

SOLAR SISTER, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2021 AND 2020

SOLAR SISTER, INC. AND AFFILIATES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Solar Sister, Inc. and Affiliates

Opinion

We have audited the accompanying consolidated financial statements of Solar Sister, Inc. (a nonprofit organization) and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Solar Sister, Inc. and Affiliates as of December 31, 2021 and 2020, and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Solar Sister, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Solar Sister, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Solar Sister, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Solar Sister, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
August 18, 2022

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SOLAR SISTER, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 265,402	\$ 350,520
Accounts receivable	-	15,534
Grants receivable	148,281	150,605
Inventory, net	258,886	112,599
Prepaid expenses and other assets	<u>19,666</u>	<u>29,557</u>
Total current assets	692,235	658,815
Other assets:		
Furniture and equipment, net	<u>3,707</u>	<u>6,188</u>
TOTAL ASSETS	<u>\$ 695,942</u>	<u>\$ 665,003</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 187,949	\$ 38,738
Loan payable	-	50,000
Note payable - Paycheck Protection Program	<u>63,935</u>	<u>63,935</u>
Total current liabilities	<u>251,884</u>	<u>152,673</u>
Net assets:		
Net assets without donor restrictions	228,516	136,599
Net assets with donor restrictions	<u>215,542</u>	<u>375,731</u>
Total net assets	<u>444,058</u>	<u>512,330</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 695,942</u>	<u>\$ 665,003</u>

See accompanying notes to consolidated financial statements.

SOLAR SISTER, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and support:						
Sales	\$ 1,124,408	\$ -	\$ 1,124,408	\$ 649,644	\$ -	\$ 649,644
Grants	258,107	1,375,476	1,633,583	265,671	786,536	1,052,207
Contributions	550,275	-	550,275	496,374	10,000	506,374
In-kind contributions	94,823	-	94,823	-	-	-
Other income	137,415	-	137,415	86,341	-	86,341
Net assets released from donor restrictions	<u>1,535,665</u>	<u>(1,535,665)</u>	<u>-</u>	<u>823,765</u>	<u>(823,765)</u>	<u>-</u>
Total revenues and support	<u>3,700,693</u>	<u>(160,189)</u>	<u>3,540,504</u>	<u>2,321,795</u>	<u>(27,229)</u>	<u>2,294,566</u>
Expenses:						
Program	2,986,072	-	2,986,072	1,863,416	-	1,863,416
Management and general	456,221	-	456,221	349,636	-	349,636
Fundraising	<u>196,045</u>	<u>-</u>	<u>196,045</u>	<u>100,232</u>	<u>-</u>	<u>100,232</u>
Total expenses	<u>3,638,338</u>	<u>-</u>	<u>3,638,338</u>	<u>2,313,284</u>	<u>-</u>	<u>2,313,284</u>
Change in net assets before foreign currency translation gain (loss)	62,355	(160,189)	(97,834)	8,511	(27,229)	(18,718)
Foreign currency translation gain (loss)	<u>29,562</u>	<u>-</u>	<u>29,562</u>	<u>(2,760)</u>	<u>-</u>	<u>(2,760)</u>
Change in net assets	91,917	(160,189)	(68,272)	5,751	(27,229)	(21,478)
Net assets at beginning of year	<u>136,599</u>	<u>375,731</u>	<u>512,330</u>	<u>130,848</u>	<u>402,960</u>	<u>533,808</u>
NET ASSETS AT END OF YEAR	<u>\$ 228,516</u>	<u>\$ 215,542</u>	<u>\$ 444,058</u>	<u>\$ 136,599</u>	<u>\$ 375,731</u>	<u>\$ 512,330</u>

See accompanying notes to consolidated financial statements.

