

---

---

# **GEOHAZARDS INTERNATIONAL**

## **FINANCIAL STATEMENTS**

For the years ended December 31, 2010 and 2009

with Report of Independent Auditors

---

---

# **GEOHAZARDS INTERNATIONAL**

## **CONTENTS**

	<u>Page</u>
Report of Independent Auditors	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5-6
Notes to Financial Statements	7-16

## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
GeoHazards International  
Palo Alto, California

We have audited the statements of financial position of GeoHazards International as of December 31, 2010 and 2009, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of GeoHazards International's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GeoHazards International as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**PMB Helin Donovan, LLP**

*PMB Helin Donovan, LLP*

San Francisco, California  
June 10, 2011

# **GEOHAZARDS INTERNATIONAL**

## **STATEMENTS OF FINANCIAL POSITION**

as of December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 162,079	\$ 103,900
Grants receivable	208,755	16,660
Investments at fair value	1,460,080	1,450,733
Other current assets	8,663	7,939
Total Assets	<u>\$ 1,839,577</u>	<u>\$ 1,579,232</u>

## **LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable	\$ 23,072	\$ 14,637
Accrued expenses	25,657	28,157
Contract advances	46,887	115,925
Total Liabilities	<u>95,616</u>	<u>158,719</u>

## **Commitments**

Net Assets:		
Unrestricted net assets	1,129,288	1,322,072
Temporarily restricted net assets	614,673	98,441
Total Net Assets	<u>1,743,961</u>	<u>1,420,513</u>
Total Liabilities and Net Assets	<u>\$ 1,839,577</u>	<u>\$ 1,579,232</u>

The accompanying notes are an integral part of these financial statements

**GEOHAZARDS INTERNATIONAL**

**STATEMENTS OF ACTIVITIES**  
for the years ended December 31, 2010 and 2009

	2010			2009		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>
Support and Revenue:						
Grants:						
Federal	\$ 19,998	\$ -	\$ 19,998	\$ -	\$ -	\$ -
Corporations and foundations	97,500	662,826	760,326	205,790	108,800	314,590
Contributions	134,050	-	134,050	45,375	-	45,375
Investment income	145,250	-	145,250	301,527	-	301,527
Other income	5,130	-	5,130	14,875	-	14,875
Net assets released from restrictions	146,594	(146,594)	-	92,620	(92,620)	-
Total Support and Revenue	<u>548,522</u>	<u>516,232</u>	<u>1,064,754</u>	<u>660,187</u>	<u>16,180</u>	<u>676,367</u>
Operating Expenses:						
Program services						
Pakistan and Nepal	86,171	-	86,171	17,485	-	17,485
Tsunami Evacuation Indonesia	71,249	-	71,249	84,113	-	84,113
Hospital Earthquake Safety India	34,709	-	34,709	28,754	-	28,754
Other programs	334,903	-	334,903	380,070	-	380,070
Total program services	<u>527,032</u>	<u>-</u>	<u>527,032</u>	<u>510,422</u>	<u>-</u>	<u>510,422</u>
Supporting services:						
Management and general	134,838	-	134,838	60,239	-	60,239
Fundraising	79,436	-	79,436	114,593	-	114,593
Total Operating Expenses	<u>741,306</u>	<u>-</u>	<u>741,306</u>	<u>685,254</u>	<u>-</u>	<u>685,254</u>
Changes in Net Assets	(192,784)	516,232	323,448	(25,067)	16,180	(8,887)
NET ASSETS:						
Beginning of year	<u>1,322,072</u>	<u>98,441</u>	<u>1,420,513</u>	<u>1,347,139</u>	<u>82,261</u>	<u>1,429,400</u>
End of year	<u>\$ 1,129,288</u>	<u>\$ 614,673</u>	<u>\$ 1,743,961</u>	<u>\$ 1,322,072</u>	<u>\$ 98,441</u>	<u>\$ 1,420,513</u>

