,120)	(11,005)
Employee loans	(4,782)	11,096
Accounts payable	-	(3,653)
Accrued expenses	(36,209)	42,034
Payroll liabilities	40,111	(5,759)
Refundable advances	(173,418)	121,426
Net cash provided by (used in) operating activities	(58,536)	499,908
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, property, and equipment	(156,812)	(137,094)
Proceeds from sale of equipment	480	-
Net cash used in investing activities	(156,332)	(137,094)
NET INCREASE (DECREASE) IN CASH	(214,868)	362,814
CASH, BEGINNING OF YEAR	1,424,068	1,061,254
CASH, END OF YEAR	$ 1,209,200	$ 1,424,068

See Notes to Financial Statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Note 1 - Summary of Significant Accounting Policies

Organization - Sustainable Organic Integrated Livelihoods ("SOIL") is a not-for-profit corporation based in the United States of America 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 agricultural grade 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 (CBS) Alliance, a global group of organizations whose vision is a world where access to dignified, safe, and affordable sanitation is no longer out of reach for families and communities in densely populated urban areas. As a part of the CBS Alliance, SOIL is committed to transparently sharing its research so that the work in Haiti can be adapted internationally in vulnerable urban communities.

SOIL's primary source of revenue is contributions received from individuals and foundations.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation - The financial statements are prepared in accordance with U.S. generally accepted accounting principles. U.S. generally accepted accounting principles establish standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. The two net asset categories are as follows:

Net Assets Without Donor Restrictions include net assets that are available for use in general operations and not subject to donor (or certain grantor) imposed stipulations.

Net Assets With Donor Restrictions include some net assets that are temporary in nature, which are subject to donor (or certain grantor) imposed stipulations, that may or will be met by actions of SOIL and/or the passage of time. Other donor (or certain grantor) imposed restrictions are perpetual in nature, whereas the donor stipulates that these resources be maintained in perpetuity. Generally, the donors of these assets permit the SOIL to use all, or part of the income earned on related investments for general or specific purposes. Donor (or grantor) imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions are then reclassified to net assets without donor restrictions in the statement of activities.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents - SOIL considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash and money market funds.

Contributions and Grants - In accordance with U.S. generally accepted accounting principles, contributions and grants received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor or grantor restrictions. Support that is restricted by the donor or grantor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period that it was received. All other donor and grantor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

Certain contributions are conditional in nature and are accounted for under Financial Accounting Standards Board ASC 958-605. Such contributions are recognized as certain conditions of the contribution are substantially met by SOIL or explicitly waived by the donor. The original contribution is recorded as a refundable advance and amounts are recognized and applied against the refundable advance as the conditions of release are substantially met.

Accounts and Contributions Receivable – Accounts and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and an increase to a valuation allowance based upon its assessment of the current status of the individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of contributions receivable. All accounts and contributions receivable are reviewed by management and any allowance for doubtful accounts is determined by management of SOIL. Management has reviewed accounts and contributions receivable as of July 31, 2023 and 2022 and considers all receivables to be fully collectible and, accordingly, no allowance for doubtful accounts is required with regards to accounts and contributions receivable.

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 15-30 years for buildings and 2-6 years for other assets. When assets are retired or otherwise disposed of the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in change in net assets. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes - SOIL is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and accordingly, the financial statements do not reflect a provision for income taxes. This determination has been reviewed according to guidance in a Financial Accounting Standards Board pronouncement related to accounting for uncertainty in income taxes. In determining the recognition of uncertain tax positions, SOIL applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions by considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. As of July 31, 2023, SOIL has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. SOIL is generally subject to potential examination by taxing jurisdictions for the prior three years.

Revenue Recognition - Under Financial Accounting Standards Board ASC Topic 606, *Revenue from Contracts with Customers* (Topic 606), revenue is recognized when a customer obtains control of promised goods or services (the performance obligation) in an amount that reflects the consideration expected to be received in exchange for those goods or services (the transaction price).