SOLAR SISTER, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			
	Program	Management and General	Fundraising	Total Expenses
Personnel costs	\$ 1,175,232	\$ 143,285	\$ 90,924	\$ 1,409,441
Cost of sales	1,032,620	-	-	1,032,620
Professional fees	149,469	257,025	11,050	417,544
Advertising	201,659	-	65,499	267,158
Technology	69,064	35,811	23,021	127,896
Training and professional development	76,621	410	264	77,295
Travel	76,867	204	131	77,202
Office supplies	65,945	3,754	2,414	72,113
Communications	44,422	227	146	44,795
Bad debt	23,958	7,311	-	31,269
Subgrants	21,000	-	-	21,000
Miscellaneous	16,904	1,512	837	19,253
Rent	17,840	-	-	17,840
Bank fees	7,074	3,945	-	11,019
Insurance	5,172	2,682	1,724	9,578
Depreciation and amortization	<u>2,225</u>	<u>55</u>	<u>35</u>	<u>2,315</u>
TOTAL EXPENSES	<u>\$ 2,986,072</u>	<u>\$ 456,221</u>	<u>\$ 196,045</u>	<u>\$ 3,638,338</u>

	2020			
	Program	Management and General	Fundraising	Total Expenses
Personnel costs	\$ 799,718	\$ 118,888	\$ 56,277	\$ 974,883
Cost of sales	553,996	-	-	553,996
Professional fees	87,953	196,655	34,714	319,322
Training and professional development	111,526	1,004	-	112,530
Travel	63,293	6,134	-	69,427
Advertising	60,082	2,564	1,231	63,877
Technology	34,014	12,092	5,802	51,908
Office supplies	37,716	2,446	1,174	41,336
Communications	38,641	42	20	38,703
Rent	37,886	389	187	38,462
Miscellaneous	17,559	2,684	-	20,243
Bank fees	5,980	5,015	-	10,995
Inventory write off	9,683	-	-	9,683
Insurance	3,123	1,665	799	5,587
Depreciation and amortization	<u>2,246</u>	<u>58</u>	<u>28</u>	<u>2,332</u>
TOTAL EXPENSES	<u>\$ 1,863,416</u>	<u>\$ 349,636</u>	<u>\$ 100,232</u>	<u>\$ 2,313,284</u>

See accompanying notes to consolidated financial statements.

SOLAR SISTER, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Net cash flows from operating activities:		
Change in net assets	\$ (68,272)	\$ (21,478)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Translation adjustments	(29,562)	2,760
Bad debt	53,043	-
Depreciation and amortization	2,315	2,332
Forgiveness of indebtedness under Paycheck Protection Program	(63,935)	-
Changes in operating assets and liabilities:		
Accounts receivable	(37,509)	(13,454)
Grants receivable	2,324	(150,605)
Inventory	(147,588)	(2,291)
Prepaid expenses and other assets	9,696	(269)
Accounts payable and accrued expenses	<u>150,499</u>	<u>34,770</u>
Net cash used in operating activities	<u>(128,989)</u>	<u>(148,235)</u>
Investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(11,049)</u>
Net cash used in investing activities	<u>-</u>	<u>(11,049)</u>
Financing activities:		
Proceeds from loan payable	-	50,000
Payments on loan payable	(50,000)	-
Proceeds from note payable - Paycheck Protection Program	<u>63,935</u>	<u>63,935</u>
Net cash provided by financing activities	<u>13,935</u>	<u>113,935</u>
Effect of exchange rate changes on cash flows	<u>29,936</u>	<u>(6,241)</u>
Net decrease in cash	(85,118)	(51,590)
Cash, beginning of year	<u>350,520</u>	<u>402,110</u>
CASH, END OF YEAR	<u><u>\$ 265,402</u></u>	<u><u>\$ 350,520</u></u>

See accompanying notes to consolidated financial statements.

