



EARTHSPARK INTERNATIONAL CORP.
REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
EarthSpark International Corp.
Washington, DC

Opinion

We have audited the accompanying financial statements of EarthSpark International Corp. (ESI or the Organization) (a State of Delaware not-for-profit corporation) which comprises the statements of financial position as of December 31, 2022 and 2021 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. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ESI as of December 31, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 ESI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters - Going Concern

ESI continues to experience cash flow challenges and slow collection of accounts receivable for program expenditures currently being funded by ESI through short-term borrowings from donors and financial institutions. Although revenue has increased and expenses have not decreased through the opinion date of October 5, 2023, ESI continues to borrow to fund programmatic activities in Haiti. The current ratio of total current assets to total current liabilities is at .20:1 less than the ideal 1:1 ratio. ESI continues to pursue additional funding sources, short-term borrowings, and cost cutting measures.

As of the opinion date, October 5, 2023, the net deficit was reduced by an infusion of capital of \$190,000 which was used to pay down outstanding current liabilities. Doubt does exist as to whether ESI can continue to secure additional funding and short and long-term borrowings to continue its programmatic work. Management is confident that unrestricted funding will be obtained to repay the short-term borrowings from financial institutions and donors. See Notes 9 and 10 for further discussion.

Key Audit Matters

Key audit matters are those matters that were communicated, either directly with management or under a separate report, to those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements for fiscal years ended December 31, 2022 and 2021. See Note 9 for discussion of off-balance sheet items.

Responsibilities of Management 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, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ESI's ability to continue as a going concern for the years period ended December 31, 2022 and 2021.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ESI's 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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ESI's 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.

Washington DC
October 5, 2023

Nanette K Miller CPA PC

EARTHSPARK INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS:		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 3,670	\$ 21,469
Grants and accounts receivable	3,198	124,495
Total current assets	6,868	145,964
Fixed assets, net of accumulated depreciation	9,491	20,825
Loan receivable from Eneji Pwop	155,259	151,782
Due from Eneji Pwop	24,854	13,431
Total assets	\$ 196,472	\$ 332,002
LIABILITIES AND NET ASSETS:		
<i>Current Liabilities:</i>		
Accounts payable and accrued expenses	\$ 175,681	\$ 163,346
Due to Sparkmeter, Inc.	285,900	3,300
Notes payable from donors	378,000	228,000
Accrued interest payable	21,424	13,024
Line of credit - revolving	98,700	93,195
Payroll Protection Program (PPP) loans	-	-
Total current liabilities	959,705	500,865
Net (Deficit) Assets:		
Net (deficit) assets without donor restrictions	(763,233)	(293,358)
Net assets with donor restrictions	-	124,495
	(763,233)	(168,863)
Total liabilities and net= (deficit) assets	\$ 196,472	\$ 332,002

See notes to financial statements.

EARTHSPARK INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
Support, revenue and gains:			
Grants and contributions	\$ 37,934	\$ -	\$ 37,934
Program and contract revenue	67,015	-	67,015
In-kind contributions	8,000	-	8,000
Miscellaneous income	1,614	-	1,614
	<u>114,563</u>	<u>-</u>	<u>114,563</u>
Released from program restrictions	<u>124,495</u>	<u>(124,495)</u>	<u>-</u>
Expenses and losses:			
Program expenses	<u>674,811</u>	<u>-</u>	<u>674,811</u>
General and administrative	32,283	-	32,283
Development and fund-raising	1,839	-	1,839
	<u>34,122</u>	<u>-</u>	<u>34,122</u>
Total expenses	<u>708,933</u>	<u>-</u>	<u>708,933</u>
<i>Change in net assets</i>	(469,875)	(124,495)	(594,370)
Net assets, beginning	<u>(293,358)</u>	<u>124,495</u>	<u>(168,863)</u>
<i>Net assets, ending</i>	<u><u>\$ (763,233)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (763,233)</u></u>

