

SUSTAINABLE HARVEST INTERNATIONAL

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

JUNE 30, 2022 AND 2021



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sustainable Harvest International
Boston, Massachusetts

Qualified Opinion

We have audited the accompanying financial statements of Sustainable Harvest International (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not consolidating all majority-owned subsidiaries described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Sustainable Harvest International as of June 30, 2022 and 2021, 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.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, Sustainable Harvest International is the 100% owner of three subsidiaries, which 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. Accordingly, the effect of this departure from U.S. generally accepted accounting principles is not reasonably determinable.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sustainable Harvest International and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



To the Board of Directors
Sustainable Harvest International

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sustainable Harvest International's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sustainable Harvest International's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sustainable Harvest International's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

November 11, 2022
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

SUSTAINABLE HARVEST INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 592,286	\$ 590,112
Pledges receivable, current portion	280,997	89,269
Prepaid expenses	<u>49,993</u>	<u>1,716</u>
Total current assets	<u>923,276</u>	<u>681,097</u>
<u>NONCURRENT ASSETS:</u>		
Funds held by others	124,129	139,909
Pledge receivables, long term portion	168,025	15,000
Property and equipment, net	<u>2,221</u>	<u>2,871</u>
Total noncurrent assets	<u>294,375</u>	<u>157,780</u>
Total assets	<u>\$ 1,217,651</u>	<u>\$ 838,877</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 15,174	\$ 4,763
Accrued liabilities	16,341	20,627
Refundable advance	<u>-</u>	<u>54,900</u>
Total current liabilities	<u>31,515</u>	<u>80,290</u>
<u>NONCURRENT LIABILITIES:</u>		
Accrued separation costs	<u>123,021</u>	<u>111,672</u>
Total noncurrent liabilities	<u>123,021</u>	<u>111,672</u>
Total liabilities	<u>154,536</u>	<u>191,962</u>
<u>NET ASSETS:</u>		
Without donor restrictions:		
Undesignated	422,513	267,309
Designated	<u>108,223</u>	<u>144,426</u>
Total without donor restrictions	530,736	411,735
With donor restrictions	<u>532,379</u>	<u>235,180</u>
Total net assets	<u>1,063,115</u>	<u>646,915</u>
Total liabilities and net assets	<u>\$ 1,217,651</u>	<u>\$ 838,877</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SUSTAINABLE HARVEST INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND OTHER REVENUES:</u>			
Contributions and grants	\$ 1,293,692	\$ 450,020	\$ 1,743,712
Other revenues	-	-	-
Interest and dividend income	2,813	-	2,813
(Loss) on funds held by others (net of fees)	-	(10,430)	(10,430)
Net assets released from restrictions	<u>142,391</u>	<u>(142,391)</u>	<u>-</u>
 Total support and other revenues	 <u>1,438,896</u>	 <u>297,199</u>	 <u>1,736,095</u>
<u>EXPENSES:</u>			
Program services	1,050,461	-	1,050,461
Supporting services:			
Management and general	112,723	-	112,723
Fundraising	<u>156,711</u>	<u>-</u>	<u>156,711</u>
 Total expenses	 <u>1,319,895</u>	 <u>-</u>	 <u>1,319,895</u>
 Change in net assets	 119,001	 297,199	 416,200
 Net assets, beginning of year	 <u>411,735</u>	 <u>235,180</u>	 <u>646,915</u>
 Net assets, end of year	 <u>\$ 530,736</u>	 <u>\$ 532,379</u>	 <u>\$ 1,063,115</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SUSTAINABLE HARVEST INTERNATIONAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND OTHER REVENUES:</u>			
Contributions and grants	\$ 1,193,532	\$ 88,872	\$ 1,282,404
Other revenues	536	-	536
Interest and dividend income	3,121	-	3,121
Gain on funds held by others (net of fees)	-	37,134	37,134
Net assets released from restrictions	<u>114,839</u>	<u>(114,839)</u>	<u>-</u>
 Total support and other revenues	 <u>1,312,028</u>	 <u>11,167</u>	 <u>1,323,195</u>
<u>EXPENSES:</u>			
Program services	886,143	-	886,143
Supporting services:			
Management and general	89,617	-	89,617
Fundraising	<u>147,350</u>	<u>-</u>	<u>147,350</u>
 Total expenses	 <u>1,123,110</u>	 <u>-</u>	 <u>1,123,110</u>
 Change in net assets	 188,918	 11,167	 200,085