SOLAR SISTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1. ORGANIZATION

Solar Sister, Inc. and Affiliates ("Solar Sister") is a non-profit organization located in Great Falls, VA and operates its programs in Tanzania and Nigeria. Solar Sister eradicates energy poverty, empowering women and girls with economic opportunity by creating a deliberately woman-centered direct sales network to bring the breakthrough potential of clean energy technology to even the most remote communities in rural Africa. Energy products include solar powered lights, mobile phone chargers, and other clean energy products. Solar Sister recruits, trains and launches grassroots green collar businesses. The program has provided this opportunity to over 5,000 Solar Sister entrepreneurs who sell Solar Sister's clean energy products to service 1.7 million African residents. Solar Sister's sales are derived entirely from its programs in foreign countries.

Solar Sister is required to maintain certain corporate structures in the countries in which it conducts business. Solar Sister controls the activities of Solar Sister Global Inc. ("Global"), Solar Sister Nigeria, Inc. ("SS Nigeria"), and Solar Sister Tanzania Inc. ("SS Tanzania"). These non-profit corporations did not conduct business activities in 2021 and 2020. However, SS Nigeria and SS Tanzania each own 50% of Solar Sister Entrepreneurs Nigeria LTD/GTE ("SS Entrepreneurs Nigeria") and Solar Sister Tanzania Limited ("SS Tanzania LTD"). Those entities were organized in their local jurisdictions to meet the requirements of conducting business in those countries.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and transactions of Solar Sister, Global, SS Nigeria, SS Tanzania, SS Entrepreneurs Nigeria and SS Tanzania LTD (collectively the "Organization"). All significant intercompany transactions and accounts have been eliminated in consolidation.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Net Assets

The accompanying consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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.

SOLAR SISTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (continued)

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, where by the donor had stipulated the funds be maintained in perpetuity. The Organization does not have any net assets that are restricted by donors in perpetuity at December 31, 2021 and 2020.

Revenue Recognition

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

The Organization recognizes revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("Topic 606"). Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Under Topic 606, the Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The majority of the Organization's revenue originates from contracts with customers with a single performance obligation to provide the customer with a product at the point of sale.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Contributions and grants receivable are stated at the amount management expects to collect from outstanding balances.

Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

SOLAR SISTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues in the net assets without donor restrictions category. Contributions of cash or other assets to be used to acquire land, buildings and equipment with donor stipulations are reported as revenues in the net assets with donor restrictions category; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services are reported as revenues and expenses in the net assets without donor restrictions category at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Organization if they had not been provided by individuals with those skills. The contributed services during the year ended December 31, 2021 totaled \$90,833, which related to in-kind legal services. Contributions of goods and rental space to be used in program operations are reported as revenues and expenses in the net assets without donor restrictions category at fair value at the time the goods are received or the rental space is used.

Disaggregation of Revenue

The Organization operates as a grassroots non-profit entity employing local entrepreneurs in Tanzania and Nigeria to sell solar energy products to various locations across Tanzania and Nigeria. The Organization's viability is dependent on the strength of the regional economy and its ability to collect revenues from sales of its products in Tanzania and Nigeria, as well as collection of grants and contributions obtained from individuals, foundations and corporations.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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.

Concentration of Credit Risk

Financial instruments that expose the Organization to credit risk consist primarily of cash. The Organization maintains its cash in bank deposit accounts, both in the United States and Africa. Cash accounts maintained in foreign countries are not insured and amounts held in U.S. banks may, at times, exceed insured limits. The Organization has not experienced any losses in such accounts. The Organization maintains its cash in highly rated financial institutions and management believes it is not exposed to significant credit risk on cash. At December 31, 2021 and 2020, cash held in foreign bank accounts totaled \$101,087 and \$129,514, respectively.

SOLAR SISTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Grants Receivable

At December 31, 2021 and 2020, receivables consist of amounts due from product sales and grants. Receivables are recorded at their estimated realizable amounts. An allowance is made for uncollectible receivables based on management's judgment, past collection experience and other relevant factors. Management has determined that receivables are fully collectible; therefore, no allowance for uncollectible receivables is considered necessary at December 31, 2021 and 2020. There were no accounts receivable at December 31, 2021. Accounts receivable totaled \$15,534 and \$1,750 at December 31, 2020 and 2019, respectively. Grants receivable totaled \$148,281 and \$150,605 at December 31, 2021 and 2020, respectively.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Inventory consists of solar-powered devices sold to the general population in Tanzania and Nigeria by Solar Sister entrepreneurs.

