

SOLAR COOKERS INTERNATIONAL, INC.

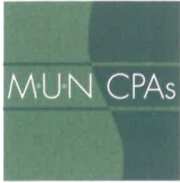


**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2018 and 2017

SOLAR COOKERS INTERNATIONAL, INC.
TABLE OF CONTENTS
JUNE 30, 2018 and 2017

| | <u>Page</u> |
|---|-------------|
| I. INDEPENDENT AUDITOR'S REPORT | 1 |
| II. FINANCIAL STATEMENTS | |
| Statements of Financial Position as of June 30, 2018 and 2017 | 2 |
| Statement of Activities for the year ended June 30, 2018 | 3 |
| Statement of Activities for the year ended June 30, 2017 | 4 |
| Statement of Functional Expenses for the year ended June 30, 2018 with comparative totals for the year ended June 30, 2017 | 5 |
| Statements of Cash Flows for the years ended June 30, 2018 and 2017 | 6 |
| Notes to the Financial Statements | 7 - 12 |



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Solar Cookers International, Inc.
Sacramento, California

We have audited the accompanying financial statements of Solar Cookers International, Inc. (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2018 and 2017, and the related Statements of Activities, 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 audit 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 Solar Cookers International, Inc. 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.

Report on Summarized Comparative Information

We have previously audited Solar Cookers International, Inc. 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Sacramento, California
October 01, 2018

SOLAR COOKERS INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|---|--------------------------|--------------------------|
| <u>ASSETS</u> | | |
| Current Assets | | |
| Cash and cash equivalents (Note 2) | \$ 769,382 | \$ 759,515 |
| Accounts receivable | 500 | - |
| Grants receivable | 40,000 | 100,000 |
| Unconditional promise to give (Note 3) | 13,800 | 30,000 |
| Inventory | 4,979 | 2,380 |
| Prepaid expenses | <u>9,229</u> | <u>3,512</u> |
| Total Current Assets | <u>837,890</u> | <u>895,407</u> |
| Non-Current Assets | | |
| Property and equipment, net (Note 4) | 10,099 | 8,867 |
| Beneficial interest in Community Foundation assets (Note 8) | <u>41,280</u> | <u>38,234</u> |
| Total Non-Current Assets | <u>51,379</u> | <u>47,101</u> |
| Total Assets | <u>\$ 889,269</u> | <u>\$ 942,508</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities | | |
| Accounts payable | \$ 4,482 | \$ 7,162 |
| Accrued expenses | <u>55,072</u> | <u>48,975</u> |
| Total Current Liabilities | <u>59,554</u> | <u>56,137</u> |
| Net Assets | | |
| Unrestricted | 769,466 | 692,135 |
| Temporarily restricted (Note 6) | 10,249 | 144,236 |
| Permanently restricted (Note 6) | <u>50,000</u> | <u>50,000</u> |
| Total Net Assets | <u>829,715</u> | <u>886,371</u> |
| Total Liabilities and Net Assets | <u>\$ 889,269</u> | <u>\$ 942,508</u> |

The accompanying notes are an integral part of these financial statements.

SOLAR COOKERS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--------------------------------------|--------------------------|-----------------------------------|-----------------------------------|--------------------------|
| <u>Support and Revenues</u> | | | | |
| Contributions | \$ 540,296 | \$ 20,433 | \$ - | \$ 560,729 |
| Grants and contracts | 55,000 | - | - | 55,000 |
| Sales of cookers & materials | 4,118 | - | - | 4,118 |
| In-kind contributions (Note 7) | 31,680 | - | - | 31,680 |
| Interest and dividends | 1,601 | - | - | 1,601 |
| Other revenue | <u>6,074</u> | <u>-</u> | <u>-</u> | <u>6,074</u> |
| Total Support and Revenues | <u>638,769</u> | <u>20,433</u> | <u>-</u> | <u>659,202</u> |
| Net assets released from restriction | <u>154,420</u> | <u>(154,420)</u> | <u>-</u> | <u>-</u> |
| Total Revenues | <u>793,189</u> | <u>(133,987)</u> | <u>-</u> | <u>659,202</u> |
| <u>Expenses</u> | | | | |
| Program services | 611,105 | - | - | 611,105 |
| Fund development | 64,760 | - | - | 64,760 |
| General and administrative | <u>39,993</u> | <u>-</u> | <u>-</u> | <u>39,993</u> |
| Total Expenses | <u>715,858</u> | <u>-</u> | <u>-</u> | <u>715,858</u> |
| Change in Net Assets | 77,331 | (133,987) | - | (56,656) |
| Net Assets - July 1, 2017 | <u>692,135</u> | <u>144,236</u> | <u>50,000</u> | <u>886,371</u> |
| Net Assets - June 30, 2018 | <u>\$ 769,466</u> | <u>\$ 10,249</u> | <u>\$ 50,000</u> | <u>\$ 829,715</u> |

