



SUSTAINABLE HARVEST INTERNATIONAL

FINANCIAL STATEMENTS

June 30, 2020

With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sustainable Harvest International

We have audited the accompanying financial statements of Sustainable Harvest International, a nonprofit corporation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 U.S. generally accepted accounting principles (U.S. GAAP); 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, Sustainable Harvest International is the 100% owner of three subsidiaries, Sustainable Harvest International - Belize, Sustainable Harvest International - Honduras, and Sustainable Harvest International - Panama. These subsidiaries have not been consolidated in the accompanying financial statements. U.S. generally accepted accounting principles require that these subsidiaries be consolidated with these financial statements. Because of the delays in issuance of audited financial statements for each subsidiary, management did not include the subsidiaries in the parent company financial statements. Accordingly, the effect of this departure from U.S. generally accepted accounting principles is not reasonably determinable.

Board of Trustees
Sustainable Harvest International

Qualified Opinion

In our opinion, except for the effects of not consolidating all majority-owned subsidiaries, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Sustainable Harvest International as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
December 15, 2020

SUSTAINABLE HARVEST INTERNATIONAL

Statement of Financial Position

June 30, 2020

ASSETS

Current assets	
Cash	\$ 340,564
Cash received and held for specific projects	111,898
Pledges receivable	51,540
Prepaid expenses	<u>1,706</u>
Total current assets	<u>505,708</u>
Noncurrent assets	
Funds held by others	<u>108,374</u>
Total assets	<u>\$ 614,082</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 13,243
Accrued vacation and personal pay	19,251
Refundable advance	<u>45,000</u>
Total current liabilities	<u>77,494</u>
Long-term liabilities	
Accrued separation costs	<u>89,758</u>
Total liabilities	<u>167,252</u>
Net assets	
Without donor restrictions	222,817
With donor restrictions	<u>224,013</u>
Total net assets	<u>446,830</u>
Total liabilities and net assets	<u>\$ 614,082</u>

The accompanying notes are an integral part of these consolidated financial statements.

SUSTAINABLE HARVEST INTERNATIONAL

Statement of Activities

Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 1,283,912	\$ 118,618	\$ 1,402,530
Other revenues	1,400	-	1,400
Speaker fees	100	-	100
Donor travel fees	12,460	-	12,460
Interest and dividend income	1,835	-	1,835
Loss on funds held by others (net of fees)	-	(977)	(977)
Net assets released from restrictions	<u>59,202</u>	<u>(59,202)</u>	<u>-</u>
Total revenues	<u>1,358,909</u>	<u>58,439</u>	<u>1,417,348</u>
Expenses			
Program services	919,514	-	919,514
Supporting services			
Management and general	98,430	-	98,430
Fundraising	<u>120,876</u>	<u>-</u>	<u>120,876</u>
Total expenses	<u>1,138,820</u>	<u>-</u>	<u>1,138,820</u>
Change in net assets	220,089	58,439	278,528
Net assets, beginning of year	<u>2,728</u>	<u>165,574</u>	<u>168,302</u>
Net assets, end of year	<u>\$ 222,817</u>	<u>\$ 224,013</u>	<u>\$ 446,830</u>

The accompanying notes are an integral part of these consolidated financial statements.

SUSTAINABLE HARVEST INTERNATIONAL

Statement of Functional Expenses

Year Ended June 30, 2020

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 94,109	\$ 53,657	\$ 52,349	\$ 200,115
Employee benefits	37,278	3,959	8,376	49,613
Payroll taxes	6,693	3,323	3,973	13,989
Office supplies and equipment	474	277	385	1,136
Telephone and internet	2,192	565	565	3,322
Postage and shipping	12	148	295	455
Printing and publications	89	-	10,539	10,628
Travel	17,745	238	2,045	20,028
Interest expense	-	3,012	-	3,012
Bank charges	-	4,930	-	4,930
Bad debt expense	-	7,500	-	7,500
Insurance	5,440	1,401	1,401	8,242
Professional development	315	1,529	14	1,858
Software subscriptions	15,551	4,239	6,317	26,107
State registrations, net of refunds	-	2,800	8,973	11,773
Field programs	657,064	700	-	657,764
Contracted services	80,313	10,133	23,675	114,121
Promotional items	75	19	19	113
Advertising	2,020	-	1,950	3,970
Depreciation and amortization	<u>144</u>	<u>-</u>	<u>-</u>	<u>144</u>
Total expenses	<u>\$ 919,514</u>	<u>\$ 98,430</u>	<u>\$ 120,876</u>	<u>\$ 1,138,820</u>

The accompanying notes are an integral part of these consolidated financial statements.