Furniture and Equipment

Furniture and equipment are recorded at cost or, if donated, fair value on the date of the contribution. Furniture and equipment that cost less than \$500 are expensed to operations as incurred. Capitalized furniture and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to seven years. Depreciation expense totaled \$2,120 in 2021 and \$2,137 in 2020.

Impairment of Long-Lived Assets

The Organization's long-lived assets are reviewed for impairment in accordance with the guidance of the Financial Accounting Standards Board ("FASB") ASC Topic *Property, Plant, and Equipment*, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. At December 31, 2021 and 2020, the Organization has determined that long-lived assets are not impaired.

Functional Allocation of Expenses

Expenses have been summarized on a functional basis in the accompanying consolidated financial statements. Certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. Allocated expenses include total personnel costs, cost of sales, professional fees, and travel which are allocated on the basis of time and effort. Rent and depreciation and amortization are allocated based on square footage.

SOLAR SISTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

The Organization uses advertising to promote its programs within the communities it serves. The Organization's advertising expenses totaled \$267,158 in 2021 and \$63,877 in 2020.

Tax Status

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal and state income taxes.

SS Entrepreneurs Nigeria and SS Tanzania LTD may be responsible for certain local taxes in their respective countries. There are no material amounts incurred for local taxes in 2021 and 2020.

The Organization accounts for uncertain tax positions in accordance with FASB ASC Topic *Income Taxes*. The Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The Topic also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Organization files informational federal tax returns as required by the Code. Management believes that the Organization has no material uncertain tax positions.

Foreign Currency Translation

The Organization's foreign accounts and transactions in Tanzania and Nigeria are recognized in the local foreign currency of those regions. The consolidated statements of financial position accounts are translated at exchange rates in effect at the end of the year and revenues and expenses are translated at the average foreign exchange rates prevailing throughout the fiscal year. Translation gains and losses are included in the accompanying consolidated statements of activities and changes in net assets. The local currencies of Tanzania and Nigeria are the Tanzanian shilling ("TZS"), and the Naira ("NGN"), respectively.

Recently Issued But Not Yet Effective Accounting Pronouncements

In-kind Contributions - In September 2020, FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU is effective for annual periods beginning after June 15, 2021, with early adoption permitted. The Organization is evaluating the effect that ASU 2020-07 will have on its consolidated financial statements and related disclosures.

SOLAR SISTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued But Not Yet Effective Accounting Pronouncements (continued)

Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases* (“ASU 2016-02”). This ASU requires all leases with a term greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability and enhanced disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842* and ASU No. 2018-11, *Leases: Targeted Improvements*, which provided narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. The standard requires either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permits the Organization to use their effective date as the date of initial application without restating the comparative period financial statements and recognizing any cumulative effect adjustment to the opening statement of financial position. In June 2020, the FASB issued ASU No. 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. ASU 2020-05 amended the effective date for ASU 2016-02 and related amendments. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events subsequent to the consolidated financial statement date of December 31, 2021 through the date on which these consolidated financial statements were available to be issued, August 18, 2022. There were no material subsequent events that require disclosure in these consolidated financial statements other than described in Notes 7 and 12.

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's available financial assets as of December 31, 2021:

Cash and cash equivalents	\$ 265,402
Grants receivable	<u>148,281</u>
Total financial assets	<u>\$ 413,683</u>

The Organization has certain donor-restricted net assets totaling \$215,542 that are available for general expenditure within one year of December 31, 2021 because the restrictions on those net assets are expected to be met by conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available for general expenditures within one year.