Program service revenue includes revenue from compost sales and portable toilet rental fees through the EkoLakay program. Compost sale revenues are generally considered to be single performance obligations that are satisfied at a point in time and revenue is recognized when control of the product is transferred to a customer. Portable toilet rentals are rented out on a monthly basis and revenues are recognized on the first day of the month. Management has determined that there is no material differences in recognizing income under this method.

For the years ended July 31, 2023 and 2022, revenue recognized from performance obligations satisfied at a point in time amounted to approximately $3,300 and $7,400, respectively. Accounts receivable require payment on a short-term basis and as such the SOIL does not have any significant financing components.

Concentrations of Credit Risk - SOIL maintains its domestic operating cash balances in non-interest-bearing accounts at highly rated financial institutions. However, portions of temporary cash investments may exceed FDIC insured levels from time to time. As of July 31, 2023, SOIL had cash balances in excess of FDIC insurance levels of approximately $849,000. Cash held in foreign financial institutions at July 31, 2023 was approximately $82,300.

Functional Allocation of Expenses - The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, contractual services, depreciation, office supplies and expenses, truck and vehicle expenses, repairs and site expenses, project supplies, travel and training, occupancy, and telecommunication, which are allocated on the basis of time and effort. All other expenses are charged directly to the appropriate program service or supporting activity.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued) - The following program services and supporting activities are included in the accompanying financial statements:

EkoLakay - SOIL has developed a Container-Based Sanitation (CBS) system to provide impoverished communities in dense urban areas in Haiti with access to dignified, safe, and affordable toilets. SOIL's sanitation services are primarily directed to households through their EkoLakay program; however, they also operate three free public toilets as a humanitarian service, and they rent portable toilets for events and short-term needs.

Waste Treatment - SOIL has established a composting waste treatment site outside of the Cap Haitien area served by their CBS toilets. At these sites, the human waste is safely converted into nutrient rich compost that can be used to enhance the soil in agricultural and reforestation applications.

Research - SOIL is committed to ensuring that implementation of sanitation services is guided by rigorous evidence-based research. The organization has a dedicated research department whose purpose is to evaluate ongoing programming to ensure that SOIL's services are cost effective, equitable and environmentally sound. It is the role of the research department to liaise to enhance the impact of SOIL's core mission. The research department is tasked with disseminating peer-reviewed publications as a method of sharing lessons learned with other implementers, promoting further scientific enquiry into effective sanitation and waste treatment technologies, and contributing to the global sectoral dialogue around sanitation provision.

Education and Outreach - SOIL conducts education and outreach programs designed to support others in replicating their work. As a part of this effort, SOIL has organized educational consultation activities and workshops for other organizations, the Haitian government, and various international entities. SOIL is committed to transparently sharing their research so that their work in Haiti can be adapted in vulnerable urban communities worldwide.

Emergency Response - SOIL operates in a highly fragile context which is particularly vulnerable to natural disasters and public health threats. In the face of these ongoing risks, SOIL invests in emergency preparedness and frequently participates in coordinated response efforts when there is an emergency in Haiti (recent examples include flooding, earthquakes, COVID-19 and cholera).

Management and General - Includes the activities necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities, and perform other administrative functions.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and others.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Foreign Currency Translation - Certain components of the statement of financial position are translated from the Haitian gourde to the US dollar at the rate of exchange in effect at the applicable statement of financial position date. Program service revenue and certain expenses are translated from the Haitian gourde to the US dollar at the average rate of exchange over the reporting period. Accumulated realized gains or losses on translation to US dollars are recognized in the accompanying statement of activity for the respective period.

Recently Adopted Accounting Pronouncements - During the year ended July 31, 2023, SOIL adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure when applicable.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases.* This new standard was issued to increase transparency and comparability among entities requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most notable among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Additionally, under the new standard disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

SOIL adopted the new lease standard effective August 1, 2022, and recognized and measured leases existing at August 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease accounting and disclosures for the year ended July 31, 2022 are made under prior lease guidance in FASB ASC 840 in which future payments to be made under operating leases, other than deferred rent, were not recorded on the statement of financial position but rather classified and disclosed as commitments and certain long-term lease transactions relating to the financing of property and equipment were classified as capital leases.

