

**SUSTAINABLE HARVEST INTERNATIONAL**

**BOSTON, MASSACHUSETTS**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED**

**JUNE 30, 2021 AND 2020**



**ERICKSEN KRENTEL**<sup>LLP</sup>

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Sustainable Harvest International

We have audited the accompanying financial statements of Sustainable Harvest International (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 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.

### **Auditors' 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 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 qualified audit opinion.



**ERICKSEN KRENTEL** LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors  
Sustainable Harvest International  
November 9, 2021

### **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.

### **Qualified Opinion**

In our opinion, except for the effects of not consolidating all majority-owned subsidiaries, as discussed in the Basis for Qualified Opinion paragraph, 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, 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.

### **Prior Period Financial Statements**

The financial statement of Sustainable Harvest International as of June 30, 2020, were audited by other auditors whose report dated December 15, 2020, expressed a qualified opinion on those statements.

November 9, 2021  
New Orleans, Louisiana

*Ericksen Krentel, LLP*  
Certified Public Accountants

**SUSTAINABLE HARVEST INTERNATIONAL**  
**STATEMENTS OF FINANCIAL POSITION**  
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash and cash equivalents	\$ 590,112	\$ 452,462
Pledges receivable, current portion	89,269	51,540
Prepaid expenses	<u>1,716</u>	<u>1,706</u>
Total current assets	<u>681,097</u>	<u>505,708</u>
<b><u>NONCURRENT ASSETS:</u></b>		
Funds held by others	139,909	108,374
Pledge receivables, long term portion	15,000	-
Property and equipment, net	<u>2,871</u>	<u>-</u>
Total noncurrent assets	<u>157,780</u>	<u>108,374</u>
Total assets	<u>\$ 838,877</u>	<u>\$ 614,082</u>
<b><u>CURRENT LIABILITIES:</u></b>		
Accounts payable	\$ 4,763	\$ 13,243
Accrued liabilities	20,627	19,251
Refundable advance	<u>54,900</u>	<u>45,000</u>
Total current liabilities	<u>80,290</u>	<u>77,494</u>
<b><u>NONCURRENT LIABILITIES:</u></b>		
Accrued separation costs	<u>111,672</u>	<u>89,758</u>
Total noncurrent liabilities	<u>111,672</u>	<u>89,758</u>
Total liabilities	<u>191,962</u>	<u>167,252</u>
<b><u>NET ASSETS:</u></b>		
Without donor restrictions:		
Undesignated	267,309	110,919
Designated	<u>144,426</u>	<u>111,898</u>
Total without donor restrictions	411,735	222,817
With donor restrictions	<u>235,180</u>	<u>224,013</u>
Total net assets	<u>646,915</u>	<u>446,830</u>
Total liabilities and net assets	<u>\$ 838,877</u>	<u>\$ 614,082</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>
<b><u>SUPPORT AND OTHER REVENUES:</u></b>			
Contributions and grants	\$ 1,193,532	\$ 88,872	\$ 1,282,404
Other revenues	536	-	536
Speaker fees	-	-	-
Donor travel fees	-	-	-
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>
<b><u>EXPENSES:</u></b>			
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 ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b><u>SUPPORT AND OTHER REVENUES:</u></b>			
Contributions and grants	\$ 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 support and other revenues	 <u>1,358,909</u>	 <u>58,439</u>	 <u>1,417,348</u>
<b><u>EXPENSES:</u></b>			
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>

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	45,225	6,461	12,922	64,608
 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
Bad debt expense	-	-	-	-
Insurance	5,094	1,339	1,443	7,876
Professional development	32	9	9	50
Software subscriptions	19,475	5,366	7,653	32,494
State registrations, net of refunds	-	2,909	8,590	11,499
Field programs	616,360	375	25	616,760
Contract services	62,672	8,465	17,241	88,378
Depreciation and amortization	379	-	-	379
Other expenses	3,907	7,560	2,345	13,812
 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**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 94,109	\$ 53,657	\$ 52,349	\$ 200,115
Payroll taxes and employee benefits	43,971	7,282	12,349	63,602
<b>Total salaries and related expenses</b>	<b>138,080</b>	<b>60,939</b>	<b>64,698</b>	<b>263,717</b>
Advertising and promotional	2,095	19	1,969	4,083
Printing and publications	89	-	10,539	10,628
Travel	17,745	238	2,045	20,028
Interest expense	-	3,012	-	3,012
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
Contract services	80,313	10,133	23,675	114,121
Depreciation and amortization	144	-	-	144
Other expenses	2,678	5,920	1,245	9,843
<b>Total functional expenses</b>	<b>\$ 919,514</b>	<b>\$ 98,430</b>	<b>\$ 120,876</b>	<b>\$ 1,138,820</b>

