

**SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended July 31, 2013  
With Comparative Totals For the Year Ended July 31, 2012**

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## INDEPENDENT AUDITORS' REPORT

February 25, 2014

The Board of Directors  
Sustainable Organic Integrated Livelihoods  
Sebastopol, California

### **Report on the Financial Statements**

We have audited the accompanying statement of financial position of Sustainable Organic Integrated Livelihoods (SOIL) (a not-for-profit organization), as of July 31 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards 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 procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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.

February 25, 2014  
The Board of Directors  
Sustainable Organic Integrated Livelihoods  
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### **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, 2013 and the changes in its net assets and its cash flows for the year then ended, in conformity accounting principles generally accepted in the United States of America.

### **Report on Comparative Information**

We have previously audited the Sustainable Organic Integrated Livelihood's 2012 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink, consisting of the names 'Markusen' and 'Schwing' separated by a vertical line with a colon-like symbol.

Markusen & Schwing

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS  
Statement of Financial Position  
For the Year Ended July 31, 2013  
With Comparative Totals For the Year Ended July 31, 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents	\$ 123,612	\$ 39,952
Contributions and accounts receivable	117,649	678
Prepaid expenses	<u>14,719</u>	<u>17,886</u>
Total current assets	<u>255,980</u>	<u>58,516</u>
Fixed Assets:		
Equipment		
Vehicles	171,950	94,950
Computers	3,949	2,415
Construction in progress	3,155	-
Land	<u>37,798</u>	<u>27,798</u>
	216,852	125,163
Less accumulated depreciation	<u>66,437</u>	<u>53,463</u>
Net land and equipment	<u>150,415</u>	<u>71,700</u>
Total assets	<u>\$ 406,395</u>	<u>\$ 130,216</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 13,478	\$ 6,137
Accrued payroll and related items	<u>1,663</u>	<u>15,198</u>
Total current liabilities	<u>15,141</u>	<u>21,335</u>
Net assets:		
Unrestricted	148,491	89,083
Temporarily restricted	<u>242,763</u>	<u>19,798</u>
	<u>391,254</u>	<u>108,881</u>
Total liabilities and net assets	<u>\$ 406,395</u>	<u>\$ 130,216</u>

See notes to financial statements

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS  
Statement of Activities  
For the Year Ended July 31, 2013  
With Comparative Totals For the Year Ended July 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Revenues from operations:				
Public support received directly				
Contributions	\$ 566,261	\$ 801,847	\$ 1,368,108	\$ 799,855
Service fees	17,733	-	17,733	9,328
Net assets released from restrictions	578,882	(578,882)	-	-
<b>Total Revenues from operations</b>	<u>1,162,876</u>	<u>222,965</u>	<u>1,385,841</u>	<u>809,183</u>
Operating expenses:				
Program expenses	1,026,621	-	1,026,621	945,943
Management and general	76,847	-	76,847	53,700
<b>Total operating expenses</b>	<u>1,103,468</u>	<u>-</u>	<u>1,103,468</u>	<u>999,643</u>
Change in net assets	59,408	222,965	282,373	(190,460)
Net assets at beginning of year	89,083	19,798	108,881	299,341
<b>Net assets at end of year</b>	<u>\$ 148,491</u>	<u>\$ 242,763</u>	<u>\$ 391,254</u>	<u>\$ 108,881</u>

See notes to financial statements

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS  
Statement of Functional Expense  
For the Year Ended July 31, 2013  
With Comparative Totals For the Year Ended July 31, 2012

