FINANCIAL STATEMENTS

International
Lifeline Fund

FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

INTERNATIONAL LIFELINE FUND

CONTENTS

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017 and 2016, 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, 2017 and 2016, 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.

Gelman Rosenberg & Freedman

October 24, 2017

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INTERNATIONAL LIFELINE FUND

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 72,747	$ 128,211
Grants receivable	260,329	519,702
Travel advances and other receivables	109,758	208,748
Inventory	17,382	5,359
Prepaid expenses	4,243	6,338
Total current assets	464,459	868,358
FURNITURE AND EQUIPMENT		
Buildings	162,413	148,330
Equipment	474,993	473,584
Furniture	29,393	27,095
Vehicles	183,315	173,208
	850,114	822,217
Less: Accumulated depreciation	(640,810)	(593,332)
Net furniture and equipment	209,304	228,885
OTHER ASSETS	8,800	8,800
TOTAL ASSETS	**$ 682,563**	**$ 1,106,043**

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 5,444	$ 25,670
Deferred rent liability	-	4,900
Total current liabilities	5,444	30,570
NET ASSETS		
Unrestricted	451,003	703,809
Temporarily restricted	226,116	371,664
Total net assets	677,119	1,075,473
TOTAL LIABILITIES AND NET ASSETS	**$ 682,563**	**$ 1,106,043**

INTERNATIONAL LIFELINE FUND

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
REVENUE			
Contributions and grants	$ 819,850	$ 295,639	$ 1,115,489
Stove sales, net	60,562	-	60,562
Other revenue	18,869	-	18,869
In-kind contribution	4,875	-	4,875
Net assets released from donor restrictions	441,187	(441,187)	-
Total revenue	1,345,343	(145,548)	1,199,795
EXPENSES			
Program Services:			
Haiti Programs	218,818	-	218,818
Uganda Programs	1,062,966	-	1,062,966
Kenya Programs	-	-	-
Burundi Programs	59,818	-	59,818
Other programs	1,101	-	1,101
Total program services	1,342,703	-	1,342,703
Supporting Services:			
Management and General	155,862	-	155,862
Fundraising	99,584	-	99,584
Total supporting services	255,446	-	255,446
Total expenses	1,598,149	-	1,598,149
Changes in net assets	(252,806)	(145,548)	(398,354)
Net assets at beginning of year	703,809	371,664	1,075,473
NET ASSETS AT END OF YEAR	**$ 451,003**	**$ 226,116**	**$ 677,119**

2016		
Unrestricted	**Temporarily Restricted**	**Total**
$ 1,305,774	$ 339,623	$ 1,645,397
211,071	-	211,071
4,440	-	4,440
23,309	-	23,309
318,679	(318,679)	-
1,863,273	20,944	1,884,217
213,780	-	213,780
1,008,621	-	1,008,621
21	-	21
26,426	-	26,426
-	-	-
1,248,848	-	1,248,848
334,466	-	334,466
117,750	-	117,750
452,216	-	452,216
1,701,064	-	1,701,064
162,209	20,944	183,153
541,600	350,720	892,320
$ 703,809	**$ 371,664**	**$ 1,075,473**

See accompanying notes to financial statements.

INTERNATIONAL LIFELINE FUND

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

	Program Services				
	Haiti Programs	**Uganda Programs**	**Burundi Programs**	**Other Programs**	**Total Program Services**
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**

See accompanying notes to financial statements.

INTERNATIONAL LIFELINE FUND

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

	Program Services				
	Haiti Programs	Uganda Programs	Kenya Programs	Burundi Programs	Total Program Services
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**

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (398,354)	$ 183,153
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	82,159	77,335
(Gain) loss on disposal of fixed assets	(18,295)	11,079
(Increase) decrease in:		
Grants receivable	259,373	(114,171)
Travel advances and other receivables	98,990	(175,783)
Inventory	(12,023)	19,907
Prepaid expenses	2,095	(343)
Other assets	-	(2,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	(20,226)	7,337
Taxes payable	(4,900)	600
Net cash (used) provided by operating activities	(11,181)	7,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(45,495)	(13,872)
Sale of fixed assets	1,212	-
Net cash used by investing activities	(44,283)	(13,872)
Net decrease in cash and cash equivalents	(55,464)	(6,758)
Cash and cash equivalents at beginning of year	128,211	134,969
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 72,747**	**$ 128,211**

See accompanying notes to financial statements.

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 H20+ 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 H20+ 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*.

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.

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

Cash and cash equivalents (continued) -

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 $64,468 and $113,747, of cash on hand and in financial institutions in foreign countries at June 30, 2017 and 2016, 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.

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 expense for the years ended June 30, 2017 and 2016 totaled $82,159 and $77,335, 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, 2017 and 2016, 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.

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 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 Statement of Activities and Change 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.

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

New accounting pronouncements not yet adopted (continued) -

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 statement 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, 2017 and 2016:

	2017	2016
Haiti Programs	$ 13,000	$ -
Uganda Programs	213,116	371,664
	$ 226,116	**$ 371,664**

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:

	2017	2016
Uganda Programs	**$ 441,187**	**$ 318,679**

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.

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

Year Ending June 30, 2018	**$ 33,290**

Rent expense (including utilities) for the years ended June 30, 2017 and 2016 totaled $51,361 and $61,481, respectively. The deferred rent liability totaled $0 and $4,900 at June 30, 2017 and 2016, respectively.

4. CONCENTRATION OF REVENUE

Approximately 62% and 58% of Lifeline's revenue for the years ended June 30, 2017 and 2016, 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 October 24, 2017, the date the financial statements were issued.