SOIL elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, and (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, SOIL recognized on August 1, 2022, a lease liability of approximately $72,149, which represents the present value of the remaining operating lease payments of approximately $101,697. Lease liabilities are discounted using risk-free rates from 2.79% to 3.12%, which was based on the remaining term of the leases, and a right-of-use asset of approximately $72,149.

Adoption of the new lease standard had a material impact on SOIL’s statement of financial position but did not have a material impact on the statement of activities, functional expenses, or cash flows. The most significant impact was recognition of ROU assets and lease liabilities for operating leases.

Note 1 - Summary of Significant Accounting Policies (Continued)

Leases - SOIL leases certain facilities under long-term, non-cancelable lease agreements. Finance leases, if any, are included in property and equipment as right-of-use (ROU) assets and finance lease obligations on SOIL's statement of financial position. Operating leases are included as ROU assets and operating lease liabilities on the statement of financial position. SOIL does not have any agreements that would qualify as finance lease agreements.

Management determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, management considers factors such as if SOIL has obtained substantially all the rights to the underlying asset through exclusivity, if SOIL can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. The evaluation may require significant judgment. SOIL has elected to apply the short-term lease exemption to all asset classes.

ROU assets represent SOIL's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments. However, if the lease contains a significant economic incentive to exercise a purchase option, the ROU asset is amortized over the underlying assets' useful life. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term which includes both amortization of the ROU asset and other lease expense. In determining the discount rate used to measure the right-of-use asset and lease liability, the rate implicit in the lease is used, or if not available, SOIL uses a risk-free rate for all classes of assets based on the information available at commencement date in determining the present value of lease payments. The risk-free interest rate is based on the U.S. Daily Treasury Par Yield Curve Rates for terms similar to lease terms. The ROU assets also include any lease payments made at or before commencement, less any lease incentives received. Lease terms may include options to extend or terminate the lease when it is reasonably certain that such option will be exercised. SOIL's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

SOIL has lease agreements with lease and non-lease components. These are accounted for as a single lease component for all asset classes. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable payments, which are primarily comprised of common area maintenance, utilities, and taxes that are passed on from the lessor in proportion to the space leased, are recognized in management and administrative expenses in the period in which the obligation for those payments was incurred.

At August 1, 2022, the date of transition to ASC 842, Leases, SOIL did not have any leasehold improvements that were being amortized under longer lives than would be used under the new standard.

Non-financial Contributions - SOIL reports the fair value of contributed services that require specialized skills and that would otherwise be purchased by SOIL as contributions without donor restriction and simultaneously as expense, based on the estimated fair value at the time the services are donated. SOIL did not monetize any donated services.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Note 1 - Summary of Significant Accounting Policies (Continued)

Non-financial Contributions (Continued) - Contributed services for the years ended July 31, 2023 and 2022, included in the statement of activities, were as follows:

Non-financial Contribution	Type of Contribution	Valuation	2023	2022
Contributed services	Consulting services	Standard industry pricing	$ 899	$ -

SOIL reports the fair value of non-financial assets as contributions with or without donor restrictions, dependent upon the donor stipulations. Such contributions are based on an assessed fair market value as determined by a third-party appraisal when possible or by management based on comparable assets. SOIL did not monetize any non-financial contributed assets in 2023 or 2022.

Contributed non-financial assets for the years ended July 31, 2023 and 2022, included in the statement of activities, were as follows:

Non-financial Contribution	Type of Contribution	Valuation	2023	2022
Contributed asset	Storage containers	Fair market value	$ -	$ 8,978

Subsequent Events - The date to which events occurring after July 31, 2023 have been evaluated for possible adjustment to the financial statements or disclosure is the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Note 2 - Availability and Liquidity

SOIL regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. SOIL has various sources of liquidity at its disposal, including cash, contributions and accounts receivable. For purpose of analyzing resources available to meet general expenditures, management considers all expenditures related to program services, management and general, and fundraising to be general expenditures. SOIL's goal is generally to maintain financial assets to meet 180 days of operating expenses.

Note 2 - Availability and Liquidity (Continued)

The following table represents SOIL's financial assets as of July 31, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. Amounts not available include net assets with donor restrictions and board designated net assets.