The Organization's goal is to maintain readily available financial assets to meet three months of operating expenses. As of December 31, 2021, the board of directors has not designated any of the Organization's net assets without donor restrictions for specific purposes.

SOLAR SISTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4. GRANTS RECEIVABLE

The Organization had grants receivable of \$148,281 and \$150,605 at December 31, 2021 and 2020, respectively. The entire balance of grants receivable is due within one year.

NOTE 5. FIXED ASSETS

The Organization's fixed assets consist of furniture and equipment of \$10,296 and \$11,049 at December 31, 2021 and 2020, respectively. Accumulated depreciation totaled \$6,589 at December 31, 2021 and \$4,861 at December 31, 2020.

NOTE 6. LOAN PAYABLE

In November 2020, the Organization received an interest free social enterprise loan of \$50,000. The loan required quarterly installment payments over a 12 month period and was paid in full as of December 2021.

NOTE 7. PAYCHECK PROTECTION PROGRAM

Paycheck Protection Program First Draw Loan

In May 2020, the Organization received loan proceeds of \$63,935 under the Paycheck Protection Program ("PPP"). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the amount forgiven must be attributable to payroll costs, as defined by the PPP.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Organization has determined it most appropriate to account for the PPP loan proceeds under the debt model. Under the debt model, the Organization recognizes the proceeds received as debt, recognizes periodic interest expense in the period in which the interest accrues at the stated interest rate and defers recognition of any potential forgiveness of the loan principal or interest until the period in which the Organization has been legally released from its obligation by the lender. The Organization deemed the debt model to be the most appropriate accounting policy for this arrangement as the underlying PPP loan is a legal form of debt and there are significant contingencies outside of the control of the Organization, mainly related to the third-party approval process for forgiveness.

SOLAR SISTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7. PAYCHECK PROTECTION PROGRAM (CONTINUED)

Paycheck Protection Program First Draw Loan (continued)

In February 2021, the Organization received approval from the Small Business Administration ("SBA") for \$63,935 of PPP loan forgiveness, plus any interest accrued through the date of payment. The Organization recognized \$63,935 of forgiveness under the PPP loan program during the year ended December 31, 2021, which is included in other income on the consolidated statement of activities and changes in net assets. As outlined by the SBA, the Organization must retain all records relating to the PPP loan, including those related to application, eligibility, and forgiveness to demonstrate the Organizations's material compliance with the PPP requirements, in its files for the next six years after the date the loan is forgiven and permit authorized representatives of the SBA, including representatives of the Officer of the Inspector General, to review such files upon request. It is management's opinion that the Organization is in compliance with the PPP requirements.

Paycheck Protection Program Second Draw Loan

In May 2021, the Organization received loan proceeds of \$63,935 under the Paycheck Protection Program Second Draw Loans ("PPP SD"). The PPP SD, which was established as part of the Consolidated Appropriations Act, 2021, provides loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. Similar to PPP, the PPP SD and any accrued interest, or a portion thereof, may be forgiven after twenty-four weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels. The PPP SD also requires that not more than 40% of the amount forgiven can be attributable to nonpayroll costs.

The PPP SD follows the same accounting policies as the first draw PPP loan. The Organization applied for PPP SD forgiveness and received approval from the SBA in January 2022. The Organization has recorded the PPP-SD loan of \$63,935 as debt as of December 31, 2021, which is included on the accompanying statement of financial position.

The PPP SD loan matures five years from the date of first disbursement of proceeds to the Organization (the "PPP SD Loan Date") and accrues interest at a fixed rate of 1%. Payments are deferred for the covered period plus ten months and payable in fifty (50) equal consecutive monthly installments of principal and interest commencing on the eleventh month anniversary of the end of the covered period.

If it is determined that the Organization was not eligible to receive the PPP or PPP SD, or that the Organization has not adequately complied with the rules, regulations and procedures applicable to the SBA's loan program, the Organization could be subject to penalties and could be required to repay the amounts previously forgiven.