 Net assets, beginning of year	 <u>222,817</u>	 <u>224,013</u>	 <u>446,830</u>
 Net assets, end of year	 <u>\$ 411,735</u>	 <u>\$ 235,180</u>	 <u>\$ 646,915</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SUSTAINABLE HARVEST INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 208,266	\$ 68,552	\$ 97,726	\$ 374,544
Payroll taxes and employee benefits	<u>50,195</u>	<u>11,348</u>	<u>13,200</u>	<u>74,743</u>
Total salaries and related expenses	258,461	79,900	110,926	449,287
Advertising and promotional	5,502	96	7,057	12,655
Printing and publications	-	-	7,708	7,708
Travel	7,675	465	1,621	9,761
Interest expense	-	280	-	280
Insurance	5,195	1,338	1,338	7,871
Professional development	952	7,644	13	8,609
Software subscriptions	14,251	6,584	6,296	27,131
State registrations, net of refunds	-	2,800	6,612	9,412
Field programs	713,326	-	-	713,326
Contract services	42,126	6,943	12,277	61,346
Depreciation and amortization	-	650	-	650
Other expenses	<u>2,973</u>	<u>6,023</u>	<u>2,863</u>	<u>11,859</u>
Total functional expenses	<u>\$ 1,050,461</u>	<u>\$ 112,723</u>	<u>\$ 156,711</u>	<u>\$ 1,319,895</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SUSTAINABLE HARVEST INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 131,086	\$ 56,852	\$ 87,633	\$ 275,571
Payroll taxes and employee benefits	<u>45,225</u>	<u>6,461</u>	<u>12,922</u>	<u>64,608</u>
Total salaries and related expenses	176,311	63,313	100,555	340,179
Advertising and promotional	1,913	-	3,144	5,057
Printing and publications	-	-	6,345	6,345
Travel	-	-	-	-
Interest expense	-	281	-	281
Insurance	5,094	1,340	1,442	7,876
Professional development	180	33	33	246
Software subscriptions	19,475	5,365	7,654	32,494
State registrations, net of refunds	-	2,909	8,590	11,499
Field programs	616,214	-	-	616,214
Contract services	62,672	8,815	17,241	88,728
Depreciation and amortization	379	-	-	379
Other expenses	<u>3,905</u>	<u>7,561</u>	<u>2,346</u>	<u>13,812</u>
Total functional expenses	<u>\$ 886,143</u>	<u>\$ 89,617</u>	<u>\$ 147,350</u>	<u>\$ 1,123,110</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SUSTAINABLE HARVEST INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS PROVIDED BY (USED FOR)</u>		
<u>OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 416,200	\$ 200,085
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in fund held by others	15,780	(31,535)
Depreciation	650	379
(Increase) decrease in assets:		
Pledges receivable	(344,753)	(52,729)
Prepaid expenses	(48,277)	(10)
Increase (decrease) in liabilities:		
Accounts payable	10,411	(8,480)
Accrued liabilities	(4,286)	1,376
Refundable advance	(54,900)	9,900
Accrued separation costs	11,349	21,914
	<u>2,174</u>	<u>140,900</u>
Net cash provided by operating activities		
<u>CASH FLOWS PROVIDED BY (USED FOR)</u>		
<u>INVESTING ACTIVITIES:</u>		
Purchase of investments	-	-
Purchase of property and equipment	-	(3,250)
	<u>-</u>	<u>(3,250)</u>
Net cash (used for) investing activities		
Net increase in cash and cash equivalents	2,174	137,650
Cash and cash equivalents, beginning of year	<u>590,112</u>	<u>452,462</u>
Cash and cash equivalents, end of year	<u>\$ 592,286</u>	<u>\$ 590,112</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash paid for interest expense	<u>\$ 280</u>	<u>\$ 281</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

SUSTAINABLE HARVEST INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Sustainable Harvest International (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. The Organization 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). The Organization is supported primarily through the generous contributions of various donors.

Basis of Accounting and Financial Reporting Framework

The financial statements of the Sustainable Harvest International have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Financial Accounting Standards Board (FASB). Accordingly reflect all significant receivables, payables, and other liabilities.

The financial statement presentation follows the recommendations of the FASB in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, the Sustainable Harvest International is required to report information regarding its financial position and activities according to two classes of net assets:

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. The revenues received in conducting the mission of the Organization are included in this category.

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, whereby, the donor has stipulated the funds be maintained in perpetuity.