SUSTAINABLE HARVEST INTERNATIONAL

Statement of Cash Flows

Year Ended June 30, 2020

Cash flows from operating activities	
Change in net assets	\$ 278,528
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities	
Depreciation and amortization	144
Change in funds held by others	5,430
Decrease (increase) in	
Pledges receivable	111,608
Prepaid expenses	2,714
Increase (decrease) in	
Accounts payable and deferred revenue	(18,327)
Accrued vacation and sick pay	(3,642)
Accrued separation costs	<u>21,154</u>
Net cash provided by operating activities	<u>397,609</u>
Cash flows from financing activities	
Repayments on short-term debt	(5,033)
Proceeds from the refundable advance	<u>45,000</u>
Net cash provided by financing activities	<u>39,967</u>
Net increase in cash	437,576
Cash and restricted cash, beginning of year	<u>14,886</u>
Cash and restricted cash, end of year	<u>\$ 452,462</u>
Composition of cash and restricted cash, end of year:	
Cash	\$ 340,564
Cash received and held for specific projects	<u>111,898</u>
	<u>\$ 452,462</u>
Supplemental disclosures of cash flow information	
Cash paid for interest expense	\$ 3,012

The accompanying notes are an integral part of these consolidated financial statements.

SUSTAINABLE HARVEST INTERNATIONAL

Notes to Financial Statements

June 30, 2020

1. Nature of Operations

Sustainable Harvest International (SHI or the Organization) is a nonprofit corporation organized May 14, 1997, whose mission is to preserve the environment by partnering with families to improve well-being through sustainable farming. SHI provides local, long-term technical assistance to rural farming families in Central America. Principal current areas of operations are the countries of Belize, Honduras, and Panama, via SHI's subsidiaries, Sustainable Harvest International-Belize (SHI-Belize), Sustainable Harvest International-Honduras (SHI-Honduras), and Sustainable Harvest International-Panama (SHI-Panama). SHI is supported primarily through the generous contributions of various donors.

2. Summary of Significant Accounting Policies

Basis of Presentation

U.S. GAAP requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Unconsolidated Subsidiaries

U.S. GAAP requires SHI consolidate the accounts and operations of its majority-owned subsidiaries, SHI-Belize, SHI-Honduras, and SHI-Panama (together, the Subsidiaries). SHI has not included the accounts and operations of its subsidiaries in the financial statement. Management has not determined the impact of these omissions on the financial statements, however, payments are made by SHI to support the operations of the Subsidiaries totaling \$616,471, covering the expenses of the Subsidiaries for the year ended, June 30, 2020.

Contributions and Unconditional Promises to Give

Contributions of cash or other assets, including unconditional promises to give, are recorded in the statement of activities when the cash, unconditional promise, or other assets are received. Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are reported at their net realizable value. Contributions to be received beyond one year from the statement of financial position date are reduced by a discount rate, which is commensurate with the risk

SUSTAINABLE HARVEST INTERNATIONAL

Notes to Financial Statements

June 30, 2020

involved, to reflect the present value of the future payments to be received. The Organization considers past experience with pledges receivable collections and current aging report details when determining an allowance for doubtful accounts. Pledges receivable are written off once all other methods of collection have been utilized without success.

During the year ended June 30, 2020, 11% of the contributions received were from a single donor.

Noncash Contributions

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization receives other noncash contributions on occasion. Contributed services are recognized if they create or enhance nonfinancial assets or if they require specialized skills and would typically be purchased if not provided by donation. During fiscal year 2020, there were no recorded noncash contributions for various contributed goods and services. Approximately 20 volunteers assisted SHI by performing a variety of volunteer tasks during the fiscal year ended June 30, 2020. These contributed services were not recognized in the financial statements as they did not meet the criteria for recognition under GAAP.

The Organization sometimes receives investments during the year as securities are donated. These donated securities are liquidated shortly after donation in line with SHI's policy.

Cash

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant risk on cash accounts.

