

**Markwell & Lewis LLP**  
Vertical Thinking

**EOS International NFP & Subsidiary**

**AUDITED FINANCIAL STATEMENTS**

**Year Ended December 31, 2016**

# EOS INTERNATIONAL NFP & SUBSIDIARY

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities and Changes in Net Assets	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-10

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
EOS International NFP & Subsidiary  
St. Paul, Minnesota

We have audited the accompanying consolidated financial statements of EOS International NFP & Subsidiary (a nonprofit organization), which comprise the statement of consolidated financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, consolidated functional expenses and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EOS International NFP & Subsidiary as of December 31, 2016, and the consolidated changes in its activities and net assets, consolidated functional expenses and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Minneapolis, Minnesota  
August 2, 2017

**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
December 31, 2016

	2016
<b>ASSETS</b>	
Current assets	
Cash and equivalents	\$ 126,638
Accounts receivable, net of allowance of \$4,932	19,866
Inventory	11,431
Prepaid expenses	1,833
Total current assets	159,768
Property and equipment	8,720
Less: accumulated depreciation	(5,478)
Net property and equipment	3,242
Total assets	\$ 163,010
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities	
Accounts payable & accrued expenses	\$ 6,013
Total current liabilities	6,013
Net assets	
Unrestricted	145,997
Temporarily restricted	11,000
Total net assets	156,997
Total liabilities and net assets	\$ 163,010

See Accompanying Notes to Financial Statements

**EOS INTERNATIONAL NFP & SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
Year Ended December 31, 2016

	2016		
	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Individual contributions	\$ 106,645	\$ -	\$ 106,645
Corporate and foundation contributions	33,850	11,000	44,850
Product sales	71,116	-	71,116
In-country partnerships	135,132	-	135,132
In-kind contributions	47,127	-	47,127
Other revenue	4,013	-	4,013
Net assets released from restriction	69,267	(69,267)	-
Total support and revenue	<u>467,150</u>	<u>(58,267)</u>	<u>408,883</u>
Expenses:			
Program services	315,262	-	315,262
General and administrative	5,239	-	5,239
Fundraising	49,818	-	49,818
Total expenses	<u>370,319</u>	<u>-</u>	<u>370,319</u>
Foreign currency adjustment	(7,257)	-	(7,257)
Change in net assets	89,574	(58,267)	31,307
Net assets - beginning of year	56,423	69,267	125,690
Net assets - end of year	<u>\$ 145,997</u>	<u>\$ 11,000</u>	<u>\$ 156,997</u>

See Accompanying Notes to Financial Statements

**EOS INTERNATIONAL NFP & SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
 Year Ended December 31, 2016

	Program Services	General and Administrative	Fundraising	Total
Bank charges	\$ 449	\$ 1,565	\$ -	\$ 2,014
Conferences & meetings	2,754	-	-	2,754
Cost of product	46,396	-	-	46,396
Depreciation	1,744	-	-	1,744
Facilities & office expenses	37,547	2,158	1,776	41,481
In-kind expenses	41,956	1,000	4,171	47,127
Insurance	2,840	91	-	2,931
Marketing	355	-	4,748	5,103
Professional fees	87,861	425	25,116	113,402
Project expenses	2,156	-	-	2,156
Salaries & Wages	21,800	-	12,379	34,179
Taxes & benefits	25,199	-	1,447	26,646
Travel	44,205	-	181	44,386
Total	<u>\$ 315,262</u>	<u>\$ 5,239</u>	<u>\$ 49,818</u>	<u>\$ 370,319</u>

See Accompanying Notes to Financial Statements

**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2016

	2016
Cash flows from operating activities	
Change in net assets:	\$ 31,307
Adjustment to reconcile the change in net assets to net cash from operating activities:	
Depreciation	1,744
Change in assets and liabilities	
Accounts receivable	2,069
Inventory	(4,339)
Prepaid expenses	(765)
Accounts payable and accrued expenses	5,909
Net cash flows from operating activities	35,925
Net change in cash and equivalents	35,925
Cash and equivalents - beginning of year	90,713
Cash and equivalents - end of year	\$ 126,638

See Accompanying Notes to Financial Statements

**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2016**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** EOS International NFP (the Organization) is a nonprofit organization founded in 2008. The Organization provides under served communities with access to low-cost appropriate technologies that generate income, improve health, and preserve the environment.

