

FINANCIAL STATEMENTS



International
Lifeline Fund

**FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015**

INTERNATIONAL LIFELINE FUND

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
International Lifeline Fund
Washington, D.C.

We have audited the accompanying financial statements of the International Lifeline Fund (Lifeline), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lifeline as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



November 15, 2016

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INTERNATIONAL LIFELINE FUND
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 128,211	\$ 134,970
Grants receivable	519,702	405,531
Travel advances and other receivables	208,748	32,965
Inventory	5,359	25,266
Prepaid expenses	<u>6,338</u>	<u>5,995</u>
Total current assets	<u>868,358</u>	<u>604,727</u>
FURNITURE AND EQUIPMENT		
Buildings	148,330	168,497
Equipment	473,584	437,434
Furniture	27,095	29,679
Vehicles	<u>173,208</u>	<u>186,398</u>
	822,217	822,008
Less: Accumulated depreciation and amortization	<u>(593,332)</u>	<u>(518,581)</u>
Net furniture and equipment	<u>228,885</u>	<u>303,427</u>
OTHER ASSETS	<u>8,800</u>	<u>6,800</u>
TOTAL ASSETS	<u>\$ 1,106,043</u>	<u>\$ 914,954</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 25,670	\$ 18,334
Deferred rent liability (Note 3)	<u>4,900</u>	<u>4,300</u>
Total current liabilities	<u>30,570</u>	<u>22,634</u>
NET ASSETS		
Unrestricted	703,809	541,600
Temporarily restricted (Note 2)	<u>371,664</u>	<u>350,720</u>
Total net assets	<u>1,075,473</u>	<u>892,320</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,106,043</u>	<u>\$ 914,954</u>

INTERNATIONAL LIFELINE FUND

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUE			
Contributions and grants	\$ 1,305,774	\$ 339,623	\$ 1,645,397
Stove sales, net	211,071	-	211,071
Other revenue	4,440	-	4,440
In-kind contribution	23,309	-	23,309
Net assets released from donor restrictions (Note 2)	<u>318,679</u>	<u>(318,679)</u>	<u>-</u>
Total revenue	<u>1,863,273</u>	<u>20,944</u>	<u>1,884,217</u>
EXPENSES			
Program Services:			
Haiti Programs	213,780	-	213,780
Uganda Programs	1,008,621	-	1,008,621
Kenya Programs	21	-	21
Burundi Programs	<u>26,426</u>	<u>-</u>	<u>26,426</u>
Total program services	<u>1,248,848</u>	<u>-</u>	<u>1,248,848</u>
Supporting Services:			
Management and General	334,466	-	334,466
Fundraising	<u>117,750</u>	<u>-</u>	<u>117,750</u>
Total supporting services	<u>452,216</u>	<u>-</u>	<u>452,216</u>
Total expenses	<u>1,701,064</u>	<u>-</u>	<u>1,701,064</u>
Changes in net assets	162,209	20,944	183,153
Net assets at beginning of year	<u>541,600</u>	<u>350,720</u>	<u>892,320</u>
NET ASSETS AT END OF YEAR	<u>\$ 703,809</u>	<u>\$ 371,664</u>	<u>\$ 1,075,473</u>

2015		
Unrestricted	Temporarily Restricted	Total
\$ 1,342,701	\$ 406,616	\$ 1,749,317
(2)	-	(2)
28,204	-	28,204
-	-	-
<u>165,801</u>	<u>(165,801)</u>	<u>-</u>
<u>1,536,704</u>	<u>240,815</u>	<u>1,777,519</u>
282,192	-	282,192
1,118,777	-	1,118,777
2,266	-	2,266
<u>-</u>	<u>-</u>	<u>-</u>
<u>1,403,235</u>	<u>-</u>	<u>1,403,235</u>
247,462	-	247,462
<u>64,566</u>	<u>-</u>	<u>64,566</u>
<u>312,028</u>	<u>-</u>	<u>312,028</u>
<u>1,715,263</u>	<u>-</u>	<u>1,715,263</u>
(178,559)	240,815	62,256
<u>720,159</u>	<u>109,905</u>	<u>830,064</u>
<u>\$ 541,600</u>	<u>\$ 350,720</u>	<u>\$ 892,320</u>