The accompanying notes are an integral part of these financial statements

# GEOHAZARDS INTERNATIONAL

## STATEMENTS OF CASH FLOWS for the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATIONS:</b>		
Changes in Net Assets	\$ 323,448	\$ (8,887)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Donated securities	-	(959)
Appreciation in investments	(106,882)	(263,973)
Write off of federal grants receivable	-	1,158
(Increase)/decrease in operating assets:		
Grants receivable	(192,095)	52,287
Other current assets	(724)	4,414
Increase/(decrease) in operating liabilities:		
Accounts payable	8,435	(29,124)
Accrued expenses	(2,500)	5,872
Contract advances	(69,038)	(17,337)
Net cash used by operating activities	<u>(39,356)</u>	<u>(256,549)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of securities	285,000	295,000
Purchase of securities	(187,465)	(37,466)
Total cash provided by investing activities	<u>97,535</u>	<u>257,534</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	<u>-</u>	<u>-</u>
Net increase in cash balances	58,179	985
<b>CASH AND EQUIVALENTS:</b>		
Beginning of year	<u>103,900</u>	<u>102,915</u>
End of year	\$ <u><u>162,079</u></u>	\$ <u><u>103,900</u></u>

The accompanying notes are an integral part of these financial statements

# GEOHAZARDS INTERNATIONAL

## STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2010

	Program Services					Management and General	Fundraising	Total
	Pakistan and Nepal	Tsunami Evacuation Indonesia	Hospital Earthquake Safety India	Other Programs	Total Programs			
Personnel Expenses:								
Salaries and wages	\$ 23,770	\$ 40,341	\$ 13,203	\$ 188,349	\$ 265,663	\$ 48,999	\$ 36,824	\$ 351,486
Employee benefits and payroll taxes	-	2,886	-	23,287	26,173	15,462	5,320	46,955
Total Personnel Expenses	23,770	43,227	13,203	211,636	291,836	64,461	42,144	398,441
Consulting and professional fees	28,569	2,039	11,974	88,766	131,348	17,848	3,642	152,838
Computers and equipment	32	588	-	448	1,068	2,624	-	3,692
Conferences and meetings	1,648	80	-	440	2,168	2,922	154	5,244
Donations to others	-	-	-	-	-	-	3,000	3,000
Insurance	-	-	-	-	-	8,432	-	8,432
Occupancy	-	-	-	670	670	75,266	-	75,936
Other	90	170	-	230	490	3,234	769	4,493
Postage and shipping	-	-	228	189	417	499	478	1,394
Printing and publications	-	50	12	128	190	1,922	2,791	4,903
Supplies	-	32	-	-	32	1,250	-	1,282
Telephone	10	178	10	2,535	2,733	5,093	15	7,841
Travel and per diem	21,544	14,358	536	21,943	58,381	9,765	5,664	73,810
Indirect cost allocation	10,508	10,527	8,746	7,918	37,699	(58,478)	20,779	-
Total Expenses	\$ <u>86,171</u>	\$ <u>71,249</u>	\$ <u>34,709</u>	\$ <u>334,903</u>	\$ <u>527,032</u>	\$ <u>134,838</u>	\$ <u>79,436</u>	\$ <u>741,306</u>

The accompanying notes are an integral part of these financial statements

# GEOHAZARDS INTERNATIONAL

## STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2009

	Program Services							
	Pakistan and Nepal	Tsunami Evacuation Indonesia	Hospital Earthquake Safety India	Other Programs	Total Programs	Management and General	Fundraising	Total
Personnel Expenses:								
Salaries and wages	\$ 11,330	\$ 40,998	\$ 13,771	\$ 124,408	\$ 190,507	\$ 68,620	\$ 57,374	\$ 316,501
Employee benefits and payroll taxes	1,586	5,740	1,928	17,417	26,671	8,982	8,032	43,685
Total Personnel Expenses	12,916	46,738	15,699	141,825	217,178	77,602	65,406	360,186
Consulting and professional fees	1,883	9,750	6,844	107,577	126,054	23,044	7,145	156,243
Computers and equipment	-	-	-	113	113	628	-	741
Conferences and meetings	313	998	776	1,625	3,712	894	522	5,128
Insurance	-	-	-	-	-	7,272	-	7,272
Occupancy	-	-	-	2,025	2,025	73,789	-	75,814
Other	-	485	83	642	1,210	7,570	375	9,155
Postage and shipping	66	-	-	168	234	207	1,952	2,393
Printing and publications	-	-	667	53	720	1,812	2,311	4,843
Repairs and maintenance	-	-	-	112	112	-	-	112
Supplies	-	20	-	207	227	3,087	1,322	4,636
Telephone	15	325	-	1,912	2,252	5,132	-	7,384
Travel and per diem	218	12,735	214	31,351	44,518	4,463	2,366	51,347
Indirect cost allocation	2,074	13,062	4,471	92,460	112,067	(145,261)	33,194	-
Total Expenses	<u>\$ 17,485</u>	<u>\$ 84,113</u>	<u>\$ 28,754</u>	<u>\$ 380,070</u>	<u>\$ 510,422</u>	<u>\$ 60,239</u>	<u>\$ 114,593</u>	<u>\$ 685,254</u>