SOLAR SISTER, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

The Organization had net assets with donor restrictions of \$215,542 and \$375,731 at December 31, 2021 and 2020, respectively. These net assets were restricted by grantors or donors for use and expansion of programs in specific countries where the Organization operates its programs.

Net assets were released from donor restrictions in 2021 and 2020 by incurring expenses satisfying the restricted purposes established by donors. Net assets released from donor restrictions totaled \$1,535,665 in 2021 and \$823,765 in 2020.

NOTE 9. OPERATING LEASES

The Organization leases office space in Tanzania and Nigeria on a month to month basis. Rent expense totaled \$17,840 in 2021 and \$38,462 in 2020.

NOTE 10. FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

Foreign currency translation gains (losses) for 2021 and 2020 are associated with operations in Tanzania and Nigeria. Changes in accumulated translation adjustments are reported in the consolidated statements of activities and changes in net assets. The accumulated translation adjustments are a component of net assets without donor restrictions at December 31, 2021 and 2020 in the consolidated statements of financial position. The changes in accumulated translation adjustments in 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ (118,563)	\$ (115,803)
Foreign currency translation adjustments	<u>29,562</u>	<u>(2,760)</u>
Balance at end of year	<u>\$ (89,001)</u>	<u>\$ (118,563)</u>

NOTE 11. SIGNIFICANT GRANTORS

During 2021, four grantors accounted for approximately 56% of total grants and contributions received by the Organization and 35% of total revenue.

During 2020, two grantors accounted for approximately 41% of total grants and contributions received by the Organization and 28% of total revenue.

NOTE 12. SUBSEQUENT EVENT

In June 2022, the Organization completed an acquisition of an existing not-for-profit, non-governmental organization which has operations in Kenya. This new entity shares a similar mission as Solar Sister and provides the Organization with programmatic infrastructure in Kenya to further expand its overall mission and programs. The acquired entity will be consolidated in the financial statements of Solar Sister, Inc. and Affiliates for the year ended December 21, 2022. The Organization has accounted for this transaction under the acquisition method.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Solar Sister, Inc. and Affiliates

We have audited the consolidated financial statements of Solar Sister, Inc. and Affiliates as of and for the years ended December 31, 2021 and 2020, and our report thereon dated August 18, 2022, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 - 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information contained in the supplementary schedules on pages 17 through 23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
August 18, 2022

SOLAR SISTER, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION BY LOCATION
DECEMBER 31, 2021

ASSETS

	<u>USA</u>	<u>Tanzania</u>	<u>Nigeria</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:					
Cash	\$ 164,315	\$ 50,478	\$ 50,609	\$ -	\$ 265,402
Grants receivable	148,281	-	-	-	148,281
Due from related party	1,780,707	-	-	(1,780,707)	-
Inventory	-	147,299	111,587	-	258,886
Prepaid expenses and other assets	<u>19,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,666</u>
Total current assets	2,112,969	197,777	162,196	(1,780,707)	692,235
Furniture and equipment, net of accumulated depreciation of \$6,589	<u>-</u>	<u>-</u>	<u>3,707</u>	<u>-</u>	<u>3,707</u>
TOTAL ASSETS	<u>\$ 2,112,969</u>	<u>\$ 197,777</u>	<u>\$ 165,903</u>	<u>\$ (1,780,707)</u>	<u>\$ 695,942</u>