EARTHSPARK INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIT) ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
Support, revenue and gains:			
Grants and contributions	\$ 76,891	\$ -	\$ 76,891
Program and contract revenue	20,367	-	20,367
Miscellaneous income	502	-	502
	<u>97,760</u>	<u>-</u>	<u>97,760</u>
Released from program restrictions	<u>124,688</u>	<u>(124,688)</u>	<u>-</u>
Expenses and losses:			
Program expenses	<u>342,070</u>	<u>-</u>	<u>342,070</u>
General and administrative	17,276	-	17,276
Development and fund-raising	1,545	-	1,545
	<u>18,821</u>	<u>-</u>	<u>18,821</u>
Total expenses	<u>360,891</u>	<u>-</u>	<u>360,891</u>
<i>Change in net assets</i>	(138,443)	(124,688)	(263,131)
Net assets, beginning	<u>(154,914)</u>	<u>249,183</u>	<u>94,269</u>
<i>Net deficit, ending</i>	<u><u>\$ (293,358)</u></u>	<u><u>\$ 124,495</u></u>	<u><u>\$ (168,863)</u></u>

See notes to financial statements.

EARTHSPARK INTERNATIONAL
Statement of Functional Expenses
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Support Services</u>		<u>TOTAL</u>
	<u>Community Energy Programs</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	
Expenses				
Salaries and payroll taxes	\$ 6,496	\$ -	\$ -	\$ 6,496
Consulting and contract services	239,168	3,470	735	243,373
In-kind consulting services	8,000	-	-	8,000
Occupancy and other rent expense	9,400	600	-	10,000
Travel, meetings, and stipends	8,917	123	-	9,040
Interest expense	-	19,278	-	19,278
Repairs	14,245	-	-	14,245
Program equipment and materials	337,536	-	-	337,536
Depreciation	11,334	-	-	11,334
Foreign currency loss	16,299	-	-	16,299
Office and operating expenses	23,416	8,812	1,104	33,332
	<u>674,811</u>	<u>32,283</u>	<u>1,839</u>	<u>708,933</u>
Total Expenses	<u>\$ 674,811</u>	<u>\$ 32,283</u>	<u>\$ 1,839</u>	<u>\$ 708,933</u>

See Notes to Financial Statements.

EARTHSPARK INTERNATIONAL
Statement of Functional Expenses
For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Support Services</u>		
	<u>Community Energy Programs</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>TOTAL</u>
Expenses				
Salaries and payroll taxes	\$ 40,582	\$ -	\$ -	\$ 40,582
Consulting and contract services	192,106	3,000	600	195,706
Occupancy and other rent expense	2,975	525	-	3,500
Travel, meetings, and stipends	12,053	717	-	12,770
Interest expense	-	11,260	-	11,260
Program equipment and materials	79,299	-	-	79,299
Depreciation	4,179	-	-	4,179
Office and operating expenses	10,876	1,774	945	13,595
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 342,070</u>	<u>\$ 17,276</u>	<u>\$ 1,545</u>	<u>\$ 360,891</u>

See Notes to Financial Statements.

EARTHSPARK INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Change in net assets	\$ (594,370)	\$ (263,131)
Cash provided by operating activities:		
Depreciation and amortization	11,334	4,179
(Increase) decrease in grants and accounts receivable	121,297	136,641
(Increase) decrease in intercompany - Eneji Pwop	(11,423)	(3,697)
(Increase) decrease in loan to Eneji Pwop	(3,477)	(51,632)
Increase (decrease) in accounts payable and accrued expenses	22,335	27,565
Increase (decrease) in line of credit, current	5,505	53,067
Increase (decrease) in loan payable - current	158,400	107,140
Increase (decrease) in due to Sparkmeter - current	282,600	(29,551)
	(7,799)	(19,419)
Cash provided by financing activities:		
Working capital loan	(10,000)	10,000
PPP loan proceeds	-	(9,001)
	(10,000)	999
Total adjustments	\$ (17,799)	\$ (17,421)
Cash and cash equivalents, beginning of year	21,469	38,890
Cash and cash equivalents, end of year	\$ 3,670	\$ 21,469

There were no non-cash investing or financing activities for the years ended December 31, 2022 and 2021.

EARTHSPARK INTERNATIONAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

1. ORGANIZATION

EarthSpark International Corp. (The Organization or ESI) was incorporated in the State of Delaware in 2016. The Delaware incorporation represented a restructuring and merger with the previous Michigan entity which was founded in 2009. ESI partners with communities to build innovations and business models that can solve specific aspects of energy poverty. With a focus on what can work in rural Haiti, EarthSpark pulls upon and creates global best practices in the energy access sector.