	Waste Treatment	Public Toilets	Household Toilets	Agricultural Trials	Education and Oudtreach	Total Program Expense	Management and General	2013	2012
								Total Expenses	Total
Salaries	\$ 106,816	\$ 145,526	\$ 51,223	\$ 95,553	\$ 45,696	444,814	\$ 51,334	\$ 496,148	\$ 427,482
Payroll related items	39,333	33,438	16,533	27,607	14,417	131,328	8,530	139,858	72,127
<b>Total salaries and related items</b>	<b>146,149</b>	<b>178,964</b>	<b>67,756</b>	<b>123,160</b>	<b>60,113</b>	<b>576,142</b>	<b>59,864</b>	<b>636,006</b>	<b>499,609</b>
Consultants and contracted services	8,168	5,198	3,346	4,227	7,515	28,454	1,072	29,526	14,579
Occupancy costs	16,632	13,860	6,653	11,088	5,542	53,775	1,713	55,488	65,840
Telephone & communications	4,492	3,743	1,797	2,995	1,497	14,524	504	15,028	14,621
Travel	11,562	9,725	4,545	8,156	7,515	41,503	3,180	44,683	40,204
Printing & copying	-	-	5,640	-	-	5,640	-	5,640	3,733
Office supplies and equipment	6,877	5,731	2,751	4,652	2,314	22,325	845	23,170	25,933
Postage	42	35	17	28	14	136	562	698	824
Marketing	-	-	-	474	3,525	3,999	310	4,309	1,163
Miscellaneous office	4,183	3,650	1,775	2,788	1,394	13,790	5,384	19,174	12,681
Truck and vehicles	20,613	17,506	8,156	13,988	6,014	66,277	1,804	68,081	72,771
Project specific expenses	22,038	7,372	970	17,232	5,238	52,850	20	52,870	99,474
Project supplies	7,856	14,921	232	873	-	23,882	-	23,882	37,534
Construction	50,301	3,958	4,589	13,092	-	71,940	-	71,940	63,464
	298,913	264,663	108,227	202,753	100,681	975,237	75,258	1,050,495	952,430
Depreciation expense	15,892	13,243	6,357	10,595	5,297	51,384	1,589	52,973	47,213
	<u>\$ 314,805</u>	<u>\$ 277,906</u>	<u>\$ 114,584</u>	<u>\$ 213,348</u>	<u>\$ 105,978</u>	<u>\$ 1,026,621</u>	<u>\$ 76,847</u>	<u>\$ 1,103,468</u>	<u>\$ 999,643</u>

See notes to financial statements

**SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS**  
**Statement of Cash Flows**  
**For the Year Ended July 31, 2013**  
**With Comparative Totals For the Year Ended July 31, 2012**

	2013	2012
Reconciliation of changes in net assets to net cash provided by operating activities:		
Change in net assets	\$ 282,373	\$ (190,460)
Adjustments to reconcile net income to change in net cash provided (used) by operating activities:		
Depreciation	52,973	47,213
Change in current assets and liabilities:		
Accounts receivable	(116,971)	(677)
Prepaid expenses	3,167	(2,220)
Accounts payable	7,341	6,137
Accrued payroll and related items	(13,535)	2,229
Net cash provided by (used in) operating activities	215,348	(137,778)
Cash Provided from (used for) investment activities:		
Purchase of equipment	(131,688)	(57,365)
Net cash used in financing activities	(131,688)	(57,365)
Increase/(Decrease) in cash	83,660	(195,143)
Cash and equivalents beginning of year	39,952	235,095
Cash and equivalents end of year	\$ 123,612	\$ 39,952
Supplemental disclosure:		
Cash expended for interest	\$ -	\$ -
Cash expended for taxes	\$ -	\$ -

See notes to financial statements



**SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended July 31, 2013 and 2012**

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**1. ORGANIZATION**

Sustainable Organic Integrated Livelihoods (SOIL) is a 501(c)(3) US-based non-profit Organization dedicated to protecting soil resources, empowering communities, and transforming wastes into resources in Haiti. SOIL believes that the path to sustainability is through transformation, of both disempowered people and discarded materials, turning apathy and pollution into valuable resources.

SOIL promotes integrated approaches to the problems of poverty, poor public health, agricultural productivity, and environmental destruction. It attempts to nurture collective creativity through developing collaborative relationships between community organizations in Haiti and academics and activists internationally empowering communities, building the soil and nourishing the grassroots.

Since 2006, SOIL has been working in some of the poorest areas in Haiti to facilitate the community-identified priority of ecological sanitation (EcoSan), where human wastes are converted into valuable fertilizer. EcoSan simultaneously tackles some of Haiti's toughest challenges – providing improved sanitation to thousands of people who would otherwise have no access to a toilet and in the process produces thousands of gallons of compost critical for agriculture and reforestation. Since building Haiti's first EcoSan toilet in 2006 and Haiti's first urban waste treatment facility in 2009, SOIL has gone on to become one of the largest sanitation providers in Haiti with clean, popularly-received and effective toilets and waste treatment facilities around the country, strong partnerships with the non-profit, business and government sectors and a robust information-sharing and educational program that has helped increase the use of EcoSan by organizations and institutions around Haiti and by international non-profit organizations globally.

SOIL currently operates out of Port-au-Prince and Cap-Haitien providing emergency public sanitation facilities, developing household sanitation solutions, operating large-scale composting waste treatment sites, and supporting other institutions and agencies with an extensive education and outreach program.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Presentation** - The financial statements of SOIL have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of SOIL are reported in the following net asset categories:

**Unrestricted Net Assets** - Unrestricted net assets represent available resources other than donor restricted contributions. These resources may be expended at the discretion of the Board of Directors.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets represent contributions which are restricted by the donor as to purpose or time of expenditure and also include accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

**Permanently Restricted Net Assets** – Permanently restricted net assets represent resources which have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit SOIL to expend the income earned thereon. There were no permanently restricted net assets at July 31, 2013 and 2012.

**SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended July 31, 2013 and 2012**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentration of Credit Risk** – SOIL maintains its cash in bank accounts which, at times, may exceed federal depository insurance limits. SOIL has not experienced any losses in such accounts and believes its deposits are not exposed to any significant credit risk. The Organization received fifty-three and sixty-seven percent of their contributions from two contributors for the years ended July 31, 2013 and 2012 respectively.

**Cash and Equivalencies** – Cash and equivalents consist of cash on hand, cash in banks checking, and cash in money market accounts and financial instruments with maturity of ninety days or less.

**Property and Equipment** – Property and equipment are stated at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the respective assets ranging from two to six years. SOIL generally capitalizes all asset additions that exceed \$1,000. Repairs and maintenance are charged to expense as incurred.

**Vacation Pay** – Vacation pay is recorded as an expense when taken.

**Contributions** – Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. Contributions receivable at July 31, 2013 of \$117,599 are deemed fully collectible in one year. SOIL reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give at July 31, 2013 and 2012.

Contributed services 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, 2013 and 2012. 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.

**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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Income Taxes** – SOIL, which is not a private foundation, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. It is management's opinion that none of the Organization's present activities are subject to unrelated business income taxes. Therefore, no provision for income taxes has been recorded in the accompanying financial statements.

**SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended July 31, 2013 and 2012**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes – continued**

Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax position taken by the Organization, and has concluded that as of July 31, 2013 and 2012, there are no uncertain 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 audit by taxing jurisdictions; however there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to the fiscal year ending July 31, 2010.

**Functional Allocation of Expenditures** – The costs of providing various programs and other activities have been summarized in the statement of support, revenue and expenditures and statement of functional expenditures. Accordingly, certain costs have been allocated between the program and supporting services benefited. Such allocations are made on the basis of cost accounting information available and the judgment of management. Program names for some of SOIL’s activities have been revised from 2012 to better reflect the nature of these activities.

**Subsequent Events** – In preparing these financial statements, management has evaluated subsequent events through February 25, 2014, which is the date the financial statements were available to be issued.

**Summary of Financial Information From 2012** - The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended July 31, 2012, from which the summarized information was derived.

**3. LAND, VEHICLES AND EQUIPMENT**

Land, vehicles and equipment consist of the following as of July 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 37,798	\$ 27,798
Vehicles	171,950	94,950
Computers	3,949	2,415
Construction in Progress	<u>3,155</u>	<u>-</u>
	216,852	125,163
Less accumulated depreciation	<u>66,437</u>	<u>53,463</u>
Total	<u>\$ 150,415</u>	<u>\$ 71,700</u>

**SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended July 31, 2013 and 2012**

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**3. LAND, VEHICLES AND EQUIPMENT (CONTINUED)**

Depreciation expense was \$52,973 and \$47,213 for the years ended July 31, 2013 and 2012.

The land and vehicles listed above are currently registered in the name of 3rd parties until SOIL has obtained legal status in Haiti. Documents attesting to SOIL's ownership of the above listed property have been legally signed. When SOIL's pending application for legal status in Haiti is approved the 3rd party owners will sign over the vehicles to SOIL. The signed documents attesting to this temporary holding of SOIL property for legal reasons is available upon request.

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets totaling \$578,882 and \$173,228 were released from restrictions during the years ended July 31, 2013 and 2012 by incurring disbursements satisfying the purpose restrictions. Temporarily restricted net assets in the amount of \$242,763 and \$19,798 as of July 31, 2013 and 2012 are restricted in connection with SOIL's work in Cap Haitian and its emergency public sanitation work, respectively.

**5. OPERATING LEASES**

The Organization paid rent for two locations. Rent expense under the leases was \$28,000 and \$33,000 for the years ended July 31, 2013 and 2012. The Port au Prince lease runs from July 1, 2013 through June 30, 2014. The Cap Haitian lease, which was paid in-full, ran from April 26 through October 26, 2013, after which time SOIL relocated to a newly constructed building owned by SOIL. The construction expenses for the office were \$62,300.

**6. COMPLIANCE WITH LAWS AND REGULATIONS**

The Organization has filed as a Non-Governmental Organization (NGO) in the country of Haiti. At the issue date of these financial statements the application is pending. Management expects that the application to be an NGO in Haiti will be approved.

Management believes that there will be no penalties related to the above changes; therefore no accrued liabilities have been recorded in these statements.

**7. RELATED PARTIES**

The Organization entered into a consulting contract with a relative of a director for \$4,000. The transaction was transparent, arms-length, and with approval of the Board of Directors.