



Financial Statements

Years ended July 31, 2014 and 2013

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

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Years ended July 31, 2014 and 2013

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INDEPENDENT AUDITORS' 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 statement of financial position as of July 31, 2014 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of *Sustainable Organic Integrated Livelihoods* as of July 31, 2013, were audited by other auditors whose report dated February 25, 2014, expressed an unqualified opinion on those 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Solakian & Company, LLC

December 7, 2014

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Financial Position

July 31, 2014 and 2013

<i>Assets</i>	<u>2014</u>	<u>2013</u>
Cash and equivalents	\$ 62,791	123,612
Contributions and accounts receivable	49,850	117,649
Prepaid expenses	<u>20,410</u>	<u>14,719</u>
Total current assets	133,051	255,980
Land, property and equipment, net	<u>165,541</u>	<u>150,415</u>
	<u>\$ 298,592</u>	<u>406,395</u>
 <i>Liabilities and Net Assets</i>		
Accounts payable and accrued expenses	\$ <u>23,535</u>	<u>15,141</u>
Total liabilities	<u>23,535</u>	<u>15,141</u>
Net assets:		
Unrestricted	246,593	148,491
Temporarily restricted	<u>28,464</u>	<u>242,763</u>
Total net assets	<u>275,057</u>	<u>391,254</u>
	<u>\$ 298,592</u>	<u>406,395</u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Activities

Years ended July 31, 2014 and 2013

	2014			2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:						
Contributions	\$ 703,315	251,012	954,327	566,261	801,847	1,368,108
Service fees and program revenue	65,793	-	65,793	17,733	-	17,733
Net assets released from restrictions:						
Satisfaction of purpose restriction	<u>465,311</u>	<u>(465,311)</u>	<u>-</u>	<u>578,882</u>	<u>(578,882)</u>	<u>-</u>
Total support and revenue	<u>1,234,419</u>	<u>(214,299)</u>	<u>1,020,120</u>	<u>1,162,876</u>	<u>222,965</u>	<u>1,385,841</u>
Expenses:						
Program	1,054,500	-	1,054,500	1,026,621	-	1,026,621
Management and general	<u>81,817</u>	<u>-</u>	<u>81,817</u>	<u>76,847</u>	<u>-</u>	<u>76,847</u>
Total expenses	<u>1,136,317</u>	<u>-</u>	<u>1,136,317</u>	<u>1,103,468</u>	<u>-</u>	<u>1,103,468</u>
Change in net assets	98,102	(214,299)	(116,197)	59,408	222,965	282,373
Net assets – beginning of year	<u>148,491</u>	<u>242,763</u>	<u>391,254</u>	<u>89,083</u>	<u>19,798</u>	<u>108,881</u>
Net assets – end of year	<u>\$ 246,593</u>	<u>28,464</u>	<u>275,057</u>	<u>148,491</u>	<u>242,763</u>	<u>391,254</u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Functional Expenses

Years ended July 31, 2014 and 2013

	2014			2013		
	<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	\$ 506,052	58,737	564,789	444,814	51,334	496,148
Employee benefits and payroll taxes	169,509	10,038	179,547	131,328	8,530	139,858
Truck and vehicle expense	62,034	1,899	63,933	66,277	1,804	68,081
Depreciation expense	53,974	1,669	55,643	51,384	1,589	52,973
Travel and training	42,498	1,136	43,634	41,503	3,180	44,683
Repairs and site expenses	42,760	-	42,760	71,940	-	71,940
Contractual services	38,747	1,567	40,314	28,454	1,072	29,526
Other program expenses	39,262	-	39,262	52,850	20	52,870
Office supplies and expenses	30,105	4,205	34,310	41,891	6,791	48,682
Occupancy expense	29,785	921	30,706	53,775	1,713	55,488
Telecommunications	17,681	547	18,228	14,524	504	15,028
Project supplies	17,399	-	17,399	23,882	-	23,882
Marketing	4,694	1,098	5,792	3,999	310	4,309
Total expenses	\$ <u>1,054,500</u>	<u>81,817</u>	<u>1,136,317</u>	<u>1,026,621</u>	<u>76,847</u>	<u>1,103,468</u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Cash Flows

Years ended July 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (116,197)	282,373
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	55,643	52,973
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contributions and accounts receivable	67,799	(116,971)
Prepaid expenses	(5,691)	3,167
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>8,394</u>	<u>(6,194)</u>
Net cash provided by operating activities	<u>9,948</u>	<u>215,348</u>
Cash flows from investing activities:		
Purchase of land, property and equipment	<u>(70,769)</u>	<u>(131,688)</u>
Net cash used in investing activities	<u>(70,769)</u>	<u>(131,688)</u>
Increase (decrease) in cash	(60,821)	83,660
Cash and equivalents – beginning of year	<u>123,612</u>	<u>39,952</u>
Cash and equivalents – end of year	<u>\$ 62,791</u>	<u>123,612</u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

July 31, 2014 and 2013

(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.

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

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 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, 2014, 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, 2011.

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

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, 2014 and 2013. 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 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 7, 2014, 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>2014</u>	<u>2013</u>
Land	\$ 37,798	37,798
Buildings	67,454	-
Construction in progress	5,209	3,155
Vehicles	171,950	171,950
Equipment	<u>5,210</u>	<u>3,949</u>
	287,621	216,852
Less accumulated depreciation and amortization	<u>122,080</u>	<u>66,437</u>
Land, property and equipment, net	\$ <u>165,541</u>	<u>150,415</u>

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

(2) **Land, Property & Equipment (continued)**

The land, buildings and vehicles included in land, property and equipment are currently registered in the name of third parties until the Organization has obtained legal status as a non-governmental organization (“NGO”) in Haiti as explained in note 5. Documents attesting to ownership of the above listed property have been legally signed, and when the pending application for legal status in Haiti is approved the third party owners will sign over the land, buildings and vehicles to the Organization.

Depreciation expense was approximately \$55,500 and \$53,000 for the years ended July 31, 2014 and 2013.

(3) **Operating Leases**

The Organization leases various locations under non-cancellable operating leases. The leases expire at various times through June 2015.

The approximate future minimum payments under these leases are as follows: 2015, \$28,000. Total occupancy expense for the years ended July 31, 2014 and 2013 amounted to approximately \$30,700 and \$55,500, respectively. During the fiscal year ending in 2014 the Organization moved out of rented space and into its own building in Cap-Haitian, Haiti.

(4) **Temporarily Restricted Assets**

Temporarily restricted net assets in the amount of approximately \$28,500 as of July 31, 2014 are restricted in connection with SOIL’s household toilet project, agriculture trials and compost testing.

(5) **Compliance with Laws and Regulations**

SOIL has filed as a NGO in Haiti, and the application is still pending. Management expects that the application to be an NGO will be approved in 2015.

Management believes that there will be no penalties related to the above changes, and consequently no accrued liabilities have been recorded in the accompanying financial statements.

(6) **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.