INTERNATIONAL LIFELINE FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services				Total Program Services
	Haiti Programs	Uganda Programs	Kenya Programs	Burundi Programs	
Salaries and benefits	\$ 60,110	\$ 359,318	\$ -	\$ 500	\$ 419,928
Business operations	20,096	68,487	21	219	88,823
Facilities and equipment	49,531	189,723	-	1,918	241,172
Insurance	1,265	23,761	-	4	25,030
Professional fees	66,967	314,633	-	16,310	397,910
Taxes	-	3,021	-	-	3,021
Technology	1,251	9,814	-	-	11,065
Telephone and telecommunications	2,695	7,905	-	260	10,860
Training and educational materials	-	3,212	-	-	3,212
Travel expenses	10,998	46,908	-	7,232	65,138
Currency exchange gain/loss	867	(18,161)	-	(17)	(17,311)
TOTAL	\$ 213,780	\$ 1,008,621	\$ 21	\$ 26,426	\$ 1,248,848

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 123,438	\$ 75,076	\$ 198,514	\$ 618,442
4,143	8,195	12,338	101,161
13,131	1,236	14,367	255,539
26,605	316	26,921	51,951
164,878	26,808	191,686	589,596
(3,249)	-	(3,249)	(228)
2,927	336	3,263	14,328
2,275	51	2,326	13,186
-	-	-	3,212
318	5,732	6,050	71,188
-	-	-	(17,311)
\$ 334,466	\$ 117,750	\$ 452,216	\$ 1,701,064

INTERNATIONAL LIFELINE FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services			Total Program Services
	Haiti Programs	Uganda Programs	Kenya Programs	
Salaries and benefits	\$ 112,132	\$ 440,277	\$ -	\$ 552,409
Business operations	11,653	85,090	113	96,856
Facilities and equipment	67,497	244,201	-	311,698
Insurance	9,428	26,689	-	36,117
Professional fees	48,269	239,379	1,359	289,007
Taxes	(765)	496	-	(269)
Technology	2,584	7,385	-	9,969
Telephone and telecommunications	2,368	11,148	24	13,540
Training and educational materials	24	-	-	24
Travel expenses	21,958	75,552	770	98,280
Currency exchange gain/loss	7,044	(11,440)	-	(4,396)
TOTAL	\$ 282,192	\$ 1,118,777	\$ 2,266	\$ 1,403,235

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 87,259	\$ 31,825	\$ 119,084	\$ 671,493
82	1,229	1,311	98,167
2,190	1,074	3,264	314,962
24,855	1,195	26,050	62,167
116,937	26,485	143,422	432,429
64	-	64	(205)
3,464	74	3,538	13,507
(591)	149	(442)	13,098
-	-	-	24
13,202	2,535	15,737	114,017
-	-	-	(4,396)
\$ 247,462	\$ 64,566	\$ 312,028	\$ 1,715,263

INTERNATIONAL LIFELINE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 183,153	\$ 62,256
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	77,335	86,229
Loss on disposal of fixed assets	11,079	2,000
(Increase) decrease in:		
Grants receivable	(114,171)	(177,096)
Travel advances and other receivables	(175,783)	(29,358)
Inventory	19,907	18,428
Prepaid expenses	(343)	3,620
Other assets	(2,000)	(1,230)
Increase (decrease) in:		
Accounts payable and accrued expenses	7,336	(15,952)
Taxes payable	<u>600</u>	<u>(60)</u>
Net cash provided (used) by operating activities	<u>7,113</u>	<u>(51,163)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(13,872)</u>	<u>(47,000)</u>
Net cash used by investing activities	<u>(13,872)</u>	<u>(47,000)</u>
Net decrease in cash and cash equivalents	(6,759)	(98,163)
Cash and cash equivalents at beginning of year	<u>134,970</u>	<u>233,133</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 128,211</u>	<u>\$ 134,970</u>

INTERNATIONAL LIFELINE FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Headquartered in Washington, D.C., International Lifeline Fund (Lifeline) seeks to spark catalytic change across the developing world through low-cost and replicable interventions that profoundly improve quality of life. To achieve this goal, Lifeline has focused on two major initiatives since becoming operational in 2006: (1) a water, sanitation and hygiene (WASH) initiative through which Lifeline has constructed and rehabilitated over 300 boreholes that have brought clean drinking water to some 200,000 impoverished Ugandan villagers; and (2) a sustainable cookstove initiative through which Lifeline has distributed and/or sold approximately 200,000 fuel efficient stoves to impoverished and displaced families from Uganda, Haiti, Sudan, Somalia and Burundi.

Over the past three years, Lifeline has been focusing its WASH resources on its H2O+ initiative, a program that seeks to provide universal and sustainable access to clean water across an entire district. In the first Phase of that project, Lifeline constructed and rehabilitated 75 boreholes that are serving over 67,000 beneficiaries in the Apac District of Northern Uganda. Lifeline is now entering a second phase of its H2O+ project, in which it intends to complete 225 additional boreholes that will bring clean water to another 150,000 individuals. In order to ensure the success of this project, Lifeline has been working in close collaboration with the local government and other stakeholders, mobilizing communities to assume responsibility for the integrity of their water infrastructure, and creating a supportive ecosystem that will help them to sustain that infrastructure over time.