SUSTAINABLE HARVEST INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconsolidated Subsidiaries

U.S. GAAP requires Sustainable Harvest International consolidate the accounts and operations of its majority-owned subsidiaries, SHI-Belize, SHI-Honduras, and SHI-Panama (together, the Subsidiaries). The Organization has not included the accounts and operations of its subsidiaries in the financial statements because of the delays in issuance of audited financial statements for each subsidiary. For the years then ended June 30, 2022 and 2021, management has not determined the impact of these omissions on the financial statements, however, payments are made by the Organization to support the operations of the Subsidiaries totaling \$713,326 and \$616,214, respectively, which is included on the statement of activities.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

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.

Pledges Receivable

Management closely monitors outstanding receivable balances and estimates an allowance for uncollectible receivables based on prior experience. Balances that are determined to be uncollectible are written off after all other methods of collection have been utilized without success. Management has determined that all receivable balances are fully collectible. Accordingly, no provision for doubtful accounts is considered necessary as of June 30, 2022 and 2021.

SUSTAINABLE HARVEST INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The Organization 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.

In accordance with its spending policy, the Foundation makes distributions available from the fund to the Organization. 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 the Organization'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.

SUSTAINABLE HARVEST INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held by Others (continued)

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 lies at the top of the hierarchy. Inputs are quoted prices in an active market.

Level 2 inputs are in the middle of the hierarchy, where data is adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and require the entity to develop its own assumptions

Funds held by others are measured using level 2 inputs.

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, 2022 and 2021, the cost of all assets were \$63,272 with an accumulated depreciation of \$61,051, respectively. Depreciation expense was \$650 and \$379 for the year ended June 30, 2022 and 2021, respectively.

Board Designated Net Assets

The Organization's governing board has designated \$108,223 and \$144,426 of its cash accounts to be set aside for specific projects as of June 30, 2022 and 2021, respectively.

SUSTAINABLE HARVEST INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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 involved, to reflect the present value of the future payments to be received. 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.

Contributed Nonfinancial Assets

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 did not receive any contributed nonfinancial assets during the years ended June 30, 2022, and 2021.

Contributed Services

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 years ended June 30, 2022 and 2021, there were no recorded noncash contributions for various contributed goods and services. No volunteers assisted the organization during the fiscal year ended June 30, 2022. Approximately 20 volunteers assisted the Organization by performing a variety of volunteer tasks during the fiscal year ended June 30, 2021. These contributed services were not recognized in the financial statements as they did not meet the criteria for recognition under GAAP.

Contributed Securities

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

SUSTAINABLE HARVEST INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is a Maine non-profit organization and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization's evaluation as of June 30, 2022 and 2021 revealed no tax positions that would have a material impact on the financial statements. The Organization remains subject to examination by tax authorities for all years subsequent to 2018. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Advertising

The Organization uses advertising to promote its services and increase its outreach. All advertising is non-direct response and is expensed the first time the advertising takes place. Advertising expense was \$12,655 and \$5,057 for the years ended June 30, 2022 and 2021, respectively.

New Accounting Pronouncements Adopted

During the year ended June 30, 2022, the Organization adopted FASB ASU No. 2020-07, *Not For-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This Update seeks to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The adoption of this Update did not have a material impact on the Organization's financial statements.

Date of Management Review

Management has evaluated subsequent events through November 11, 2022, which is the date the financial statements were available to be issued.

SUSTAINABLE HARVEST INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of board designations, contractual, or donor-imposed restrictions within one year of the balance sheet date. However, amounts already appropriated for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

	<u>2022</u>	<u>2021</u>
Financial assets, at year end	\$ 1,165,437	\$ 834,290
Less those unavailable for general expenditure within one year due to:		
Less board designated net assets	(108,228)	(144,426)
Net assets with donor restrictions including funds held by others	<u>(532,379)</u>	<u>(235,180)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 524,830</u>	<u>\$ 454,684</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 6.