The accompanying notes are an integral part of these financial statements.

SOLAR COOKERS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|-------------------------|-----------------------------------|-----------------------------------|-------------------------|
| <u>Support and Revenues</u> | | | | |
| Contributions | \$ 627,388 | \$ 86,500 | \$ - | \$ 713,888 |
| Grants and contracts | 68,700 | 155,000 | - | 223,700 |
| Sales of cookers and materials | 13,130 | - | - | 13,130 |
| Special events | 12,714 | - | - | 12,714 |
| In-kind contributions (Note 7) | 54,150 | - | - | 54,150 |
| Interest and dividends | 10,320 | - | - | 10,320 |
| Other revenue | <u>4,186</u> | <u>-</u> | <u>-</u> | <u>4,186</u> |
| Total Support and Revenues | <u>790,588</u> | <u>241,500</u> | <u>-</u> | <u>1,032,088</u> |
| Net assets released from restriction | <u>253,051</u> | <u>(253,051)</u> | <u>-</u> | <u>-</u> |
| Total Revenues | <u>1,043,639</u> | <u>(11,551)</u> | <u>-</u> | <u>1,032,088</u> |
| <u>Expenses</u> | | | | |
| Program services | 651,716 | - | - | 651,716 |
| Fund Development | 120,445 | - | - | 120,445 |
| General & Administration | <u>53,654</u> | <u>-</u> | <u>-</u> | <u>53,654</u> |
| Total Expenses | <u>825,815</u> | <u>-</u> | <u>-</u> | <u>825,815</u> |
| Change in Net Assets | 217,824 | (11,551) | - | 206,273 |
| Net Assets - July 1, 2016 | <u>474,311</u> | <u>155,787</u> | <u>50,000</u> | <u>680,098</u> |
| Net Assets - June 30, 2017 | <u>\$ 692,135</u> | <u>\$ 144,236</u> | <u>\$ 50,000</u> | <u>\$ 886,371</u> |

The accompanying notes are an integral part of these financial statements.

SOLAR COOKERS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Program Services</u> | <u>Fund Development</u> | <u>General and Administrative</u> | <u>Total 2018</u> | <u>Total 2017</u> |
|---------------------------|-----------------------------|-----------------------------|---------------------------------------|-----------------------|-----------------------|
| Salaries and wages | \$ 369,332 | \$ 33,273 | \$ 22,774 | \$ 425,379 | \$ 417,723 |
| Payroll taxes | 33,221 | 3,591 | 2,209 | 39,021 | 34,127 |
| Employee benefits | 17,647 | 1,029 | 729 | 19,405 | 6,313 |
| Accounting & audit fees | 25,974 | 5,195 | 1,654 | 32,823 | 30,451 |
| Bank & payroll charges | - | - | 7,006 | 7,006 | 16,803 |
| Cookers & other materials | - | - | - | - | 11,862 |
| Depreciation | 2,810 | - | 60 | 2,870 | 2,246 |
| Dues & subscription | 3,775 | 235 | 10 | 4,020 | 861 |
| In-kind expense | 29,343 | 819 | 1,518 | 31,680 | 54,150 |
| Insurance | 241 | - | 1,772 | 2,013 | 6,044 |
| Miscellaneous | 43 | 151 | 61 | 255 | 14,176 |
| Office expenses | 1,499 | 2,941 | 24 | 4,464 | 5,051 |
| Postage & shipping | 1,304 | 124 | 19 | 1,447 | 2,309 |
| Professional fees | 24,951 | 5,017 | 1,243 | 31,211 | 35,291 |
| Program expenses | 62,521 | - | - | 62,521 | 140,293 |
| Publication costs | 8,967 | 10,085 | - | 19,052 | 19,431 |
| Rent | 20,667 | 781 | 306 | 21,754 | 21,227 |
| Supplies | 2,584 | 1,187 | 267 | 4,038 | 1,917 |
| Telephone, fax & email | 4,312 | 324 | 39 | 4,675 | 4,064 |
| Travel & meetings | <u>1,914</u> | <u>8</u> | <u>302</u> | <u>2,224</u> | <u>1,476</u> |
| Total Expenses | <u>\$ 611,105</u> | <u>\$ 64,760</u> | <u>\$ 39,993</u> | <u>\$ 715,858</u> | <u>\$ 825,815</u> |