Throughout this time, Lifeline has also been contributing to broader change in the Ugandan energy sector by: (1) developing locally-manufactured stoves tailored to the desires and needs of the local population that are affordable for lower-income consumers, (2) establishing distribution channels through which these stoves can be sold, and (3) promoting consumer awareness and otherwise nurturing fuel-efficient stove (FES) markets. This deliberate long-term approach has enabled Lifeline to invest the necessary research and development time to study local cooking needs and habits, test and re-test different FES models, train labor forces, source raw materials, streamline and semi-mechanize production, and customize and fine-tune its products to meet its customers' demands.

In September 2011, after having implemented a humanitarian FES project involving the distribution of 11,000 stoves to those uprooted by the earthquake that devastated Port-au-Prince, Lifeline commercialized its Haiti stove program. Subsequently, in July 2013, Lifeline integrated its FES operations with a Haitian social enterprise organization, D&E Green Enterprises. Together, Lifeline and D&E have: (1) emerged as Haiti's largest producer and distributor of FES products, (2) developed a direct sales strategy, including a network of 40 women vendors, which can expand to meet market demand and increase last-mile distribution and (3) built a fully operational "first-of-kind" mechanized production facility in Port-au-Prince that already employs 45 Haitians and has reduced production costs by increasing manufacturing speed and efficiency.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

INTERNATIONAL LIFELINE FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Cash and cash equivalents -

Lifeline considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, Lifeline maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Lifeline had \$113,747 and \$86,848, of cash on hand and in financial institutions in foreign countries at June 30, 2016 and 2015, respectively. The majority of such funds are not insured.

Grants and other receivables -

Grants and other receivables are recorded at their net realizable value, which approximates fair value. Management considers all grants and other receivables to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

In-kind contribution -

In-kind contribution consist of conference room space and legal advice. In-kind contribution are recorded at their fair market value as of the date of the contribution.

Furniture and equipment -

Furniture and equipment, which cost in excess of \$1,000, are capitalized and stated at cost. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years for equipment and 27.5 years for buildings. Leasehold improvements are amortized over the remaining life of the lease.

The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the years ended June 30, 2016 and 2015 totaled \$77,335 and \$86,229, respectively.

Income taxes -

Lifeline is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Lifeline is a private foundation.

Uncertain tax positions -

For the years ended June 30, 2016 and 2015, Lifeline has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

INTERNATIONAL LIFELINE FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Inventory -

Inventory consists of finished stoves, which are recorded at the lower of cost or market value using the first-in, first-out method of inventory.

Foreign currency translation -

The U.S. Dollar ("dollars") is the functional currency of Lifeline's worldwide operations. Transactions in currencies other than dollars are re-measured into dollars at the rate of exchange in effect during the month of transaction. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Statements of Financial Position; the effects of these conversions are recorded in the accompanying Statements of Functional Expenses.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Lifeline and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Lifeline and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

INTERNATIONAL LIFELINE FUND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Uganda Programs	\$ <u>371,664</u>	\$ <u>350,720</u>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2016</u>	<u>2015</u>
Haiti Programs	\$ -	\$ 12,067
Uganda Programs	<u>318,679</u>	<u>153,734</u>
	<u>\$ 318,679</u>	<u>\$ 165,801</u>

3. **LEASE COMMITMENTS**

Lifeline leased office space under a three-year agreement, which originated on March 1, 2012. Base rent was \$18,000 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year.

In August 2014, Lifeline entered into a new sub-lease agreement for office space. The term of this sub-lease originated on September 1, 2014 and ends on March 31, 2018. Base rent is \$39,600 per year, increasing by a factor of 5% per year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statements of Financial Position.

INTERNATIONAL LIFELINE FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

3. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

Year Ending June 30,

2017	\$ 45,842
2018	<u>12,033</u>
	<u>\$ 57,875</u>

Rent expense (including utilities) for the years ended June 30, 2016 and 2015 totaled \$64,721 and \$63,755, respectively. The deferred rent liability totaled \$4,900 and \$4,300 at June 30, 2016 and 2015, respectively.

4. CONCENTRATION OF REVENUE

Approximately 58% and 73% of Lifeline's revenue for the years ended June 30, 2016 and 2015, respectively, was derived from operating grants awarded by Lifeline's Founder and Chairman of the Board. Lifeline has no reason to believe that the relationship with this individual will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect Lifeline's ability to finance ongoing operations.

5. SUBSEQUENT EVENTS

In preparing these financial statements, Lifeline has evaluated events and transactions for potential recognition or disclosure through November 15, 2016, the date the financial statements were issued.