(3) PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amounts due less than one year	\$ 280,997	\$ 89,269
Amounts due in one to five years	<u>168,025</u>	<u>15,000</u>
Total pledges receivable	<u>\$ 449,022</u>	<u>\$ 104,269</u>

SUSTAINABLE HARVEST INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(4) INVESTMENTS AND FAIR VALUE MEASUREMENT

The fair value of assets measured at June 30, 2022 are as follows:

	<u>2022</u>			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Mutual funds	\$ -	\$ 124,129	\$ -	\$ 124,129
Investments at fair value	<u>\$ -</u>	<u>\$ 124,129</u>	<u>\$ -</u>	<u>\$ 124,129</u>

The fair value of assets measured at June 30, 2021 are as follows:

	<u>2021</u>			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Mutual funds	\$ -	\$ 139,909	\$ -	\$ 139,909
Investments at fair value	<u>\$ -</u>	<u>\$ 139,909</u>	<u>\$ -</u>	<u>\$ 139,909</u>

Investment income consists of the following for the years ended June 30th:

	<u>2022</u>	<u>2021</u>
Foundation fees	\$ (823)	\$ (782)
Net realized/unrealized gain/(loss)	<u>(9,607)</u>	<u>37,916</u>
Total investment income (loss)	<u>\$ (10,430)</u>	<u>\$ 37,134</u>

(5) REFUNDABLE ADVANCES

The Organization was granted \$45,000 and \$54,900 loans under the Paycheck Protection Program administered by a Small Business Administration (SBA) approved partner on April 10, 2020 and February 8, 2021, respectively. Payments on the loans were deferred until such a time that the SBA remits the borrower's forgiveness to the issuing financial institution. The Organization initially recorded the loans as refundable advances and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loans no longer existed. The \$45,000 loan was fully forgiven on December 2, 2020 and the \$54,900 loan was fully forgiven on August 9, 2021.

(6) LINE OF CREDIT

The Organization has available a line of credit for up to \$100,000, at a variable interest rate tied to prime plus .50%, as of June 30, 2022, collateralized by pledges receivable. The line is renewable annually in September and has a 30-day zero balance requirement. There was no outstanding balance on the line as of June 30, 2022 and 2021.

SUSTAINABLE HARVEST INTERNATIONAL
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JUNE 30, 2022 AND 2021

(7) ACCRUED SEPARATION COSTS

The Organization 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. The Organization's accrued separation costs due to the employees total \$123,021 and \$111,672 at June 30, 2022 and 2021, respectively.

(8) RESTRICTIONS ON NET ASSETS

Net assets were released from restrictions for the following purposes during the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Costa Rica	\$ 14,807	\$ 2,100
Honduras	20,750	50,803
Panama	68,000	34,250
Belize	15,000	-
Field	1,155	248
Scale Kickoff	-	8,955
Field tree planting	17,329	12,884
Funds Held for Foundation	<u>5,350</u>	<u>5,599</u>
	<u>\$ 142,391</u>	<u>\$ 114,839</u>

Net assets with donor restrictions consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Costa Rica	\$ -	\$ 14,771
Belize	100,000	-
Honduras	20,750	-
Panama	262,500	55,500
Scale Kickoff	<u>25,000</u>	<u>25,000</u>
Total purpose restricted	<u>408,250</u>	<u>95,271</u>
Perpetual duration restriction:		
Funds held by Foundation	<u>124,129</u>	<u>139,909</u>
Total perpetually restricted	<u>124,129</u>	<u>139,909</u>
Total net assets with donor restrictions	<u>\$ 532,379</u>	<u>\$ 235,180</u>

SUSTAINABLE HARVEST INTERNATIONAL
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JUNE 30, 2022 AND 2021

(9) RETIREMENT PLAN

The Organization 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 were no matching contributions for the years ended June 30, 2022 and 2021.

(10) CONCENTRATION OF CREDIT RISK

The Organization maintains cash and investment balances with financial institutions. The Federal Deposit Insurance Corporation (FDIC) ensures the accounts held at member institutions up to \$250,000. As of June 30, 2022 and 2021, the Organization's cash balance exceeded the FDIC insurance by \$263,581 and \$316,173, respectively. The Organization has not experienced any losses in these accounts and management believes they are not exposed to any significant credit risk.

Pledge receivables from three donors that represent 84% and 67% of total pledge receivables for the years ended June 30, 2022 and 2021, respectively.

(11) NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued Accounting Standards Update (Update) No. 2016-02, "Leases." This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Deferring the effective date of Update No. 2016-02, the FASB has issued Update No. 2019-10, "Financial Instruments- Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842)." Update No. 2019-10 permits entities to apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, and to interim reporting periods within annual reporting periods beginning after December 15, 2021. The FASB further delayed the implementation date by one year through ASU 2020-05 "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)." Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. The Organization plans to adopt this Update as applicable by the effective date.

(12) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to conform to the presentation of the current year financial statements. The reclassifications have no effect on net assets.