

**SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended July 31, 2012**

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INDEPENDENT AUDITORS' REPORT

August 30, 2013

The Board of Directors  
Sustainable Organic Integrated Livelihoods  
Sebastopol, California

We have audited the accompanying statement of financial position of Sustainable Organic Integrated Livelihoods (a not-for-profit organization), as of July 31 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sustainable Organic Livelihoods as of July 31, 2012 and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.



Markusen & Schwing

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statement of Financial Position

For the Year Ended July 31, 2012

ASSETS

Current Assets:

Cash and cash equivalents	\$ 39,952
Accounts receivable	678
Prepaid expenses	17,886
 Total current assets	 58,516

Equipment:

Vehicles	94,950
Computers	2,415
	97,365
Less accumulated depreciation	(53,463)
	43,902
Land	27,798
 Total land and equipment	 71,700

Total assets	\$ 130,216
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 6,137
Accrued payroll and related items	15,198
	21,335
 Total liabilities	 21,335

Net assets:

Unrestricted	17,383
Unrestricted - investment in land and equipment	71,700
Temporaly restricted net assets	19,798
	108,881
 Total liabilities and net assets	 \$ 130,216

See notes to financial statements

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS  
Statement of Activities  
For the Year Ended July 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Revenue</u>
Revenues from operations:			
Public support received directly			
Contributions	\$ 606,829	\$ 193,026	\$ 799,855
Service fees:	9,328	-	9,328
Net assets released from restrictions	173,228	(173,228)	-
<b>Total Revenues from operations</b>	<u>789,385</u>	<u>19,798</u>	<u>809,183</u>
Operating expenses			
Program expenses	945,943	-	945,943
Management and general	53,700	-	53,700
<b>Total operating expenses</b>	<u>999,643</u>	<u>-</u>	<u>999,643</u>
<b>Excess (deficit) from operations</b>	<b>(210,258)</b>	<b>19,798</b>	<b>(190,460)</b>
<b>Net assets at beginning of year</b>	<u>299,341</u>	<u>-</u>	<u>299,341</u>
<b>Net assets at end of year</b>	<u><u>\$ 89,083</u></u>	<u><u>\$ 19,798</u></u>	<u><u>\$ 108,881</u></u>

See notes to financial statements

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statement of Functional Expense  
For the Year Ended July 31, 2012

	<u>EcoSan Waste Treatment</u>	<u>Emergency Public EcoSan Facil</u>	<u>Household Ecological Sanitation</u>	<u>Agricultural Trials</u>	<u>Education and Oudtreach</u>	<u>Total Program Expense</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 90,849	\$ 137,237	\$ 73,181	\$ 67,455	\$ 36,100	\$ 404,822	\$ 22,660	\$ 427,482
Payroll related items	18,688	18,391	13,618	13,858	5,285	69,840	2,287	72,127
Total salaries and related items	109,537	155,628	86,799	81,313	41,385	474,662	24,947	499,609
Consultants and contracted services	1,656	1,656	1,518	1,073	613	6,516	8,063	14,579
Occupancy costs	18,296	18,296	7,928	8,952	6,099	59,571	6,269	65,840
Telephone & communications	4,386	4,386	1,901	2,047	1,462	14,182	439	14,621
Travel	11,008	11,008	4,770	5,137	7,180	39,103	1,101	40,204
Printing & copying	11	11	5	5	4	36	3,697	3,733
Office supplies and equipment	7,593	7,487	3,626	3,494	2,496	24,696	1,237	25,933
Postage	225	225	98	105	75	728	96	824
Marketing	100	100	43	767	143	1,153	10	1,163
Miscellaneous office	2,405	1,773	767	827	853	6,625	6,056	12,681
Truck and vehicles	19,262	22,580	13,980	17,427	(822)	72,427	344	72,771
Project specific expenses	38,632	22,968	1,981	17,555	18,313	99,449	25	99,474
Project supplies	11,167	26,367	-	-	-	37,534	-	37,534
Construction	48,368	14,174	922	-	-	63,464	-	63,464
	272,646	286,659	124,338	138,702	77,801	900,146	52,284	952,430
Depreciation expense	14,164	14,164	6,138	6,610	4,721	45,797	1,416	47,213
	<u>\$ 286,810</u>	<u>\$ 300,823</u>	<u>\$ 130,476</u>	<u>\$ 145,312</u>	<u>\$ 82,522</u>	<u>\$ 945,943</u>	<u>\$ 53,700</u>	<u>\$ 999,643</u>