LIABILITIES AND NET ASSETS

	<u>USA</u>	<u>Tanzania</u>	<u>Nigeria</u>	<u>Eliminations</u>	<u>Total</u>
Current liabilities:					
Accounts payable and accrued expenses	\$ 17,376	\$ 87,088	\$ 83,485	\$ -	\$ 187,949
Note payable - Paycheck Protection Program	63,935	-	-	-	63,935
Due to related party	<u>-</u>	<u>1,324,707</u>	<u>456,000</u>	<u>(1,780,707)</u>	<u>-</u>
Total current liabilities	<u>81,311</u>	<u>1,411,795</u>	<u>539,485</u>	<u>(1,780,707)</u>	<u>251,884</u>
Net assets (deficit):					
Net assets (deficit) without donor restrictions	1,880,022	(1,214,018)	(437,488)	-	228,516
Net assets (deficit) with donor restrictions	<u>151,636</u>	<u>-</u>	<u>63,906</u>	<u>-</u>	<u>215,542</u>
Total net assets (deficit)	<u>2,031,658</u>	<u>(1,214,018)</u>	<u>(373,582)</u>	<u>-</u>	<u>444,058</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,112,969</u>	<u>\$ 197,777</u>	<u>\$ 165,903</u>	<u>\$ (1,780,707)</u>	<u>\$ 695,942</u>

See independent auditor's report on supplementary information and notes to supplementary information.

SOLAR SISTER, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY LOCATION
FOR THE YEAR ENDED DECEMBER 31, 2021

	USA			Tanzania			Nigeria			Total			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Eliminations	Total
	Revenues and other support:												
Sales	\$ -	\$ -	\$ -	\$ 1,430,620	\$ -	\$ 1,430,620	\$ 819,230	\$ -	\$ 819,230	\$ 2,249,850	\$ -	\$ (1,125,442)	\$ 1,124,408
Grants	230,918	1,288,903	1,519,821	-	-	-	27,189	86,573	113,762	258,107	1,375,476	-	1,633,583
Contributions	550,275	-	550,275	-	-	-	-	-	-	550,275	-	-	550,275
In-kind contributions	94,823	-	94,823	-	-	-	-	-	-	94,823	-	-	94,823
Other income	68,158	-	68,158	67,693	-	67,693	1,564	-	1,564	137,415	-	-	137,415
Net assets released from donor restriction	1,453,488	(1,453,488)	-	-	-	-	82,177	(82,177)	-	1,535,665	(1,535,665)	-	-
Total revenues and other support	2,397,662	(164,585)	2,233,077	1,498,313	-	1,498,313	930,160	4,396	934,556	4,826,135	(160,189)	(1,125,442)	3,540,504
Expenses:													
Program	511,262	-	511,262	2,365,164	-	2,365,164	1,235,088	-	1,235,088	4,111,514	-	\$ (1,125,442)	2,986,072
Management and general	456,221	-	456,221	-	-	-	-	-	-	456,221	-	-	456,221
Fundraising	196,045	-	196,045	-	-	-	-	-	-	196,045	-	-	196,045
Total expenses	1,163,528	-	1,163,528	2,365,164	-	2,365,164	1,235,088	-	1,235,088	4,763,780	-	(1,125,442)	3,638,338
Change in net assets before foreign currency translation gain (loss)	1,234,134	(164,585)	1,069,549	(866,851)	-	(866,851)	(304,928)	4,396	(300,532)	62,355	(160,189)	-	(97,834)
Foreign currency translation gain (loss)	-	-	-	801	-	801	28,761	-	28,761	29,562	-	-	29,562
Change in net assets	1,234,134	(164,585)	1,069,549	(866,050)	-	(866,050)	(276,167)	4,396	(271,771)	91,917	(160,189)	-	(68,272)
Net assets at beginning of year	645,888	316,221	962,109	(347,968)	-	(347,968)	(161,321)	59,510	(101,811)	136,599	375,731	-	512,330
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 1,880,022</u>	<u>\$ 151,636</u>	<u>\$ 2,031,658</u>	<u>\$ (1,214,018)</u>	<u>\$ -</u>	<u>\$ (1,214,018)</u>	<u>\$ (437,488)</u>	<u>\$ 63,906</u>	<u>\$ (373,582)</u>	<u>\$ 228,516</u>	<u>\$ 215,542</u>	<u>\$ -</u>	<u>\$ 444,058</u>

See independent auditor's report on supplementary information and notes to supplementary information.

