



Financial Statements

Years ended July 31, 2018 and 2017

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

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Years ended July 31, 2018 and 2017

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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, 2018 and 2017 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, 2018 and 2017, 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 1, 2018

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Financial Position

July 31, 2018 and 2017

<i>Assets</i>	<u>2018</u>	<u>2017</u>
Cash and equivalents	\$ 434,136	427,661
Grants and contributions receivable	603,906	1,045,540
Prepaid expenses	<u>18,200</u>	<u>33,959</u>
Total current assets	1,056,242	1,507,160
Land, property and equipment, net	<u>529,061</u>	<u>500,271</u>
	<u>\$ 1,585,303</u>	<u>2,007,431</u>
 <i>Liabilities and Net Assets</i>		
Accounts payable and accrued expenses	\$ <u>80,587</u>	<u>35,050</u>
Total liabilities	<u>80,587</u>	<u>35,050</u>
Net assets:		
Without donor restrictions	915,688	697,671
With donor restrictions	<u>589,028</u>	<u>1,274,710</u>
Total net assets	<u>1,504,716</u>	<u>1,972,381</u>
	<u>\$ 1,585,303</u>	<u>2,007,431</u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Activities

Years ended July 31, 2018 and 2017

	2018			2017		
	<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:						
Grants	\$ 506,868	228,191	735,059	377,355	1,237,164	1,614,519
Contributions	499,118	-	499,118	346,803	-	346,803
Service fees and program revenue	124,922	-	124,922	123,945	-	123,945
Net assets released from restrictions:						
Satisfaction of purpose restriction	913,873	(913,873)	-	856,875	(856,875)	-
Total support and revenue	2,044,781	(685,682)	1,359,099	1,704,978	380,289	2,085,267
Expenses:						
Program	1,653,244	-	1,653,244	1,606,695	-	1,606,695
Management and general	173,520	-	173,520	167,543	-	167,543
Total expenses	1,826,764	-	1,826,764	1,774,238	-	1,774,238
Change in net assets	218,017	(685,682)	(467,665)	(69,260)	380,289	311,029
Net assets – beginning of year	697,671	1,274,710	1,972,381	766,931	894,421	1,661,352
Net assets – end of year	\$ 915,688	589,028	1,504,716	697,671	1,274,710	1,972,381

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Functional Expenses

Years ended July 31, 2018 and 2017

	2018			2017		
	Program	Management and general	Total expenses	Program	Management and general	Total expenses
Salaries	\$ 832,838	82,171	915,009	757,077	86,306	843,383
Employee benefits and payroll taxes	292,929	19,832	312,761	220,433	26,930	247,363
Depreciation expense	196,836	8,912	205,748	193,913	13,583	207,496
Truck and vehicle expense	71,632	4,819	76,451	103,869	10,082	113,951
Travel and training	65,038	7,015	72,053	32,783	4,257	37,040
Office supplies and expenses	27,768	27,845	55,613	38,606	9,348	47,954
Contractual services	35,653	13,569	49,222	52,990	11,041	64,031
Occupancy expense	35,064	8,290	43,354	41,845	4,843	46,688
Project supplies	41,545	-	41,545	51,516	-	51,516
Repairs and site expenses	22,601	-	22,601	1,010	-	1,010
Other program expenses	13,537	-	13,537	29,649	-	29,649
Telecommunications	11,603	1,067	12,670	9,998	1,140	11,138
Marketing	6,200	-	6,200	2,726	13	2,739
Emergency response	-	-	-	70,280	-	70,280
Total expenses	\$ <u>1,653,244</u>	<u>173,520</u>	<u>1,826,764</u>	<u>1,606,695</u>	<u>167,543</u>	<u>1,774,238</u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Statements of Cash Flows

Years ended July 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (467,665)	311,029
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	205,748	207,496
Contributed assets	(30,000)	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	441,634	(307,655)
Prepaid expenses	15,759	(1,045)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>45,537</u>	<u>18,530</u>
Net cash provided by operating activities	<u>211,013</u>	<u>228,355</u>
Cash flows from investing activities:		
Acquisition of land, property and equipment	<u>(204,538)</u>	<u>(209,804)</u>
Net cash used in investing activities	<u>(204,538)</u>	<u>(209,804)</u>
Increase in cash	6,475	18,551
Cash and equivalents – beginning of year	<u>427,661</u>	<u>409,110</u>
Cash and equivalents – end of year	<u>\$ 434,136</u>	<u>427,661</u>

See accompanying notes to financial statements.

SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

July 31, 2018 and 2017

(1) Summary of Significant Accounting Policies

Nature of Organization

Sustainable Organic Integrated Livelihoods (“SOIL” or “the 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, requiring minimal water, and that 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 worldwide 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 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 in conformity with accounting principles generally accepted in the United States of America. Accordingly, 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 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 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 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.

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 that would typically need to be purchased if not provided by donation. The Organization received donated assets and consulting services for the years ended July 31, 2018 and 2017, respectively. 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, 2018, 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, 2015.

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 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 1, 2018, 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>2018</u>	<u>2017</u>
Land	\$ 37,798	37,798
Buildings	201,023	126,318
Compost structures	319,179	196,352
Vehicles	223,463	222,124
Project equipment	175,979	177,599
Toilets	57,347	122,144
Equipment	27,574	27,104
	<u>1,042,363</u>	<u>909,439</u>
Less accumulated depreciation and amortization	<u>513,302</u>	<u>409,168</u>
Land, property and equipment, net	<u>529,061</u>	<u>500,271</u>

The land and vehicles included in land, property and equipment purchased prior to August 2015 were 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. The Organization obtained legal status in Haiti in August 2015 and is in the process of transferring ownership of the land to the Organization. Most of the vehicles purchased prior to August 2015 have been written off or are almost fully depreciated so the organization made the decision not to transfer the ownership of these vehicles.

Depreciation expense was approximately \$205,700 and \$207,500 for the years ended July 31, 2018 and 2017.

(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 \$2,800. The leases on the waste treatment facility are renewable for an additional 10 years.

Total occupancy expense for the years ended July 31, 2018 and 2017 amounted to approximately \$43,400 and \$46,700, respectively.

(4) Net Assets With Donor Restrictions

Net assets with donor restrictions in the amount of approximately \$589,000 as of July 31, 2018 are restricted in connection with SOIL's household toilet and waste treatment projects.

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

(5) **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 has decided to implement them for the year ended July 31, 2018.

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

The Organization has approximately \$452,000 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 \$434,000 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 \$450,000. 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, 2018 the Organization had approximately \$76,300 in the board designated reserve.

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SUSTAINABLE ORGANIC INTEGRATED LIVELIHOODS

Notes to Financial Statements

(7) **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 (“DGI”), the Haitian tax authority. Management believes that the Organization is in compliance with the Haitian laws and regulations.