Funds Held by Others

The Organization is an income beneficiary of funds held by the New Hampshire Charitable Foundation (the Foundation) as a result of making a nonreciprocal transfer of assets to the Foundation and specifying itself as the beneficiary. As such, the Organization receives distributions from these assets each year. However, the Board of Trustees of the Foundation has the power to modify, consistent with State law, including seeking the approval of the appropriate court or Attorney General, any restriction or condition on the distribution of funds to the Organization if, in the sole judgment of the Board (without the necessity of approval of any participating trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

SUSTAINABLE HARVEST INTERNATIONAL

Notes to Financial Statements

June 30, 2020

These funds are carried at the fair value of the underlying securities, which approximates the present value of the expected future cash flows of the funds. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in value in the near term would materially affect the amounts reported in the statements of financial position.

Property and Equipment

Fixed assets of the Organization include equipment, vehicles, and all other tangible assets with a useful life greater than one year. All improvements which add value or extend the life of the assets are capitalized accordingly. Purchased fixed assets are recorded at cost and donations of property and equipment are recorded at the estimated fair value at the date of receipt. The Organization maintains a \$500 capitalization policy. Assets are depreciated using the straight-line method over the estimated useful lives of the respective assets. The useful lives adopted for the purpose of computing depreciation on the vehicles, computers and software, furniture, fixtures, and equipment range from 3 to 10 years. As of June 30, 2020, these assets had an original cost of \$60,022 and have been fully depreciated.

Income Taxes

The Organization is a Maine non-profit organization and is exempt from income taxes under Internal Revenue Code (Code) Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax.

Advertising Costs

Advertising costs incurred by SHI are expensed when incurred. Cost for the year ended June 30, 2020 was \$3,970. These costs primarily consist of advertising to further the mission of SHI.

Employee Retirement Benefits

SHI-US has a 403(b) plan which is available to all employees upon hire, except those who are expected to work fewer than 1,000 hours in the first 12 months of employment. Employees who work, and are scheduled to work, more than 20 hours per week are eligible for the Organization's discretionary match. There was no contribution for the year ended June 30, 2020.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUSTAINABLE HARVEST INTERNATIONAL

Notes to Financial Statements

June 30, 2020

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on actual or estimated usage of resources. Time records are utilized to allocate payroll costs. Other costs are allocated based on physical usage of facilities, number of beneficiaries served, specific identification, and other estimates of program requirements.

Accounting Standards Adoption

During the year ended June 30, 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance for determining when transactions should be accounted for as contribution (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional, and also adopted FASB ASU No. 2016-18 *Restricted Cash*. ASU No. 2016-18 requires an Organization to present restricted cash with cash and cash equivalents in the statement of cash flows. The Organization's adoption of FASB ASU No. 2018-08 and ASU 2016-18 did not have an impact on the Organization's financial position or results of operations.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with GAAP, the Organization has considered transactions or events occurring through December 15, 2020, which was the date the financial statements were available to be issued.

3. Unconditional Promises to Give

Unconditional promises to give are comprised of amounts receivable for contributions and pledges in support of SHI's operations and fundraising efforts. Amounts outstanding at June 30, 2020 were collectible in less than one year. Management has evaluated the promises to give and does not believe a valuation allowance is necessary.

4. Funds Held by Others

SHI relies on the Foundation's investment policies to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the assets. The Foundation's investment policy specifies that assets are invested in a manner that is intended to produce results that meet the spending policy plus the rate of inflation while assuming a moderate level of investment risk. The Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield. The Foundation targets a diversified asset allocation that places an emphasis on achieving its long-term return objectives within prudent risk constraints.

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Notes to Financial Statements

June 30, 2020

In accordance with its spending policy, the Foundation makes distributions available from the fund to SHI. The distributions are approximately 4.0% of the average market value of the fund for the last 20 calendar quarters. The annual distribution from this fund may be used to provide support for the Organization's programs and mission statement. Net realized gains and losses in funds held by others are reported as changes in net assets with donor restrictions based on SHI's interpretation of the trustee's policy on income appropriation. Appreciation in such funds is not available for expenditure by SHI unless the separate trustees of those funds elect to appropriate it.

For the year ended June 30, 2020, SHI has elected to withdraw the available distributable amount.