The accompanying notes are an integral part of these financial statements.

SOLAR COOKERS INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|---|--------------------------|--------------------------|
| <u>Cash Flows from Operating Activities</u> | | |
| Change in net assets | \$ (56,656) | \$ 206,273 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 2,870 | 2,246 |
| Decrease (Increase) in: | | |
| Accounts receivable | (500) | 2,900 |
| Grants receivable | 60,000 | (17,500) |
| Promises to give | 16,200 | (30,000) |
| Beneficial interest in Community Foundation assets | (3,046) | (4,494) |
| Inventory | (2,599) | 5,144 |
| Prepaid expenses | (5,717) | 1,345 |
| Increase (Decrease) in: | | |
| Accounts payable | (2,680) | 4,040 |
| Accrued expenses | <u>6,097</u> | <u>12,201</u> |
| Net Cash Provided by Operating Activities | <u>13,969</u> | <u>182,155</u> |
| <u>Cash Flows from Investing Activities</u> | | |
| Purchase of equipment | <u>(4,102)</u> | <u>(4,984)</u> |
| Net Cash Used for Investing Activities | <u>(4,102)</u> | <u>(4,984)</u> |
| Net Increase in Cash and Cash Equivalents | <u>9,867</u> | <u>177,171</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>759,515</u> | <u>582,344</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 769,382</u></u> | <u><u>\$ 759,515</u></u> |

The accompanying notes are an integral part of these financial statements.

SOLAR COOKERS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Solar Cookers International, Inc. (SCI) is a non-profit organization whose primary purpose is to promote the spread of solar cooking and solar water pasteurization for health, social, and environmental benefits worldwide. SCI strives to reduce and alleviate the widespread suffering resulting from fuel scarcity, waterborne diseases, and environmental deterioration by sharing knowledge about solar cooking and solar water pasteurization with all people.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, SCI classifies its net assets and changes in net assets as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions or the restrictions have expired.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Cash and Equivalents

Cash and equivalents consist of cash on hand and highly liquid investments with original or remaining maturities of three months or less at the time of purchase.

Inventory

Inventories consist of solar cookers and educational materials which are sold to the public and are stated at the lower of cost or market, with cost determined by the first-in first-out method.

Property and Equipment

Acquisitions of property and equipment of \$500 or more are capitalized. Property and equipment is recorded at acquisition cost, or at estimated fair market value as of the date of donation. Depreciation expense is provided on a straight-line basis over the estimated useful life of the respective asset, ranging from 5 to 15 years.

Functional Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services based on estimates of employees' time and on the usage of resources.

SOLAR COOKERS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Pursuant to a determination letter from the Internal Revenue Service, SCI is exempt from Federal and State income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year financial statement presentation.

Subsequent Events

Subsequent events have been evaluated through October 01, 2018, which is the date the financial statements were available to be issued.

Use of Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Future Accounting Pronouncements

ASU 2016-02 Leases (Topic 842)

Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with a term of more than 12 months. Unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, ASU No. 2016-02 will require both operating and finance leases to be recognized on the balance sheet. Additionally, the ASU will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. The new requirements are effective for the Organization's June 30, 2021 year end. Management has not yet determined the impact of this accounting standard on the Organization's operations or cash flows.

