

FINANCIAL STATEMENTS



International
Lifeline Fund

**FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



December 19, 2018

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INTERNATIONAL LIFELINE FUND
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 55,683	\$ 72,747
Grants receivable	111,486	260,329
Advances and other receivables	137,164	113,892
Note receivable	556	-
Inventory	45,474	17,382
Prepaid expenses	<u>1,942</u>	<u>4,243</u>
Total current assets	<u>352,305</u>	<u>468,593</u>
PROPERTY AND EQUIPMENT		
Buildings	167,967	162,413
Equipment	485,169	474,993
Furniture	26,080	29,393
Vehicles	<u>140,230</u>	<u>183,315</u>
	819,446	850,114
Less: Accumulated depreciation	<u>(621,170)</u>	<u>(640,810)</u>
Net property and equipment	<u>198,276</u>	<u>209,304</u>
OTHER ASSETS	<u>-</u>	<u>8,800</u>
TOTAL ASSETS	<u>\$ 550,581</u>	<u>\$ 686,697</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 46,914	\$ 5,443
Refundable advances	<u>9,132</u>	<u>4,135</u>
Total current liabilities	<u>56,046</u>	<u>9,578</u>
NET ASSETS		
Unrestricted	469,177	451,003
Temporarily restricted	<u>25,358</u>	<u>226,116</u>
Total net assets	<u>494,535</u>	<u>677,119</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 550,581</u>	<u>\$ 686,697</u>

INTERNATIONAL LIFELINE FUND

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018		
	Unrestricted	Temporarily Restricted	Total
REVENUE			
Contributions and grants	\$ 769,082	\$ 204,643	\$ 973,725
Stove sales, net	58,876	-	58,876
Other revenue	27,970	-	27,970
In-kind contribution	3,450	-	3,450
Net assets released from donor restrictions	405,401	(405,401)	-
Total revenue	1,264,779	(200,758)	1,064,021
EXPENSES			
Program Services:			
Haiti Programs	137,542	-	137,542
Uganda Programs	822,968	-	822,968
Burundi Programs	89,099	-	89,099
Other Programs	1,470	-	1,470
Total program services	1,051,079	-	1,051,079
Supporting Services:			
Management and General	121,841	-	121,841
Fundraising	73,685	-	73,685
Total supporting services	195,526	-	195,526
Total expenses	1,246,605	-	1,246,605
Changes in net assets	18,174	(200,758)	(182,584)
Net assets at beginning of year	451,003	226,116	677,119
NET ASSETS AT END OF YEAR	\$ 469,177	\$ 25,358	\$ 494,535

2017		
Unrestricted	Temporarily Restricted	Total
\$ 819,850	\$ 295,639	\$ 1,115,489
60,562	-	60,562
18,869	-	18,869
4,875	-	4,875
<u>441,187</u>	<u>(441,187)</u>	<u>-</u>
<u>1,345,343</u>	<u>(145,548)</u>	<u>1,199,795</u>
218,818	-	218,818
1,062,966	-	1,062,966
59,818	-	59,818
<u>1,101</u>	<u>-</u>	<u>1,101</u>
<u>1,342,703</u>	<u>-</u>	<u>1,342,703</u>
155,862	-	155,862
<u>99,584</u>	<u>-</u>	<u>99,584</u>
<u>255,446</u>	<u>-</u>	<u>255,446</u>
<u>1,598,149</u>	<u>-</u>	<u>1,598,149</u>
(252,806)	(145,548)	(398,354)
<u>703,809</u>	<u>371,664</u>	<u>1,075,473</u>
<u>\$ 451,003</u>	<u>\$ 226,116</u>	<u>\$ 677,119</u>

INTERNATIONAL LIFELINE FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services				Total Program Services
	Haiti Programs	Uganda Programs	Burundi Programs	Other Programs	
Salaries and benefits	\$ 39,569	\$ 292,296	\$ 1,756	\$ 138	\$ 333,759
Business operations	9,179	55,101	383	1,001	65,664
Facilities and equipment	42,155	142,648	2,497	-	187,300
Insurance	1,856	26,568	304	-	28,728
Professional fees	37,155	269,857	63,531	328	370,871
Taxes	(615)	4,718	-	-	4,103
Technology	816	4,292	-	-	5,108
Telephone and telecommunications	956	6,919	277	-	8,152
Training and educational materials	150	-	-	-	150
Travel expenses	6,072	29,898	20,351	3	56,324
Currency exchange gain/loss	249	(9,329)	-	-	(9,080)
TOTAL	\$ 137,542	\$ 822,968	\$ 89,099	\$ 1,470	\$ 1,051,079

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 66,686	\$ 63,175	\$ 129,861	\$ 463,620
5,227	2,899	8,126	73,790
7,270	2,331	9,601	196,901
30,558	599	31,157	59,885
7,137	2,228	9,365	380,236
-	-	-	4,103
1,056	2,063	3,119	8,227
1,801	103	1,904	10,056
-	-	-	150
2,106	287	2,393	58,717
-	-	-	(9,080)
\$ 121,841	\$ 73,685	\$ 195,526	\$ 1,246,605

INTERNATIONAL LIFELINE FUND
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services				Total Program Services
	Haiti Programs	Uganda Programs	Burundi Programs	Other Programs	
Salaries and benefits	\$ 48,800	\$ 335,461	\$ -	\$ -	\$ 384,261
Business operations	28,935	114,509	781	-	144,225
Facilities and equipment	53,942	197,900	41	-	251,883
Insurance	2,347	24,675	20	-	27,042
Professional fees	67,732	326,420	41,561	1,101	436,814
Taxes	-	216	-	-	216
Technology	1,491	9,627	-	-	11,118
Telephone and telecommunications	2,558	6,298	23	-	8,879
Training and educational materials	750	4,241	-	-	4,991
Travel expenses	12,406	38,354	17,392	-	68,152
Currency exchange gain/loss	(143)	5,265	-	-	5,122
TOTAL	\$218,818	\$ 1,062,966	\$ 59,818	\$ 1,101	\$1,342,703

