



**Financial Statements**

**Years ended July 31, 2015 and 2014**

# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Table of Contents

Years ended July 31, 2015 and 2014

	<u>Index</u>
Independent Auditor's Report	
Statements of Financial Position	1
Statements of Activities	2
Statements of Functional Expenses	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 8

## 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, 2015 and 2014 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, 2015 and 2014, 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 18, 2015

# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Statements of Financial Position

July 31, 2015 and 2014

<i>Assets</i>	<u>2015</u>	<u>2014</u>
Cash and equivalents	\$ 219,301	62,791
Grants and contributions receivable	463,432	49,850
Prepaid expenses	<u>43,867</u>	<u>20,410</u>
<b>Total current assets</b>	726,600	133,051
Land, property and equipment, net	<u>235,768</u>	<u>165,541</u>
	<u>\$ 962,368</u>	<u>298,592</u>
 <i>Liabilities and Net Assets</i>		
Accounts payable and accrued expenses	\$ <u>5,719</u>	<u>23,535</u>
<b>Total liabilities</b>	<u>5,719</u>	<u>23,535</u>
<b>Net assets:</b>		
Unrestricted	420,796	246,593
Temporarily restricted	<u>535,853</u>	<u>28,464</u>
<b>Total net assets</b>	<u>956,649</u>	<u>275,057</u>
	<u>\$ 962,368</u>	<u>298,592</u>

See accompanying notes to financial statements.

**SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS**

**Statements of Activities**

**Years ended July 31, 2015 and 2014**

	<b>2015</b>			<b>2014</b>		
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
<b>Support and revenue:</b>						
Grants	\$ 373,743	1,156,724	1,530,467	455,647	224,700	680,347
Contributions	244,919	-	244,919	247,668	26,312	273,980
Service fees and program revenue	67,989	-	67,989	65,793	-	65,793
Net assets released from restrictions:						
Satisfaction of purpose restriction	649,335	(649,335)	-	465,311	(465,311)	-
<b>Total support and revenue</b>	<b>1,335,986</b>	<b>507,389</b>	<b>1,843,375</b>	<b>1,234,419</b>	<b>(214,299)</b>	<b>1,020,120</b>
<b>Expenses:</b>						
Program	1,070,565	-	1,070,565	1,054,500	-	1,054,500
Management and general	91,218	-	91,218	81,817	-	81,817
<b>Total expenses</b>	<b>1,161,783</b>	<b>-</b>	<b>1,161,783</b>	<b>1,136,317</b>	<b>-</b>	<b>1,136,317</b>
<b>Change in net assets</b>	<b>174,203</b>	<b>507,389</b>	<b>681,592</b>	<b>98,102</b>	<b>(214,299)</b>	<b>(116,197)</b>
<b>Net assets – beginning of year</b>	<b>246,593</b>	<b>28,464</b>	<b>275,057</b>	<b>148,491</b>	<b>242,763</b>	<b>391,254</b>
<b>Net assets – end of year</b>	<b>\$ 420,796</b>	<b>535,853</b>	<b>956,649</b>	<b>246,593</b>	<b>28,464</b>	<b>275,057</b>

See accompanying notes to financial statements.

## SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

### Statements of Functional Expenses

Years ended July 31, 2015 and 2014

	2015			2014		
	<u>Program</u>	<u>Management and general</u>	<u>Total expenses</u>	<u>Program</u>	<u>Management and general</u>	<u>Total expenses</u>
Salaries	\$ 531,087	58,105	589,192	506,052	58,737	564,789
Employee benefits and payroll taxes	167,311	12,179	179,490	169,509	10,038	179,547
Depreciation expense	91,521	3,808	95,329	53,974	1,669	55,643
Truck and vehicle expense	65,289	3,436	68,725	62,034	1,899	63,933
Project supplies	39,967	-	39,967	17,399	-	17,399
Occupancy expense	37,885	1,869	39,754	29,785	921	30,706
Office supplies and expenses	28,794	8,466	37,260	30,105	4,205	34,310
Other program expenses	33,533	-	33,533	39,262	-	39,262
Contractual services	28,164	1,412	29,576	38,747	1,567	40,314
Travel and training	19,406	976	20,382	42,498	1,136	43,634
Telecommunications	14,383	831	15,214	17,681	547	18,228
Repairs and site expenses	9,063	61	9,124	42,760	-	42,760
Marketing	4,162	75	4,237	4,694	1,098	5,792
<b>Total expenses</b>	<b>\$ <u>1,070,565</u></b>	<b><u>91,218</u></b>	<b><u>1,161,783</u></b>	<b><u>1,054,500</u></b>	<b><u>81,817</u></b>	<b><u>1,136,317</u></b>

See accompanying notes to financial statements.

# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Statements of Cash Flows

Years ended July 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 681,592	(116,197)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	95,329	55,643
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	(413,582)	67,799
Prepaid expenses	(23,457)	(5,691)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(17,816)</u>	<u>8,394</u>
<b>Net cash provided by operating activities</b>	<u>322,066</u>	<u>9,948</u>
<b>Cash flows from investing activities:</b>		
Purchase of land, property and equipment	<u>(165,556)</u>	<u>(70,769)</u>
<b>Net cash used in investing activities</b>	<u>(165,556)</u>	<u>(70,769)</u>
<b>Increase (decrease) in cash</b>	156,510	(60,821)
<b>Cash and equivalents – beginning of year</b>	<u>62,791</u>	<u>123,612</u>
<b>Cash and equivalents – end of year</b>	<u>\$ 219,301</u>	<u>62,791</u>

See accompanying notes to financial statements.

# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Notes to Financial Statements

July 31, 2015 and 2014

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

***Nature of Organization***

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

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

***Basis of Presentation***

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

***Contributions***

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

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

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

(Continued)



# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Notes to Financial Statements

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

#### *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, 2015, 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, 2012.

#### *Donated Services and Materials*

Contributed services and materials are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no contributed services that met the above criteria for the years ended July 31, 2015 and 2014. 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.

(Continued)

# 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 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 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 18, 2015, 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>2015</u>	<u>2014</u>
Land	\$ 37,798	37,798
Buildings	77,907	67,454
Vehicles	193,867	171,950
Compost structures	31,981	-
Toilets	28,994	-
Project equipment	15,441	-
Equipment	<u>6,689</u>	<u>10,419</u>
	392,677	287,621
Less accumulated depreciation and amortization	<u>156,909</u>	<u>122,080</u>
Land, property and equipment, net	\$ <u>235,768</u>	<u>165,541</u>

(Continued)

# SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

## Notes to Financial Statements

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

During the year ended July 31, 2015 SOIL began to capitalize their investments in compost structures, toilets and project equipment.

The land and vehicles included in land, property and equipment are currently 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. As soon as the Organization is registered with Directorate General of Taxes (“DGI”), the Haitian tax authority, ownership of the land and vehicles will be transferred to the Organization.

Depreciation expense was approximately \$95,300 and \$55,600 for the years ended July 31, 2015 and 2014.

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

The Organization leases various locations under non-cancellable operating leases. The leases expire at various times through June 2016.

The approximate future minimum payments under these leases are as follows: 2016, \$22,000. Total occupancy expense for the years ended July 31, 2015 and 2014 amounted to approximately \$39,700 and \$30,700, respectively.

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

Temporarily restricted net assets in the amount of approximately \$535,900 as of July 31, 2015 are restricted in connection with SOIL’s household toilet project, agriculture trials and compost testing.

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

The Organization entered into a consulting contract for approximately \$8,000 with a member of the Board of Directors during the fiscal year ending July 31, 2014. 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 next step to legalization is to register with DGI. Management believes that there will be no penalties or taxes related as a result of this registration, and consequently no accrued liabilities have been recorded in the accompanying financial statements.