	2023	2022
Financial assets at year-end:		
Cash	$ 1,209,200	$ 1,424,068
Contributions receivable	838,041	1,195,737
Accounts receivable	4,642	39,771
Total financial assets, at year-end	2,051,883	2,659,576
Less amounts not available to be used within one year:		
Net assets with donor restrictions	644,952	984,611
Less estimated net assets with time or donor restrictions to be met in less than a year	(200,000)	-
Board designated	385,313	330,753
	830,265	1,315,364
Financial assets available to meet cash needs for general expenditures within one year	$ 1,221,618	$ 1,344,212

Note 3 - Contributions Receivable

Contributions receivable at July 31, 2023 and 2022 are as follows:

	2023	2022
Contributions receivable expected to be collected in:		
Less than one year	$ 453,677	$ 626,736
One to five years	400,000	600,000
	853,677	1,226,736
Less present value discount	15,636	30,999
Contributions receivable, net	$ 838,041	$ 1,195,737

The applicable discount rate at July 31, 2023 was 2.70%.

Note 4 - Land, Property, and Equipment

Land, property and equipment at July 31, 2023 and 2022 consist of the following:

	2023	2022
Land	$ 27,798	$ 27,798
Buildings and infrastructure	225,655	219,655
Vehicles	330,949	246,380
Compost structures	272,060	272,060
Toilets	254,597	201,654
Project equipment	234,487	228,887
Equipment	39,055	38,189
	1,384,601	1,234,623
Less: accumulated depreciation	1,001,852	870,166
Land, property, and equipment, net	$ 382,749	364,457

Note 5 - Leasing Arrangements

SOIL leases clinic and office facilities at multiple locations in Haiti under three non-cancelable operating lease agreements. The agreements do not include any options to extend. SOIL recognizes monthly rent expense ratably over the terms of the lease agreements.

Terms of the lease agreements are as follows:

- Lease agreement related to a parcel of land with a lease term from February 28, 2022 through February 28, 2039. Monthly lease expense under the agreement is approximately $454 per month.
- Lease agreement related to a parcel of land with a lease term from September 16, 2021 through September 15, 2024. Monthly lease expense under the agreement is approximately $109 per month. SOIL did not extend the agreement upon expiration.
- Lease agreement, entered into in March 2023, related to a parcel of land, with a lease term from March 1, 2023 through March 31, 2033. Monthly lease expense under the agreement is approximately $283 per month.
- Short-term month lease agreement for a residential property in Haiti, utilized for visiting staff and other organizational matters, with a term of March 2023 through February 2024 that requires monthly lease payments of $1,300 per month. Rent expense under the agreement for the year ended July 31, 2023 amounted to $6,500. Subsequent to year end July 31, 2023, SOIL elected to not renew the lease agreement.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Note 5 - Leasing Arrangements (Continued)

The components of lease expense for the year ended July 31, 2023, were as follows:

Operating lease expense:	
Operating lease expense	$ 10,152
Total operating lease expense	$ 10,152

Other information related to leases as of July 31, 2023 is as follow:

Weighted average remaining lease term (years):	
Operating leases	14.56
Weighted average discount rate:	
Operating leases	3.06%

Supplemental cash flow information for the year ended July 31, 2023 was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	$ 10,152
Right-of-use assets obtained in exchange for lease obligations, including transition amounts:	
Operating leases	$ 101,697

Note 5 - Leasing Arrangements (Continued)

Future minimum lease payments under non-cancellable leases as of July 31, 2023 were as follows:

Years		Operating Leases
2024	$	9,062
2025		8,844
2026		8,844
2027		8,844
2028		8,844
Thereafter		71,242
Total lease payments		115,680
Less: Imputed interest		21,401
Total lease obligations		94,279
Less: Current obligations		6,274
Long-term lease obligations	$	88,005

In October 2023, SOIL entered into a lease agreement for administrative facilities in Haiti, with a term from October 22, 2023 through October 22, 2025. Monthly lease expense under the agreement is approximately $330 per month.

In January 2024, SOIL entered into a lease agreement for a residential property in Haiti, to be utilized for visiting staff and other organizational matters, with a term from January 31, 2024 through January 30, 2025. Monthly lease expense under the agreement is approximately $1,400 per month.