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 105,591	\$ 68,715	\$ 174,306	\$ 558,567
1,754	20,290	22,044	166,269
3,581	2,845	6,426	258,309
33,643	191	33,834	60,876
8,137	4,562	12,699	449,513
-	-	-	216
1,206	2,394	3,600	14,718
1,922	93	2,015	10,894
-	-	-	4,991
28	494	522	68,674
-	-	-	5,122
\$ 155,862	\$ 99,584	\$ 255,446	\$ 1,598,149

INTERNATIONAL LIFELINE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (182,584)	\$ (398,354)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	78,474	82,159
Gain on disposal of fixed assets	(21,436)	(18,295)
(Increase) decrease in:		
Grants receivable	148,843	259,373
Advances and other receivables	(23,272)	94,856
Inventory	(28,092)	(12,023)
Prepaid expenses	2,301	2,095
Other assets	8,800	-
Increase (decrease) in:		
Accounts payable and accrued expenses	41,471	(20,227)
Taxes payable	-	(4,900)
Refundable advances	<u>4,997</u>	<u>4,135</u>
Net cash provided (used) by operating activities	<u>29,502</u>	<u>(11,181)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(73,564)	(45,495)
Sale of fixed assets	<u>26,443</u>	<u>1,212</u>
Net cash used by investing activities	<u>(47,121)</u>	<u>(44,283)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note receivable	<u>555</u>	<u>-</u>
Net cash provided by financing activities	<u>555</u>	<u>-</u>
Net decrease in cash and cash equivalents	(17,064)	(55,464)
Cash and cash equivalents at beginning of year	<u>72,747</u>	<u>128,211</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 55,683</u>	<u>\$ 72,747</u>
SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Note Receivable for Sale of Fixed Asset	<u>\$ 1,111</u>	<u>\$ -</u>

INTERNATIONAL LIFELINE FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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 350 boreholes that have brought clean drinking water to some 250,000 impoverished Ugandan villagers; and (2) a sustainable cookstove initiative through which Lifeline has distributed and/or sold over 250,000 fuel efficient stoves to impoverished and displaced families from Uganda, Haiti, Sudan, Somalia and Burundi.

Lifeline is breaking the cycle of failed relief initiatives through holistic approaches to community development known as Clear Water Initiatives. In each village where Lifeline installs a clean water point, its seasoned staff of Water, Sanitation and Hygiene (WASH) officers work with the community to elect a Water User Committee (WUC) to be trained on oversight and maintenance procedures. This representative body of nine village members is tasked with creating and enforcing water user bylaws, maintaining the cleanliness of the water point, collecting water user fees in a village savings account, and contacting local handpump mechanics in the event of a breakdown. Clear Water Initiative both engages communities to take an active role in the provision of their clean water and create a village-led institution to promote transparency and accountability in water point management.

Throughout this time, Lifeline has also been contributing to broader change in the Ugandan energy sector by: (1) developing locally-manufactured stoves at a production rate of 4,000 per month, 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, (3) promoting consumer awareness and otherwise nurturing fuel-efficient stove (FES) markets, and (4) custom designing institutional stove to operate on either wood fuel or biomass briquettes. 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. Lifeline's contribution has resulted in an average of 42% fuel savings, 475,000 tons of CO₂ saved, 2.38 million trees saved, and 623,000+ Ugandan lives impacted.

In September 2011, after having implemented a humanitarian FES project involving the distribution of 13,000 stoves to over 65,000 people uprooted by the earthquake that devastated Port-au-Prince Haiti, Lifeline commercialized its Haiti stove program. Subsequently, in July 2014, 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 employs local Haitians and has reduced production costs by increasing manufacturing speed and efficiency. The resulting efforts of Lifeline's contributions to Haiti are 48,000+ commercial stoves sold, 500 institutional stoves constructed and over 300,000 lives impacted.

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, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

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 \$22,951 and \$64,468, of cash on hand and in financial institutions in foreign countries at June 30, 2018 and 2017, 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 contributions consist of conference room space, legal and consulting services. In-kind contributions are recorded at their fair market value as of the date of the contribution.

Property and equipment -

Property and equipment, which cost in excess of \$1,000, are capitalized and stated at cost. Property 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 expense for the years ended June 30, 2018 and 2017 totaled \$78,474 and \$82,159, 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, 2018 and 2017, 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.

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.

INTERNATIONAL LIFELINE FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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

Foreign currency translation (continued) -

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.

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.

New accounting pronouncements not yet adopted -

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606).

INTERNATIONAL LIFELINE FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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

New accounting pronouncements not yet adopted (continued) -

The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. Lifeline has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Lifeline's financial statements, it is not expected to alter Lifeline's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize 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 FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. Lifeline plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. Lifeline plans to adopt the new ASU at the required implementation date.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Haiti Programs	\$ -	\$ 13,000
Uganda Programs	<u>25,358</u>	<u>213,116</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 25,358</u>	<u>\$ 226,116</u>

INTERNATIONAL LIFELINE FUND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

2. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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>2018</u>	<u>2017</u>
Uganda Programs	\$ <u>405,401</u>	\$ <u>441,187</u>

3. CONCENTRATION OF REVENUE

Approximately 78% and 62% of Lifeline's revenue for the years ended June 30, 2018 and 2017, 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.

4. SUBSEQUENT EVENTS

In preparing these financial statements, Lifeline has evaluated events and transactions for potential recognition or disclosure through December 19, 2018, the date the financial statements were issued.