ESI turned on a first-of-its-kind privately operated pre-pay micro grid in Les Anglais, Haiti, a small town that had never before had grid electricity in 2012. Subsequently ESI expanded that grid to be the first "town-sized solar-powered electricity grid" in Haiti. ESI turned on a second such grid in the town of Tiburon in 2019. ESI is currently working to expand microgrid electricity to dozens of towns across Haiti with an ambitious scale-up project bringing in blended finance from diverse sources including the Government of Haiti, the World Bank, social impact investors and the Green Climate Fund.

ESI's research and development include gender mainstreaming for energy access, support for productive uses of electricity, technical smart grid innovations to enable lower cost higher reliability microgrid power that is 100% renewable, and the electrification of cooking powered by clean microgrid energy. Beyond Haiti, ESI is supporting other microgrid developers with strategic and technical advisory services in microgrid development and operations, gender mainstreaming, and electric cooking.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of ESI have been prepared on the accrual basis of accounting, in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities.

Basis of presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958 accounting for contributions received and contributions made. Contributions are recognized as revenue when they are received or unconditionally pledged.

FASB ASC Topic 958 and Accounting Standards Update (ASU 2016-14) eliminates the utilization of fund accounting for financial reporting purposes and requires that net assets be classified as (1) net assets without donor restrictions and (2) net assets with donor restrictions depending on limitations placed on the net assets by donors. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

EARTHSPARK INTERNATIONAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

Net assets without donor restrictions - Net assets that are not subject to donor imposed stipulations are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services.

Net assets with donor restrictions - Net assets with donor restrictions are comprised of funds, which are restricted by donors for specific purposes, which are not in the ordinary course of the Organization's operations and are comprised of cash and pledges receivable. Upon the expiration of either donor imposed time or purpose restrictions, net assets with donor restrictions are transferred to net assets without donor restrictions.

Net assets with donor restrictions also include contributions which donors have specified must be maintained in perpetuity. The related income from the related investments may be expended for such purposes as specified by the donor or, if none, then for any purpose of the Organization. The donors have stipulated that the revolving fund balance and net realized gains on investment transaction must be maintained in perpetuity. However, interest earned on the investment of such funds may be used for any purpose.

Investments

The Organization has adopted Fair Value Measurements in accordance with the FASB Accounting Standards Codification for assets and liabilities at fair value on a recurring basis during the period, which requires quantitative disclosures about fair value measurements separately for each major category of assets and liabilities. This standard clarifies the definition of fair value for financial reporting, establishes a hierarchal disclosure framework for measuring fair value and requires additional disclosures about the use of fair value measurements.

The three levels of the fair value hierarchy and its applicability to the Organization's portfolio investments are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

EARTHSPARK INTERNATIONAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

The Organization's financial investments, if any, are measured at fair value on a recurring basis as of December 31, 2022 and 2021 using Level 1 inputs. As of December 31, 2022 and 2021, there are no investments.

Revenue Recognition

Contribution and grant income is recognized when the grantor makes a promise to give to the Organization that is, in substance, unconditional. Contributions which are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the same year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Non-cash contributions, such as marketable securities or other valuables easily converted into cash, are recorded at the fair market value on the date of the contribution. Any gain or loss on the subsequent sale is reported in the Statements of Activity as a realized gain/loss and is considered revenue without donor restrictions. For the years ended December 31, 2022 and 2021, there were no donated marketable investment securities donated.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional expenses and allocations

The costs of providing the various programs and other operating activities have been summarized on a functional basis in the statement of functional expenditures. Certain costs that benefit a given program, as permitted by the grantor approved budget, have been directly allocated to that program based upon personnel time allocations.

Cash and cash equivalents

Cash and investments with maturities of 90 days or less are considered cash and cash equivalents for financial statement presentation purposes. As of December 31, 2022 and 2021, there were no investments considered cash equivalents.

EARTHSPARK INTERNATIONAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

ESI is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as defined by Section 512(a) (1) of the Code, is subject to Federal income tax and is not considered a private foundation.