The change in the funds for the years ended June 30, 2020 is as follows:

Trust assets, beginning of year	\$ <u>113,804</u>
Unrealized loss and Foundation fees	<u>(977)</u>
Total investment loss	<u>(977)</u>
Distributions	<u>(4,453)</u>
Trust assets, end of year	\$ <u><u>108,374</u></u>

The historical cost and fair value as of June 30, 2020 is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Interest in investments held by the Foundation	\$ <u><u>87,795</u></u>	\$ <u><u>108,374</u></u>

FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants and also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy within ASC Topic 820 distinguishes three levels of inputs that may be utilized when measuring fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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Notes to Financial Statements

June 30, 2020

Funds held by others are measured using level 2 inputs.

Fair values are based on quoted market prices of the underlying investments.

5. Refundable Advance and Credit Line

The U.S. government has responded to the COVID-19 outbreak (Note 10) with relief legislations. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, as amended, among other provisions, authorized emergency loans to businesses by establishing, and providing funding for, forgivable bridge loans under the Paycheck Protection Program (PPP). In April 2020, the Organization benefited from the CARES Act by receiving \$45,000 under the PPP, all of which is outstanding as of June 30, 2020 and is considered a refundable advance in these financial statements. Under the PPP, the Small Business Administration (SBA) will forgive the proceeds received if certain criteria are met, at which time the Organization would recognize the forgiven amount as income. Any portions of the proceeds received that is not forgiven is converted to an unsecured term note, guaranteed by the SBA, and payable in equal installments, including interest at 1%, beginning November 2020 through April 2022.

The Organization has available a line of credit for up to \$100,000, at a variable interest rate tied to prime plus .50%, collateralized by contributions receivable. The line is renewable annually in September, and has a 30 day zero balance requirement. There was no balance at June 30, 2020.

SHI incurred interest costs associated with long-term debt and credit card payables. The total amount of interest incurred for fiscal year 2020 was \$3,012, which was charged to expense.

6. Net Assets

The following is a summary of the nature of restrictions on net assets with donor restrictions as of June 30, 2020:

Purpose Restrictions:	
Honduras - general	\$ 50,000
Panama - general	32,000
Scale kickoff	<u>33,639</u>
Total purpose restricted	<u>115,639</u>
Perpetual Duration Restrictions:	
Funds held by Foundation *	<u>108,374</u>
Total perpetually restricted	<u>108,374</u>
Total net assets with donor restrictions	<u><u>\$ 224,013</u></u>

* Income from which is not restricted.

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Notes to Financial Statements

June 30, 2020

7. Contingent Liabilities and Commitments

SHI is at risk of loss due to items such as lawsuits, automobile claims, and theft. Management believes adequate insurance coverage has been maintained for these types of losses which may occur. SHI believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations.

8. Accrued Separation Costs

SHI has recorded an estimated liability for amounts that may be due to the employees of the Honduras, Belize, and Panama field programs upon future separation from service. The amount represents the estimated cost the field programs would incur should all the employees be terminated. SHI-US has agreed to be responsible for the liability, which is to be paid out to an employee on his or her last day of work.

9. Liquidity and Availability of Financial Assets

The following table reflects the Organization's financial assets as of June 30, 2020 available to meet cash needs for general expenditures, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash	\$ 340,564
Pledges receivable	51,540
Funds held by others	<u>108,374</u>
Total financial assets	<u>500,478</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions (includes funds held by others)	<u>224,013</u>
Less net assets with donor restrictions subject to specific purpose to be met in less than a year	<u>(70,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 346,465</u>

The Organization strives to maintain financial assets to meet 90 days of operating expenses (approximately \$300,000), and maintain current assets less current liabilities at a minimum of 30 days of operating expenses. To help achieve these targets, the Organization forecasts future cash flows and monitors its liquidity monthly and its reserves annually. One component of the Organization's liquidity plan is a \$100,000 line of credit available to meet cash flow requirements, as disclosed in Note 5.

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Notes to Financial Statements

June 30, 2020

10. COVID-19 Considerations

During the year ended June 30, 2020, local, U.S., and world governments encouraged self-isolation to curtail the spread of the global pandemic, COVID-19, by mandating the temporary shut-down of businesses in many sectors and imposing limitations on travel and the size and duration of group meetings. While these mandates have slowly become less restrictive in some areas, most sectors are still experiencing disruption to business operations and may feel further impacts related to volatility in investment returns and reduced philanthropic support. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Therefore, while management expects this matter to negatively impact the Organization's operating results, the full financial impact and duration cannot be reasonably estimated at this time.