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statement of Cash Flows  
For the Year Ended July 31, 2012

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Reconciliation of changes in net assets to net cash provided by operating activities:	
Change in net assets	\$ (190,460)
Adjustments to reconcile net income to change in net cash provided (used) by operating activities:	
Depreciation	47,213
Change in current assets and liabilities:	
Accounts receivable	(677)
Prepaid expenses	(2,220)
Accounts payable	6,137
Accrued payroll and related items	<u>2,229</u>
Net cash provided by (used in) operating activities	<u>(137,778)</u>
Cash Provided from (used for) investment activities:	
Purchase of equipment	(57,365)
Net cash used in financing activities	<u>(57,365)</u>
Decrease in cash	(195,143)
Cash and equivalents beginning of year	<u>235,095</u>
Cash and equivalents end of year	<u><u>\$ 39,952</u></u>
Supplemental disclosure:	
Cash expended for interest	<u><u>\$ -</u></u>
Cash expended for taxes	<u><u>\$ -</u></u>

See notes to financial statements

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended July 31, 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. We believe 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. We attempt to nurture collective creativity through developing collaborative relationships between community organizations in Haiti and academics and activists internationally empowering communities, building the soil, 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 producing 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 the 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 Trustees.

**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 includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.



SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2012.

**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 sixty-seven percent of their contributions from two contributors.

**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. 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, 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 year ended July 31, 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.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended July 31, 2012

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**Income Taxes** – SOIL is exempt from federal and state income taxes as a private foundation 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.

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 have concluded that as of July 31, 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 2009.

**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.

**Subsequent Events** – In preparing these financial statements, management has evaluated subsequent events through August 30, 2013, which is the date the financial statements were available to be issued. It is management’s opinion that none of the Corporation’s present activities are subject to unrelated business income taxes. Therefore, no provision for income taxes has been recorded in the accompanying financial statements.

**3. LAND, VEHICLES AND EQUIPMENT**

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

	<u>2012</u>
Land	\$ 27,798
Vehicles	94,950
Equipment, furniture and fixtures	<u>2,415</u>
	125,163
Less accumulated depreciation	<u>53,463</u>
Total	<u>\$ 71,700</u>

Depreciation expense was \$47,213 for the year ended July 31, 2012.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS  
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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. NET ASSETS**

**Temporarily restricted net assets** - Temporarily restricted net assets totaling \$173,288 were released from restrictions during the year ended July 31, 2012 by incurring expenses satisfying the purpose restrictions. Temporarily restricted net assets in the amount of \$19,798 as of July 31, 2012 are restricted in connection with SOIL's emergency public sanitation work.

**5. OPERATING LEASES**

The Organization pays rent for two locations. Rent expense under the leases was \$33,000 for the year ended July 31, 2012. SOIL prepays rent in both locations and the leases run for 12 months. The Port au Prince lease runs from July 1 through June 30 and is paid through June 30, 2014. The Cap Haitian lease runs from April 26 through April 25 and is paid through October 26, 2013.

**6. COMPLIANCE WITH LAWS AND REGULATIONS**

The Organization has workers in Haiti and the United States of America that SOIL considered independent contractors through December 31, 2011. Effective January 2012 the Organization started paying workers as employees. SOIL uses an independent payroll processing company to pay U.S. employees and has developed their own tracking system to pay Haitian and non-U.S. employees.

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.