The accompanying notes are an integral part of these financial statements

# GEOHAZARDS INTERNATIONAL

Notes to the financial statements  
December 31, 2010

## 1. Organization and Summary of Significant Accounting Policies:

### Organization

GeoHazards International (GHI) was established in 1991 as a non-profit organization to improve the safety of communities at risk from geological hazards. Current GHI initiatives include projects in India, Haiti, Nepal, Pakistan, Peru, and Indonesia. Other programs include public education and outreach to raise awareness of earthquake risk.

### Basis of Accounting

The financial statements of GHI have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

### Financial Statement Presentation

Pursuant to Accounting Standards Codification No. 958, *Financial Statements of Not-for-Profit Entities*, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of GHI and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed restrictions, but may be designated for a specific purpose by action of the Board of Trustees or otherwise limited by contractual arrangements with outside parties.

*Temporarily Restricted Net Assets* – Net assets that are subject to donor-imposed restrictions that can be fulfilled either by actions of GHI pursuant to those stipulations and/or expire with the passage of time.

*Permanently Restricted Net Assets* - Net assets that are subject to donor-imposed restrictions that GHI maintain them permanently. Generally, the donors of these assets permit GHI to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2010 and 2009 GHI had no permanently restricted net assets.

# **GEOHAZARDS INTERNATIONAL**

Notes to the financial statements (continued)  
December 31, 2010

## 1. Organization and Summary of Significant Accounting Policies: (continued)

### Description of program and supporting services

The following program and supporting services are included in the accompanying financial statements:

### Federal Grants

GHI recognizes revenue when it incurs the expenses in accordance with the related grant award. The federal government, primarily the United States Agency for International Development, reimburses GHI for its costs plus an approved allowance to cover its indirect costs. Expenses incurred in excess of billings are recorded as federal grants receivable.

### Grants, Contributions, and Revenue Recognition

GHI recognizes revenue at fair value when a donor/grantor makes an unconditional promise to give. GHI records these contributions as unrestricted or temporarily restricted, depending upon the existence and nature of any donor-imposed restrictions. Amounts received that are designated for future periods or designated for specific purposes are reported as temporarily restricted support. When a temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions is expended in the year of receipt are reflected as unrestricted.

GHI does not anticipate any significant uncollectible grants or contributions for services rendered or expenses incurred.

### General and Administrative Expenses

General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of GHI.

### Fund Raising

Fundraising expenses include the necessary costs to encourage and secure financial support from the government, individuals, foundations and corporations.

# **GEOHAZARDS INTERNATIONAL**

Notes to the financial statements (continued)  
December 31, 2010

## 1. Organization and Summary of Significant Accounting Policies: (continued)

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates include the functional allocation of expenses and fair valuation of investments. Accordingly, actual results could differ from those estimates.

### Indirect Costs

Certain contracts awarded by federal and other agencies generally allow a charge for indirect costs, based on certain criteria which may vary by contract, (IDC rate). The applicable IDC rate is determined on an annual provisional basis and subject to later adjustment as a result of audit and/or review by the granting agency.

### Property and Equipment and Depreciation

All acquisitions of property and equipment in excess of \$2,000 and expenditures for repairs, maintenance renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment is recorded at cost or, if donated, the approximate fair market value on the date of donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis, primarily five years for furniture and equipment.

### Cash and Cash Equivalents

Cash and cash equivalents consist of a checking account and savings account. For purposes of the statement of cash flows, cash equivalents include highly liquid debt instruments with a purchased maturity of three months or less.

### Compensated Absences

GHI accrues a liability for earned vacations to which employees are entitled depending on their length of service and other factors. The accompanying financial statements include accrued vacation benefits of \$15,498 and \$13,792 for the years ended December 31, 2010 and 2009, respectively.