**SUSTAINABLE HARVEST INTERNATIONAL**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b><u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 200,085	\$ 278,528
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in fund held by others	(31,535)	5,430
Change in discount on grant receivables	(37)	-
Depreciation	379	144
Bad debt expense	-	7,500
(Increase) decrease in assets:		
Pledges receivable	(52,692)	104,108
Prepaid expenses	(10)	2,714
Increase (decrease) in liabilities:		
Accounts payable	(8,480)	(18,327)
Accrued liabilities	1,376	(3,642)
Refundable advance	9,900	45,000
Accrued separation costs	<u>21,914</u>	<u>21,154</u>
Net cash from operating activities	<u>140,900</u>	<u>442,609</u>
<b><u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u></b>		
Purchase of property and equipment	<u>(3,250)</u>	<u>-</u>
Net cash (used for) investing activities	<u>(3,250)</u>	<u>-</u>
<b><u>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:</u></b>		
Repayments on short term debt	<u>-</u>	<u>(5,033)</u>
Net cash (used for) financing activities	<u>-</u>	<u>(5,033)</u>
Net increase in cash and cash equivalents	137,650	437,576
Cash and cash equivalents, beginning of year	<u>452,462</u>	<u>14,886</u>
Cash and restricted cash, end of year	<u>\$ 590,112</u>	<u>\$ 452,462</u>
<b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u></b>		
Cash paid for interest expense	<u>\$ 281</u>	<u>\$ 3,012</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**SUSTAINABLE HARVEST INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**(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**

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under the provisions of the Codification, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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.

**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. For the years then ended June 30, 2021 and 2020, 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 \$616,214 and \$616,471, respectively, which is included on the statement of activities.

**SUSTAINABLE HARVEST INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2021 AND 2020

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**SUSTAINABLE HARVEST INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2021 AND 2020

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Funds Held by Others (continued)**

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.

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.

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

**Pledge and Grants 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. Management has determined that all receivable balances are fully collectible. Accordingly, no provision for doubtful accounts is considered necessary as of June 30, 2021 and 2020.

**SUSTAINABLE HARVEST INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2021 AND 2020

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2021 and 2020, the cost of all assets were \$63,272 and \$60,022 with an accumulated depreciation of \$60,401. Depreciation expense was \$379 and \$144 as of June 30, 2021 and 2020, respectively.

**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.

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.

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.

**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.

**SUSTAINABLE HARVEST INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2021 AND 2020**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Noncash Contributions (continued)**

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 years ended June 30, 2021 and 2020, there were no recorded noncash contributions for various contributed goods and services. No volunteers assisted the organization in performing a variety of volunteer tasks during the fiscal year ended June 30, 2021. Approximately 20 volunteers assisted the Organization 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 the Organization's policy.

**Board Designated Net Assets**

The Organization's governing board has designated \$144,426 and \$111,898 of its cash accounts to be set aside for specific projects as of June 30, 2021 and 2020, respectively.

**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, 2021 and 2020 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.

**SUSTAINABLE HARVEST INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2021 AND 2020

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 \$4,460 and \$3,970 for the years ended June 30, 2021 and 2020, respectively.

**New Accounting Pronouncements Adopted**

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs superseded the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Organization has adjusted the presentation of these statements accordingly. The ASU have been applied retrospectively to all periods presented. The adoption had no material impact on the Organization's financial statements.

**Date of Management Review**

Management has evaluated subsequent events through November 9, 2021 which is the date the financial statements were available to be issued.

**(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial assets, at year end	\$ 689,864	\$ 500,478
Less those unavailable for general expenditure within one year due to:		
Less board designated net assets	(144,426)	(111,898)
Net assets with donor restrictions including funds held by others	<u>(235,180)</u>	<u>(154,013)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 310,258</u>	<u>\$ 234,567</u>



**SUSTAINABLE HARVEST INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2021 AND 2020

**(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)**

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.