The following schedule represents approximate future minimum annual rental payments required under the non-cancelable operating lease agreements as of July 31, 2022 as required to be disclosed in accordance with ASC 840:

Years ending July 31,		
2024	$	9,582
2025		6,329
2026		6,329
2027		6,329
2028		5,448
Thereafter		67,863
	$	101,880

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Note 6 - Board Designated Net Assets

At July 31, 2023 and 2022, SOIL's Board of Directors has established $385,314 and $330,753 of board designated net assets for future operations, respectively.

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions at July 31, 2023 are restricted for the following purposes:

	2023	2022
Subject to passage of time:		
Contributions receivable:		
Sanitation and waste transformation	$ 644,952	$ 927,215
	644,952	927,215
Subject to expenditure for specific purpose:		
Ecological sanitation and waste transformation	-	27,905
Composting waste treatment systems	-	11,448
Expansion of EkoLakay services	-	18,043
	-	57,396
Net assets with donor restrictions	$ 644,952	$ 984,611

Note 8 - Retirement Plans

In 2021, SOIL established a 401(k) plan for its eligible U.S. based employees. Eligible employees are defined as being over the age of twenty-one and having completed one year of service. Employees may contribute a specified percentage of their salary as defined by the Plan. The Plan has provisions for an employer discretionary matching contribution up to a maximum of 3%. For the years ended July 31, 2023 and 2022, SOIL's contributions to the plan totaled $11,596 and $13,625, respectively.

In August 2021, SOIL established a voluntary retirement plan for its Haiti based employees. For the years ended July 31, 2023 and 2022, SOIL's discretionary matching contributions to the Plan amount to $5,396 and $5,779, respectively.

While SOIL expects to continue the Plans indefinitely, it has reserved the right to modify, amend or terminate the Plans. In the event of termination, the entire amount contributed under the Plans must be applied to the payment of benefits to the participants or their beneficiaries.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

NOTES TO FINANCIAL STATEMENTS

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Note 9 - Conditional Grant Income

During the year ended July 31, 2022, SOIL, after consulting with its payroll provider, received employee retention credits as provided for under the Federal CARES Act and subsequent modifications. The employee retention credits are refundable tax credits against certain employment taxes equal to 70% of qualified wages paid to employees during a quarter, with a limit of $10,000 per employee. The Organization has accounted for these credits as a conditional grant in accordance with Financial Accounting Standards Board's ASC Topic 958-605, *Revenue Recognition*. During the year ended July 31, 2022 management believes SOIL has met the requirements to claim the credit and as such, has recorded grant income in the amount of $62,640. The related receivable is included in contribution receivable at July 31, 2023 in the accompanying state of financial position. Employee Retention Credits claimed are subject to audit by the Internal Revenue Service. The IRS has five years, instead of the standard three years to audit ERC claims after filing. Any amounts disallowed would be required to be repaid. The employee retention credit program was terminated as of September 30, 2021. The amount was received by SOIL in August 2022.

Note 10 - Significant Donors

During the years ended July 31, 2023 and 2022, contributions from two donors and one donor, respectively, accounted for approximately 24% and 33% of contribution revenue. Amounts included in contributions receivable from these donors at July 31, 2023 and 2022, amounted to $773,920 and $769,001, respectively.

Note 11 - Compliance with Haitian Laws and Regulations

SOIL filed as a non-governmental organization in Haiti and the application was approved in August 2015. The organization is registered with the Directorate General of Taxes, the Haitian tax authority. Management believes they are in compliance with the Haitian Regulations and Tax laws and consequently no accrued liabilities have been recorded in the accompanying financial statements.

Note 12 - Operating Environment

SOIL operates in a complex and uncertain environment and political situation and management cannot determine the long-term impact, if any, of operating in such an environment. Movements to unseat former Haitian Prime Minister Ariel Henry between January and March 2024 led to the imposition of an eleven-day state of emergency in Haiti, as well as airport closures, increased fuel prices, and challenges receiving supplies from overseas. Despite the challenges of operating in Haiti, over the past year SOIL has experienced customer growth in Northern Haiti and its reach has expanded.