Uncertain tax positions

ESI is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. This code section enables ESI to accept donations that qualify as charitable contributions to the donor. ESI is subject to tax on net income from unrelated business activities. For the years ended December 31, 2022 and 2021, did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Organization is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements, pursuant to *Accounting Standards Codification (ASC) for Income Taxes*. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. The open tax years are December 31, 2019-2022. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is ESI's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2022 and 2021, the Organization had no accruals for interest and/or penalties as there were no uncertain tax positions.

In-kind contributions

In accordance with FASB ASC Topic 958, in-kind contributions are recorded at their estimated fair market value on the date the unconditional promise to give the asset is made and transfer of the asset is assured. In kind contributions can be included in the accompanying financial statements if the value of the donated services and materials cannot be objectively measured.

During the year ended December 31, 2022 the organization entered into a special contractual arrangement with SunGate Solar for consulting services. The arrangement involves a 50% discount applied to the invoiced amount of \$8,000, resulting in an effective balance due of \$4,000 per month. This reflects ESI's commitment to advancing energy access in challenging markets expense and underscores the delivered value in South Sudan to support ESI's mission. The in-kind contribution of \$8,000 represents the \$4,000 per month discount for November and December 2022, and related expenses and has been recognized in the statement of activity as in-kind revenue and expense.

EARTHSPARK INTERNATIONAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, equipment, and leasehold improvements

Furniture, and equipment are recorded at cost or fair market value if donated and are depreciated over their estimated useful lives of 5 to 10 years using the straight-line method. Significant additions or improvements extending asset lives are capitalized. Normal repairs and maintenance are expensed when incurred. The Organization capitalizes all assets with a value of \$500 or more and estimated useful life of one year or more. Items considered to be leasehold improvements are amortized over the term of the lease, if any. For the year ended December 31, 2022 and 2021 depreciation expense totaled \$11,334 and \$4,179, respectively.

Grants and accounts receivable

The Organization believes that all grants and accounts receivable at December 31, 2022 and 2021 are collectible. The Organization utilizes the direct write-off method for bad debts based on management's experience. Management evaluates the collectability of its grants and accounts receivable on a regular basis. In management's opinion, all receivables at December 31, 2022 and 2021 were considered fully collectable. Accordingly, no allowance for doubtful accounts has been established.

3. RISKS AND UNCERTAINTIES

Grants

In accordance with FASB ASC Topic 450, Accounting for Contingencies, amounts received or to be received from government agencies under various government grant awards may be subject to audit and adjustment by these government agencies. ESI makes every effort to segregate costs they deem to be unallowable under the grant terms, if any.

COVID -19 Pandemic

The spread of COVID-19 has had a disruptive impact on the daily life and operations of individuals, businesses, and not-for-profits globally. There continues to be uncertainty about the financial and economic impacts in all sectors. The financial markets have experienced significant volatility, and this may continue for an extended period of time. Management continues to assess how best to adapt to these changed circumstances.

Bank Balances

At times during the year, it is possible for ESI to maintain cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000 per financial institution/per organization on demand deposits, certificates of deposit, and money market accounts combined. As of December 31, 2022 and 2021, there were no balances exceeding FDIC insurance limits.

**EARTHSPARK INTERNATIONAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021**

4. PAYROLL PROTECTION PROGRAM (PPP) LOANS

Under the Small Business Administration's (SBA) Payroll Protection Program (PPP), ESI received loans totaling \$17,896. In accordance with FASB ASC Subtopic ASC 470, ESI is required to record the initial receipt of PPP loans as a liability in the Statement of Financial Position. This liability would be derecognized when the Organization has been “legally released” or when the loan is repaid. At that time, forgiveness is recorded as an unconditional government grant. As of December 31, 2022 and 2021, management has complied with the provisions of the PPP loan terms and PPP loans including accrued interest totaling \$17,896 were forgiven. These funds were recorded in the Statement of Activities for the year ended December 31, 2021 as unconditional Federal government grants. There were no PPP loans remaining to be forgiven as of December 31, 2022.