# **GEOHAZARDS INTERNATIONAL**

## **Notes to the financial statements (continued) December 31, 2010**

### **1. Organization and Summary of Significant Accounting Policies: (continued)**

#### **Contract Advances**

Contract advances represent cash advances received from funding agencies in advance of the performance of the related tasks.

#### **Functional Allocation of Expenses**

Expenses that apply to more than one functional category have been allocated between program, management and general, and fundraising, based on the time spent on these functions by specific employees. Other costs are charged directly to the appropriate functional category.

#### **Fair Value of Financial Instruments**

GHI is required to disclose estimated fair values of its financial instruments. The fair value estimates presented herein are based on relevant information available to management as of December 31, 2010. Because the reporting requirements exclude certain financial instruments and all non-financial instruments the aggregate fair value amounts presented herein do not represent management's estimate of the underlying value of GHI.

GHI's financial instruments consist principally of cash and cash equivalents, grants receivable, investments, other assets, accounts payable, accrued expenses and contract advances. GHI believes all of the financial instruments' recorded values approximate fair value.

As defined in the Accounting Standard Codification 820, fair value is 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 (an exit price methodology). Accounting Standard Codification 820 establishes a framework for measuring fair value that includes a hierarchy used to classify inputs used in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect an entity's view of market assumptions in the absence of observable market information.

The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy defined by Accounting Standard Codification 820 are as follows:

# **GEOHAZARDS INTERNATIONAL**

Notes to the financial statements (continued)  
December 31, 2010

## **1. Organization and Summary of Significant Accounting Policies: (continued)**

### **Fair Value of Financial Instruments (continued)**

Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to GHI for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. These generally provide the most reliable evidence and are used to measure fair value whenever available. GHI's Level 1 assets and liabilities include equities and mutual funds. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2: Fair value is based upon significant inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable for substantially the full term of the asset or liability through corroboration with observable market data as of the reporting date. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, model-derived valuations whose inputs are observable or whose significant value drivers are observable and other observable inputs.

Level 3: Fair value is based on significant unobservable inputs which reflect the entity's or third party pricing service assumptions about the assumptions market participants would use in pricing an asset or liability. Valuations are estimated based on non-binding broker prices or internally developed valuation models or methodologies, discounted cash flow models and other similar techniques.

### **New Accounting Pronouncements**

In January 2010, the FASB issued guidance to improve disclosures about fair value measurements. The guidance provides amendments to require new disclosures regarding transfers in and out of Levels 1 and 2 of the fair value measurement hierarchy, and activity in Level 3, and to clarify existing disclosures regarding the level of disaggregation, inputs and valuation techniques. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the new disclosures regarding purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. GHI does not expect this guidance to have a material impact on these financial statements.

## GEOHAZARDS INTERNATIONAL

Notes to the financial statements (continued)  
December 31, 2010

2. Concentration of Credit Risk:

Financial instruments that potentially subject GHI to credit risk are limited to cash and cash equivalents in excess of the federal insurance amount. During 2010, GHI periodically maintained cash in banks in excess of the limit insured by the federal government. At December 31, 2010 and 2009 GHI did not exceed the insured limits at any one institution.

3. Grants Receivable:

Grants receivable include federal and non-federal grants. All grants are deemed to be fully collectible by management and are composed of the following amounts at December 31, 2010 and 2009:

		<u>2010</u>		<u>2009</u>
Amount due in:				
2010	\$	-	\$	16,600
2011		<u>208,755</u>		-
Total	\$	<u>208,755</u>	\$	<u>16,600</u>

4. Property and Equipment:

Property and equipment is valued as stated in Note 1 and is summarized as follows:

	<u>2010</u>	<u>2009</u>
Furniture	\$ 5,176	\$ 5,176
Office equipment	9,748	9,748
Computer equipment	24,813	24,813
Less: Accumulated depreciation	<u>(39,737)</u>	<u>(39,737)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense for the years ended 2010 and 2009.