**(3) PLEDGES RECEIVABLE**

Grants receivable consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Amounts due less than one year	\$ 89,269	\$ 51,540
Amounts due in one to five years	<u>15,000</u>	<u>-</u>
Total grants receivable	<u>\$ 104,269</u>	<u>\$ 51,540</u>

**(4) INVESTMENTS AND FAIR VALUE MEASUREMENT**

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>

The fair value of assets measured at June 30, 2020 are as follows:

	<u>2020</u>			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Mutual funds	\$ -	\$ 108,374	\$ -	\$ 108,374
Investments at fair value	<u>\$ -</u>	<u>\$ 108,374</u>	<u>\$ -</u>	<u>\$ 108,374</u>

Investment income consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Distributions	\$ (5,599)	\$ (4,453)
Net realized and unrealized gain (loss) and Foundation fees	<u>37,134</u>	<u>(977)</u>
Total	<u>\$ 31,535</u>	<u>\$ (5,430)</u>

**SUSTAINABLE HARVEST INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2021 AND 2020**

**(5) REFUNDABLE ADVANCES**

The Organization was granted a \$45,000 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance 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 loan no longer existed. The Organization is required to repay the remaining advance of \$45,000 plus interest accrued at 1% per annum in monthly payments beginning on April 10, 2020. Principal and interest payments will be required through the maturity date of April 10, 2022. The PPP loan and accrued interest are forgivable after a “covered period” (10 months) if the borrower sustains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. As of December 2, 2021, 100% of loan balance and interest was approved for loan forgiveness, and therefore, the Organization has recognized \$45,000 as grant revenue for the year ended June 30, 2021.

The Organization was granted a second PPP loan for a sum of \$54,900 administered by a SBA approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Organization maintains employment levels during its 10-month covered period and uses the funds for certain payroll, rent and utility expenses. No amount of this loan has been recorded as contribution revenue for the year ended June 30, 2021. The Organization will be required to repay any remaining balance, plus interest accrued at 1% annum in monthly payments beginning on February 8, 2021. Principal and interest payments will be required through the maturity date of February 1, 2026. See Note 12 for information on the forgiveness of this note subsequent to year end.

**(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%, collateralized by pledges receivable. The line is renewable annually in September and has a 30 day zero balance requirement. There was no balance for the years ended June 30, 2021 and 2020.

The Organization incurred interest costs associated with credit card payables. The total amount of interest expense incurred for fiscal year ended 2021 and 2020 was \$281 and \$3,012, respectively.

**SUSTAINABLE HARVEST INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
JUNE 30, 2021 AND 2020

**(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 \$111,672 and \$89,758 at June 30, 2021 and 2020, respectively.

**(8) RESTRICTIONS ON NET ASSETS**

Net assets were released from restrictions for the following purposes during the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Costa Rica	\$ 2,100	\$ -
Honduras	50,803	4,500
Panama	34,250	6,400
Belize	-	100
Field	248	-
U.S. Special Projects	-	1,315
Scale Kickoff	8,955	14,045
Field tree planting	12,884	28,388
Funds Held for Foundation	<u>5,599</u>	<u>4,454</u>
	<u>\$ 114,839</u>	<u>\$ 59,202</u>

Net assets with donor restrictions consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Purpose restrictions:		
Costa Rica	\$ 14,771	\$ -
Honduras	-	50,000
Panama	55,500	32,000
Scale Kickoff	<u>25,000</u>	<u>33,639</u>
Total purpose restricted	<u>95,271</u>	<u>115,639</u>
Perpetual duration restriction:		
Funds held by Foundation	<u>139,909</u>	<u>108,374</u>
Total perpetually restricted	<u>139,909</u>	<u>108,374</u>
Total net assets with donor restrictions	<u>\$ 235,180</u>	<u>\$ 224,013</u>

**SUSTAINABLE HARVEST INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2021 AND 2020**

**(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 contribution payments for the years ended June 30, 2021 and 2020.

**(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, 2021 and 2020, the Organization's cash balance exceeded the FDIC insurance by \$316,173 and \$148,149, respectively. The Organization has not experienced any losses in these accounts and management believes they are not exposed to any significant credit risk.

There was no revenue concentration for the year ended June 30, 2021. Revenue from one donor represented 11% of total revenue for the year ended June 30, 2020.

Pledge receivables from three donors that represent 67% and 77% of total pledge receivables for the years ended June 30, 2021 and 2020, respectively.

**(11) RISKS AND UNCERTAINTIES**

The Organization 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.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Organization's operations.

**(12) SUBSEQUENT EVENTS**

As of August 9, 2021, the Organization has been approved of loan forgiveness for the second PPP loan for a total forgiveness amount of \$54,900.

**SUSTAINABLE HARVEST INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2021 AND 2020**

**(13) NEW ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board (FASB) has issued Accounting Standard Update (Update) 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 amendments in this Update address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFP’s, as well as the amount of those contributions used in an NFP’s programs and other activities. This Update will be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization plans to adopt this Update as applicable by the effective date.

**(14) 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.