



Financial Statements

Years ended July 31, 2019 and 2018

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

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Years ended July 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors
Sustainable Organic Integrated Livelihoods:

We have audited the accompanying financial statements of *Sustainable Organic Integrated Livelihoods* (a non-profit organization), which comprise the statements of financial position as of July 31, 2019 and 2018 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, 2019 and 2018, 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 15, 2019

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Financial Position

July 31, 2019 and 2018

<i>Assets</i>	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 571,419	434,136
Grants and contributions receivable	671,533	603,906
Prepaid expenses	<u>17,810</u>	<u>18,200</u>
Total current assets	1,260,762	1,056,242
Land, property and equipment, net	<u>477,276</u>	<u>529,061</u>
	<u>\$ 1,738,038</u>	<u>1,585,303</u>
 <i>Liabilities and Net Assets</i>		
Accounts payable and accrued expenses	\$ 91,357	80,587
Reserve for unearned income	<u>246,753</u>	<u>-</u>
Total liabilities	<u>338,110</u>	<u>80,587</u>
Net assets:		
Without donor restrictions	1,200,112	915,688
With donor restrictions	<u>199,816</u>	<u>589,028</u>
Total net assets	<u>1,399,928</u>	<u>1,504,716</u>
	<u>\$ 1,738,038</u>	<u>1,585,303</u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Activities

Years ended July 31, 2019 and 2018

	2019			2018		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenue:						
Contributions	\$ 785,327	-	785,327	499,118	-	499,118
Grants	604,152	6,841	610,993	506,868	228,191	735,059
Service fees and program revenue	84,762	-	84,762	124,922	-	124,922
Net assets released from restrictions:			-			-
Satisfaction of purpose restriction	396,053	(396,053)	-	913,873	(913,873)	-
Total support and revenue	1,870,294	(389,212)	1,481,082	2,044,781	(685,682)	1,359,099
Expenses:						
Program	1,425,140	-	1,425,140	1,653,244	-	1,653,244
Management and general	160,730	-	160,730	173,520	-	173,520
Total expenses	1,585,870	-	1,585,870	1,826,764	-	1,826,764
Change in net assets	284,424	(389,212)	(104,788)	218,017	(685,682)	(467,665)
Net assets – beginning of year	915,688	589,028	1,504,716	697,671	1,274,710	1,972,381
Net assets – end of year	\$ 1,200,112	199,816	1,399,928	915,688	589,028	1,504,716

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Functional Expenses

Years ended July 31, 2019 and 2018

	2019			2018		
	<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	\$ 727,204	94,499	821,703	832,838	82,171	915,009
Employee benefits and payroll taxes	<u>248,663</u>	<u>14,229</u>	<u>262,892</u>	<u>292,929</u>	<u>19,832</u>	<u>312,761</u>
Total compensation	975,867	108,728	1,084,595	1,125,767	102,003	1,227,770
Depreciation expense	152,925	4,961	157,886	196,836	8,912	205,748
Truck and vehicle expense	62,910	3,827	66,737	71,632	4,819	76,451
Office supplies and expenses	42,161	16,667	58,828	27,768	27,845	55,613
Travel and training	51,781	3,445	55,226	65,038	7,015	72,053
Contractual services	42,341	10,932	53,273	35,653	13,569	49,222
Project supplies	33,281	-	33,281	41,545	-	41,545
Occupancy expense	21,292	1,272	22,564	35,064	8,290	43,354
Repairs and site expenses	17,946	-	17,946	22,601	-	22,601
Telecommunications	11,501	729	12,230	11,603	1,067	12,670
Other program expenses	10,536	10	10,546	13,537	-	13,537
Donated assets	-	10,000	10,000	-	-	-
Marketing	<u>2,599</u>	<u>159</u>	<u>2,758</u>	<u>6,200</u>	<u>-</u>	<u>6,200</u>
Total expenses	\$ <u><u>1,425,140</u></u>	<u><u>160,730</u></u>	<u><u>1,585,870</u></u>	<u><u>1,653,244</u></u>	<u><u>173,520</u></u>	<u><u>1,826,764</u></u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Cash Flows