ASU 2016-14 NotforProfit Entities (Topic 958) Presentation of Financial Statements

The purpose of this standard is to improve and simplify the manner in which a not-for-profit entity (NFP) classifies its net assets, as well as the information that it presents in financial statements and notes concerning liquidity, financial performance, and cash flows. ASU No. 2016-14 amends the requirements for financial statements and notes in Topic 958, Not-for-Profit Entities, and requires an NFP to, among other things, (1) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes (i.e., an NFP will report amounts for both net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets); (2) present on the face of the statement of activities the amount of the change in each of the two classes of net assets referenced above, rather than that of the currently required three classes (i.e., an NFP would continue to report the currently required amount of the change in total net assets for the period); and (3) continue to present on the face of the statement of cash flows the net amount for operating cash flows, using either the direct or the indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The new requirements are effective for the Organization's June 30, 2019 year end. Management has not yet determined the impact of this accounting standard on the Organization's operations or cash flows.

SOLAR COOKERS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASU 2016-18 Statement of Cash Flows (Topic 230) Restricted Cash

This standard addresses the diversity in practice that exists regarding the classification and the presentation of changes in restricted cash on the statement of cash flows under Topic 230, Statement of Cash Flows. The standard requires cash flow statements to explain the changes during a reporting period of the totals for cash, cash equivalents, restricted cash and restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and the end-of-period total amounts set forth on the statement of cash flows. The amendments in this ASU do not provide a definition of restricted cash or restricted cash equivalents. The new requirements are effective for the Organization's June 30, 2020 year end. Management has not yet determined the impact of this accounting standard on the Organization's operations or cash flows.

NOTE 2: CASH AND CASH EQUIVALENTS

At June 30, 2018, cash and cash equivalents included \$692,070 held in commercial banks of which \$250,000 was insured by the Federal Deposit Insurance Corporation, and \$80,831 held in credit unions of which \$80,831 was insured by the National Credit Union Administration. At June 30, 2017, cash and cash equivalents included \$682,786 held in commercial banks of which \$250,000 was insured by the Federal Deposit Insurance Corporation, and \$80,629 held in credit unions of which \$80,629 was insured by the National Credit Union Administration.

NOTE 3: UNCONDITIONAL PROMISE TO GIVE

Unconditional promises to give, all of which management considered collectible within one year, consisted of a bequest which totaled \$13,800 and \$30,000 at June 30, 2018 and June 30, 2017, respectively.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

| | 2018 | 2017 |
|--------------------------------|-----------|-----------|
| Furniture and equipment | \$ 29,909 | \$ 25,807 |
| Less: accumulated depreciation | (19,810) | (16,940) |
| Total property and equipment | \$ 10,099 | \$ 8,867 |

Depreciation expense was \$2,870 and \$2,246 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 5: LEASE COMMITMENTS

SCI leases its office space in Sacramento under a noncancelable operating lease which expires on December 31, 2018. Future minimum rental payments under the lease total \$9,912. Rent expense totaled \$21,756 and \$21,218 for the years ended June 30, 2018 and June 30, 2017, respectively.

SOLAR COOKERS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6: RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions restricted by donors for use in future periods and totaled \$10,249 and \$144,236 at June 30, 2018 and June 30, 2017, respectively.

Permanently restricted net assets consist of assets to be held indefinitely. The income from the assets can be used to support SCI's general activities. Permanently restricted net assets totaled \$50,000 and \$50,000 at June 30, 2018 and June 30, 2017, respectively, and are held as a beneficial interest in Community Foundation assets (See Note 8).

NOTE 7: IN-KIND CONTRIBUTIONS

SCI received donated goods related to its program purposes, and donated services from a variety of unpaid volunteers assisting in leadership, committees, fund-raising activities and program services. For the year ended June 30, 2018, SCI recorded in-kind revenue of \$31,680, which included \$18,145 of donated grant research, graphic design and global advisory services, and \$13,535 in donated program expenses. For the year ended June 30, 2017, SCI recorded in-kind revenue of \$54,150, which included \$52,785 in donated IT services and professional photography and \$1,365 in donated program supplies.