**SOLAR SISTER, INC. AND AFFILIATES
TANZANIA STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

ASSETS

Current assets:		
Cash	\$	50,478
Inventory		<u>147,299</u>
TOTAL ASSETS	\$	<u>197,777</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Due to related party	\$	1,324,707
Accounts payable and accrued expenses		<u>87,088</u>
Total current liabilities		<u>1,411,795</u>
Net assets (deficit):		
Net deficit without donor restrictions		(1,214,018)
Net assets with donor restrictions		<u>-</u>
Total net deficit		<u>(1,214,018)</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>197,777</u>

See independent auditor's report on supplementary information and notes to supplementary information.

**SOLAR SISTER, INC. AND AFFILIATES
TANZANIA STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and other support:			
Sales	\$ 1,430,620	\$ -	\$ 1,430,620
Other income	<u>67,693</u>	<u>-</u>	<u>67,693</u>
Total revenues and other support	1,498,313	-	1,498,313
Expenses:			
Program expenses	<u>2,365,164</u>	<u>-</u>	<u>2,365,164</u>
Change in net assets before foreign currency translation adjustment	(866,851)	-	(866,851)
Foreign currency translation gain	<u>801</u>	<u>-</u>	<u>801</u>
Change in net assets	(866,050)	-	(866,050)
Net deficit at beginning of year	<u>(347,968)</u>	<u>-</u>	<u>(347,968)</u>
NET DEFICIT AT END OF YEAR	<u><u>\$ (1,214,018)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,214,018)</u></u>

See independent auditor's report on supplementary information and notes to supplementary information.

**SOLAR SISTER, INC. AND AFFILIATES
NIGERIA STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

ASSETS

Current assets:	
Cash	\$ 50,609
Inventory	<u>111,587</u>
Total current assets	162,196
Furniture and equipment, net	<u>3,707</u>
TOTAL ASSETS	<u>\$ 165,903</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 83,485
Due to related parties	<u>456,000</u>
Total current liabilities	<u>539,485</u>
Net assets (deficit):	
Net deficit without donor restrictions	(437,488)
Net assets with donor restrictions	<u>63,906</u>
Total net deficit	<u>(373,582)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 165,903</u>

See independent auditor's report on supplementary information and notes to supplementary information.

**SOLAR SISTER, INC. AND AFFILIATES
NIGERIA STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and other support:			
Sales	\$ 819,230	\$ -	\$ 819,230
Grants	27,189	86,573	113,762
Other income	1,564	-	1,564
Net assets released from donor restriction	<u>82,177</u>	<u>(82,177)</u>	<u>-</u>
Total revenues and other support	930,160	4,396	934,556
Expenses:			
Program expenses	<u>1,235,088</u>	<u>-</u>	<u>1,235,088</u>
Change in net assets before foreign currency translation adjustment	(304,928)	4,396	(300,532)
Foreign currency translation gain	<u>28,761</u>	<u>-</u>	<u>28,761</u>
Change in net assets	(276,167)	4,396	(271,771)
Net assets (deficit) at beginning of year	<u>(161,321)</u>	<u>59,510</u>	<u>(101,811)</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u><u>\$ (437,488)</u></u>	<u><u>\$ 63,906</u></u>	<u><u>\$ (373,582)</u></u>

See independent auditor's report on supplementary information and notes to supplementary information.

SOLAR SISTER, INC. AND AFFILIATES
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A. The accompanying supplementary information which presents financial information by location does not include a full allocation of management and general expenses. Such expenses are primarily reported as USA operations expenses, which is the location in which the expense occurs.

NOTE B. Revenues from the grants and contributions which are designated by the donor or grantor for Tanzania or Nigeria are reported as revenues with donor restrictions in the USA statement of activities. Such grants and contributions are released and transferred to the county to which they relate when the terms of the restriction have been met.