Years ended July 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (104,788)	(467,665)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	157,886	205,748
Contributed assets	10,000	(30,000)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	(67,627)	441,634
Prepaid expenses	390	15,759
Increase (decrease) in:		
Accounts payable and accrued expenses	10,770	45,537
Reserve for unearned income	246,753	-
	<u>253,384</u>	<u>211,013</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Acquisition of land, property and equipment	<u>(116,101)</u>	<u>(204,538)</u>
Net cash used in investing activities	<u>(116,101)</u>	<u>(204,538)</u>
Increase in cash	137,283	6,475
Cash and equivalents – beginning of year	<u>434,136</u>	<u>427,661</u>
Cash and equivalents – end of year	<u>\$ 571,419</u>	<u>434,136</u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

July 31, 2019 and 2018

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

Nature of Organization

Sustainable Organic Integrated Livelihoods (“SOIL” or “Organization”) 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 it’s research so that the work in Haiti can be adapted internationally in vulnerable urban communities.

Financial Statement Presentation

The Organization follows accounting for not-for-profit organizations as currently outlined in American Institute of Certified Public Accountants (“AICPA”) professional standards. The Organization is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled.

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

Grants and Contracts

Grants and contracts are generally considered to be exchange transactions when the grantor or contractor requires the performance of specified activities.

Entitlements to cost reimbursement grants and contracts are based on the expenditure of funds in accordance with grant restrictions and therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance-based grants and contracts are based on the attainment of specific performance goals and revenue is recognized to the extent of performance achieved.

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 without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, the restricted net assets are reclassified to net assets without donor restrictions.

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.

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 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.

Donated Services and Materials

Contributed services and materials are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, which are provided by individuals or organizations possessing those skills and would typically need to be purchased if not provided by donation. The Organization received such donated assets for the year ended July 31, 2018, but not for the year ended July 31, 2019. General volunteer services do not meet these criteria for recognition. However, many volunteers and organizations have donated significant amounts of time and perform a variety of tasks that assist SOIL with their project and program delivery.

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

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, 2019, 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, 2016.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles as promulgated by the AICPA 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 15, 2019, which is the date the financial statements were available to be issued.

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

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

Land, property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 27,798	37,798
Buildings	247,313	201,023
Vehicles	227,627	223,463
Compost structures	340,217	319,179
Toilets	88,120	57,347
Project equipment	182,391	175,979
Equipment	<u>31,245</u>	<u>27,574</u>
	1,144,711	1,042,363
Less accumulated depreciation and amortization	<u>667,435</u>	<u>513,302</u>
Land, property and equipment, net	<u>\$ 477,276</u>	<u>529,061</u>

Depreciation expense was approximately \$157,900 and \$205,700 for the years ended July 31, 2019 and 2018, respectively.

During 2019, the Organization donated land with a basis of \$10,000 to a non-governmental organization in northern Haiti. This amount is included as an expenditure in the accompanying statement of functional expenses for 2019.

(3) **Operating Leases**

The Organization has long term leases on land used for a depot and for waste treatment facilities. The leases expire in 2022 and 2023 with total annual rentals of approximately \$1,600. The leases on the waste treatment facility are renewable for an additional 10 years.

Total occupancy expense for the years ended July 31, 2019 and 2018 amounted to approximately \$22,600 and \$43,400, respectively.

(4) **Net Assets With Donor Restrictions**

Net assets with donor restrictions in the amount of approximately \$200,000 as of July 31, 2019 are restricted in connection with SOIL's household toilet and waste treatment projects.

(5) **Compliance with 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.

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

(6) **Implementation of New Accounting Pronouncement**

The Financial Accounting Standards Board issued Accounting Standards Codification 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), effective for periods beginning after December 15, 2017. Several changes to nonprofit financial reporting include:

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

The new standard aims to improve reporting the liquidity and availability of resources. Qualitative information will be required to be disclosed on how the Organization manages its liquid available resources and its liquidity risk to meet cash needs for general expenditures within one year of the year-end date. Early application of the above changes is permitted and the Organization decided to implement them for the year ended July 31, 2018.

(7) **Liquidity and Availability of Resources**

The Organization has approximately \$814,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and equivalents of \$571,000, grants and contributions receivable of \$225,000, and prepaid expenses of \$18,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a board policy to maintain financial assets, which consist of cash and equivalents and pledges and other receivables, on hand to meet 90 days of annual operating expenses, which are, on average, approximately \$400,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization may invest cash in excess of daily requirements in various short-term investments. As of July 31, 2019 the Organization had approximately \$165,700 in the board designated reserve.