**Principles of consolidation** The financial statements include the Organization's wholly owned subsidiary, EOS International – Nicaragua, all inter-organization activity has been eliminated.

**Basis of accounting** The accompanying consolidate financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States of America and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

**Tax status** The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes.

The Organization accounts for uncertainty in income taxes recognized in the consolidated financial statements annually assessing its exposure for uncertain tax positions. If required, the Organization would accrue income taxes plus a related interest and penalty as a liability. For the years presented the Organization has recorded no liability for uncertain tax positions. Tax years ending after December 31, 2013 remain open and subject to examination for both federal and state returns.

**Basis of presentation** Support is classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that are permanently restricted by donors for specific purposes. The Organization has no permanently restricted net assets.



**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2016**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

**Use of estimates** The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentrations and credit risk** The Organization maintains cash balances in consolidated financial institutions. From time to time, the cash balances may exceed the federally insured limit. Management regularly reviews the credit worthiness of the financial institutions and, to date, has not experienced any losses.

**Cash and equivalents** For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an initial maturity date of three months or less to be cash equivalents.

**Contributions receivable** Contributions receivable represent unconditional promises to give and are due within one year.

**Accounts receivable** Accounts receivable represent monies owed from the implementation of the Organization's technology in Nicaragua.

**Inventory** Inventory consists of products purchased for resale in the implementation of the Organization's technology.

**Property & Equipment** Property & Equipment is recorded at the lower of cost or estimated fair value. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Expenditures for equipment over \$500 with determinable lives are capitalized and depreciated. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized.

**Contributed materials** Contributed materials are recorded as contributions, when received, at their estimated fair value where such value can be objectively and accurately determined.

**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2016**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

**Contributed services** Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a nonfinancial asset or the service requires specialized skills provided by an individual possessing those skills, and would need to be purchased if not provided by donation. A substantial number of volunteers donate significant amounts of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these statements since it does not meet the requirements of generally accepted accounting principles for recognition in consolidated financial statements.

**Contributions** Contributions are recorded at their net realizable values when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as satisfaction of donor restrictions.

**Functional expenses** Allocations are generally made as follows:

- Salaries by time spent on principal activities of each employee
- Employee benefits and payroll taxes according to the percentage used to allocate salaries
- All other expenses are allocated based on management estimates

**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2016**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

**Fair value measurements** The Organization complies with Topic 820 of the Accounting Standards Codification. ASC Topic 820 defines fair value, establishes framework for measuring fair value and expands disclosure about fair value.

Under ASC Topic 820, fair value is determined using assumptions that market participants would use to determine the price of the asset or liability as opposed to measurements determined based upon information specific to the entity holding those assets and liabilities. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. To determine those market participant assumptions, ASC Topic 820 establishes a hierarchy of inputs that the entity must consider including both independent market data and the entities' assumptions about the market participant assumptions. This hierarchy us as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Quoted prices in markets that are not active, as those quoted market prices included in level 1, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Unobservable inputs, used when there is little or no market activity, for the asset or liability at the measurement date. These inputs represent the entity's own assumptions about the assumptions that market participants would use to price the asset or liability.

The Organization uses the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**Subsequent events** Management evaluates events occurring subsequent to the date of the balance sheet in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through August 2, 2017 which is the date the consolidated financial statements were available to be issued.

**EOS INTERNATIONAL NFP & SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2016**

2. DONATED SERVICES

The Organization received and recorded donated professional services in the amount of \$47,127 for the year ended December 31, 2016.

3. RELATED PARTY TRANSACTIONS

The Organization reimbursed its Nicaraguan subsidiary for expenses incurred in the production and implementation of its technology in the amount of \$174,145 for the year ended December 31, 2016.

4. NET ASSETS

Net assets released from restriction as of December 31 were as follows:

Satisfaction of donor restrictions	2016
Water projects	<u>\$ 69,267</u>

Temporarily restricted net assets are restricted for the following purposes at December 31:

Water projects	2016
	<u>\$ 11,000</u>