NOTE 8: BENEFICIAL INTEREST IN ASSETS OF COMMUNITY FOUNDATION

SCI has transferred assets to the Sacramento Regional Community Foundation (Foundation) to establish an endowment fund. The agreement states that the transfer is irrevocable and that the assets will not be returned to SCI. However, the Foundation will make distributions of income earned on the endowment fund to SCI, subject to the Foundation's spending policy. SCI has granted the Foundation variance power which allows the Foundation, at its sole discretion and subject to certain conditions, to modify any condition or restriction on the distribution of funds. No distributions were received for the years ended June 30, 2018 and 2017. SCI has recorded a beneficial interest in assets held by the Foundation totaling \$41,280 and \$38,234 at June 30, 2018 and June 30, 2017, respectively.

NOTE 9: ENDOWMENT

SCI's endowment includes both donor-restricted funds and unrestricted funds designated by the Board of Directors to function as general endowments. The Board has complied with the requirements of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), which provides statutory guidance for management, investment, and expenditures of endowed funds. UPMIFA does not distinguish between original corpus, income, and capital appreciation and permits all endowed funds to make a payout as deemed prudent by the Board and within UPMIFA.

SCI classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed in UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

SOLAR COOKERS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 9: ENDOWMENT (continued)

To satisfy its long-term objectives, SCI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SCI targets a conservative mix of investments that places an emphasis on capital preservation.

Amounts to be appropriated for expenditure, if any, are determined annually by the Board of Directors. Changes in endowment net assets for the year ended June 30, 2018, were as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------|---------------------|-----------------------------------|-----------------------------------|------------------|
| Endowment assets, July 1, 2017 | \$ 13,233 | \$ 2,288 | \$ 50,000 | \$ 65,521 |
| Investment income | 3,450 | 157 | - | 3,607 |
| Realized and unrealized gains | <u>(404)</u> | <u>(2,288)</u> | <u>-</u> | <u>(2,692)</u> |
| Endowment assets, June 30, 2018 | <u>\$ 16,279</u> | <u>\$ 157</u> | <u>\$ 50,000</u> | <u>\$ 66,436</u> |

Changes in endowment net assets for the year ended June 30, 2017, were as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---------------------------------|---------------------|-----------------------------------|-----------------------------------|------------------|
| Endowment assets, July 1, 2016 | \$ 8,735 | \$ 4,502 | \$ 50,000 | \$ 63,237 |
| Investment income | 4,853 | 286 | - | 5,139 |
| Realized and unrealized gains | <u>(355)</u> | <u>(2,500)</u> | <u>-</u> | <u>(2,855)</u> |
| Endowment assets, June 30, 2017 | <u>\$ 13,233</u> | <u>\$ 2,288</u> | <u>\$ 50,000</u> | <u>\$ 65,521</u> |

NOTE 10: FAIR VALUE MEASUREMENTS

SCI measures fair value in accordance with FASB Accounting Standards Codification ASC 820. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The applicable level of the fair value hierarchy is as follows:

Level 1 - Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

SOLAR COOKERS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10: FAIR VALUE MEASUREMENTS (Continued)

Level 3 - Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

SCI uses appropriate valuation techniques based on the available inputs to measure the fair value of their investments. When available, SCI measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or 2 inputs are not available.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2018.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, SCI believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis at June 30, 2018 were as follows:

| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--|------------------|----------------|----------------|------------------|
| Beneficial Interest in Assets of Community Foundation | \$ <u>41,280</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>41,280</u> |

Assets measured at fair value on a recurring basis at June 30, 2017 were as follows:

| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--|------------------|----------------|----------------|------------------|
| Beneficial Interest in Assets of Community Foundation | \$ <u>38,234</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>38,234</u> |

The beneficial interest in assets held by Community Foundation is valued using Level 3 measurements, as SCI's interest is not redeemable in the near term. The following is a reconciliation of SCI's investments measured using significant unobservable measurements (Level 3) for the years ended:

| | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|----------------------------|----------------------|----------------------|
| Balance, beginning of year | \$ 38,234 | \$ 33,740 |
| Investment income (loss) | 3,450 | 4,852 |
| Administrative fees | <u>(404)</u> | <u>(358)</u> |
| Balance, end of year | \$ <u>41,280</u> | \$ <u>38,234</u> |