5. LINE OF CREDIT AND NOTES PAYABLE

The Organization currently has a revolving line of credit with a financial institution. Line of credit advances are subject to a variable interest rate based on the financial institution's prime lending rate. During the year ended December 31, 2022 and 2021, the interest rates ranged from 5.46% - 8.46% per annum (average of 6.56%). Payment terms are at a stated amount monthly. As of December 31, 2022 and 2021, the outstanding balance totaled \$98,700 and \$93,195, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

Donor	2022	2022
GSMA Mobile	\$ -	\$ 124,494
Total	\$ -	\$ 124,494

7. RELEASED FROM DONOR RESTRICTIONS

During the year ended December 31, 2022 and 2021, the following temporarily restricted net assets were released from donor imposed restrictions:

Donor	2022	2021
MECS	\$ -	\$ 63,384
OFID	-	150,000
Dunn Family Foundation	-	20,000
NEID Giving Circle	-	10,000
GSMA Mobile	124,494	76,816
Total	\$ 124,494	\$ 320,200

EARTHSPARK INTERNATIONAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

8. COMMITMENTS AND CONTINGENCIES

ESI, with the landlord's permission, transferred the remainder of the lease for office space to a former sub-tenant, Sparkmeter, Inc. The agreement called for all sublet income and security deposits collected by ESI to be transferred. As of December 31, 2022, all commitments remaining to this office space have been satisfied. ESI leases office space for \$500 per month from Sparkmeter on a month-to-month basis.

During the ordinary course of business, ESI enters into various agreements and contracts with individuals and companies to purchase program equipment and materials, perform programmatic work and provide other contractual services. For the year ended December 31, 2022, programmatic equipment purchased under contracts totaled \$285,000. Contractual professional and consulting fees totaled \$243,373 and \$195,706, respectively.

9. OFF BALANCE SHEET ITEMS

ESI's primary function and objective has been and continues to be to build micro grids or isolated grids consisting of a set of electricity generators and energy storage systems that are interconnected to a distribution network that supplies electricity to a localized group of customers in Haiti. ESI has received substantial grants and other funding to develop, implement and install mini grid electricity systems in Haiti. The funds used to build these systems were obtained from various grantors and donors and were recorded at historical cost and expensed as incurred in accordance with generally accepted accounting principles and the various grant agreements. As of December 31, 2022 and 2021, ownership of the micro grids could not be confirmed as owned by ESI without encumbrance from the Haiti government and/or funders. In accordance with ASC Topic 820, Fair Value Measurement, although these assets have been expensed at historical cost, there is a continued value to these assets. The fair market value of these micro grid off balance sheet items is estimated to be approximately \$3,764,175 and \$3,133,570 as of December 31, 2022 and 2021, respectively.

10. LIQUIDITY

In accordance with FASB ASC Topic 958 and Accounting Standards Update (ASU 2016-14), as of December 31, 2022, ESI's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 3,670
Grants and accounts receivable	3,198
Total	<u>\$ 6,868</u>

Grants and accounts receivable above are all expected to be collected within one year. Average monthly expenditures total approximately \$30,000.

EARTHSPARK INTERNATIONAL CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022 and 2021

10. LIQUIDITY (continued)

As of December 31, 2022, ESI had a deficit in net assets without donor restrictions totaling \$763,233. As of the opinion date, October 5, 2023, ESI's cash position weakened and accounts payable and borrowings increased. Grant revenue from January 1, 2023 through the opinion date, October 5, 2023 totaled approximately \$115,000 with expenses compared to the same period of approximately \$254,000.

Liquidity management tools implemented during the year ended December 31, 2022 included short-term borrowings from financial institutions and donors. The line of credit balances continues to fluctuate with the outstanding balance of October 5, 2023 of \$97,193 remaining unpaid. Loans payable from donors totaling \$378,000 remain outstanding. Additionally, outstanding accounts payable for equipment totaling \$285,000 also remains outstanding. The Organization continues to emphasize and maintain its revenue generating programs and curtail or reduce certain costs, including staff reductions, if operations dictate, without materially impacting ongoing revenue generating activities.

11. SUBSEQUENT EVENTS

Subsequent events have been reviewed through October 5, 2023 and no additional transactions were noted requiring adjustment to or disclosure in the financial statements as of and for the year ended December 31, 2022. See Notes 9 and 10.