# GEOHAZARDS INTERNATIONAL

Notes to the financial statements (continued)  
December 31, 2010

5. Fair Value of Financial Instruments:

The following table sets forth GHI's assets and liabilities that are measured at fair value on a recurring basis as of the December 31, 2010 and 2009:

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>2010</b>
Equities	\$ 1,004	\$ -	\$ -	\$ 1,004
Mutual Funds	<u>1,459,076</u>	<u>-</u>	<u>-</u>	<u>1,459,076</u>
Total	<u>\$1,460,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,460,080</u>

  

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>2009</b>
Equities	\$ 2,756	\$ -	\$ -	\$ 2,756
Mutual Funds	<u>1,447,977</u>	<u>-</u>	<u>-</u>	<u>1,447,977</u>
Total	<u>\$1,450,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,450,733</u>

6. Investments:

Investments are stated at fair value and at December 31, consisted of the following:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 2,515	\$ 1,004	\$ 2,515	\$ 2,756
Mutual Funds	<u>1,350,025</u>	<u>1,459,076</u>	<u>1,439,655</u>	<u>1,447,977</u>
Total	<u>\$1,352,540</u>	<u>\$1,460,080</u>	<u>\$ 1,442,170</u>	<u>\$1,450,733</u>

Investment income consisted of:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 38,368	\$ 37,554
Appreciation in investments	<u>106,882</u>	<u>263,973</u>
Total	<u>\$ 145,250</u>	<u>\$ 301,527</u>

# GEOHAZARDS INTERNATIONAL

Notes to the financial statements (continued)  
December 31, 2010

7. Temporarily Restricted Net Assets:

Contributions that are restricted by a grantor agency or a donor are reported as an increase in unrestricted net assets if the restriction expires, or the conditions are met in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. As of December 31, temporarily restricted net assets consist of:

	2010	2009
Time restricted	\$ -	\$ 15,000
Simons Foundation		
Purpose restricted		
Improve Hospital Earthquake Safety in India	59,972	38,876
School Awareness and Contents Hazards Mitigation – India	40,455	44,000
Consultancy Services – GEM Foundation	328,355	-
Tsunami Evacuation Raised Earth Park Prototype for Padang	123,244	-
Improving School Earthquake Safety in Rural Peru	62,047	-
Consultancy Services for Historic, Structural and Seismic Review – India	600	-
Hospital Earthquake Preparedness and Falling Hazards Mitigation – India	-	565
Total	\$ <u>614,673</u>	\$ <u>98,441</u>

8. Net Assets Released from Restrictions:

Net assets released from restrictions during the year by incurring expenses satisfying the restricted purposes were as follows:

	2010	2009
Time restricted	\$ 15,000	\$ 75,359
Purpose restricted	131,594	17,261
Total	\$ <u>146,594</u>	\$ <u>92,620</u>

## GEOHAZARDS INTERNATIONAL

Notes to the financial statements (continued)  
December 31, 2010

9. Employee Benefits:

GHI has established a 403(b) savings and retirement plan for its employees. GHI matches employee contributions to the plan, up to a maximum of 3% of each employee's earnings. All full-time and part-time employees are eligible to join the plan after six months of employment. For the year ended December 31, 2010 and 2009, GHI contributed \$7,389 to \$7,688 to the plan, respectively.

10. Commitments:

GHI leases office space under an operating lease that expires on March 31, 2012. Future minimum lease payments under the lease at December 31, 2010 are:

Year Ended December 31:

2011	\$ 80,001
2012	<u>20,099</u>
	<u>\$100,100</u>

Rental expense for years 2010 and 2009 amounted to \$75,936 and \$75,814, respectively.

11. Tax Exempt Status:

GHI was incorporated under the laws of the State of Texas and granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and by the California Franchise Tax Board under Section 23701(d) of the Revenue and Taxation Code. Accordingly, no provision for income taxes has been included in these financial statements.

As of July 1, 2007, GHI adopted the Accounting Standards Codification 740, *Accounting for Uncertainty in Income Taxes*. This standard addresses the accounting for uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in the tax returns. The Accounting Standards Codification 740 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no material impact to the GHI's financial statements as a result of the adoption of Accounting Standards Codification 740.

## **GEOHAZARDS INTERNATIONAL**

Notes to the financial statements (continued)  
December 31, 2010

12. Reclassification:

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Expenses reported in 2009 statement of functional expenses as “Dharamsla” program service expenses have been combined with “Other Programs”. “Hospital Earthquake Safety India” expenses which were previously combined with “Other Programs” are shown as a discrete program in these financial statements. These reclassification have no impact on changes in net assets from that originally presented.

13. Subsequent Events:

The GHI has evaluated all subsequent events through June 21, 2011, the date of this report, and determined there are no material recognized or unrecognized subsequent events.