

Financial Statements  
with Independent Auditors' Report

GEOHAZARDS INTERNATIONAL

For the Years Ended  
December 31, 2016 and 2015



SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

# GEOHAZARDS INTERNATIONAL

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
GeoHazards International  
Menlo Park, CA

We have audited the accompanying financial statements of GeoHazards International (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses 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.



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## INDEPENDENT AUDITORS' REPORT-continued

### 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, 2016 and 2015, 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.

S D Mayer & Associates, LLP

*S D Mayer & Associates, LLP*

San Francisco, CA  
December 19, 2017

**GEOHAZARDS INTERNATIONAL**  
**STATEMENTS OF FINANCIAL POSITION**  
as of December 31, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 32,962	\$ 57,650
Donations receivable	374,524	25,922
Grants receivable	139,743	380,592
Investments at fair value	858,098	935,528
Other assets	8,970	19,909
Total Assets	\$ 1,414,297	\$ 1,419,601
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 45,472	\$ 29,228
Accrued expenses	27,715	21,283
Total Liabilities	73,187	50,511
Net Assets:		
Unrestricted net assets	958,162	855,573
Temporarily restricted net assets	382,948	513,517
Total Net Assets	1,341,110	1,369,090
Total Liabilities and Net Assets	\$ 1,414,297	\$ 1,419,601

The accompanying notes are an integral part of these financial statements

**GEOHAZARDS INTERNATIONAL**  
**STATEMENTS OF ACTIVITIES**  
for the years ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Grants:						
Federal	\$ 213,454	\$ -	\$ 213,454	\$ 44,163	\$ -	\$ 44,163
Corporations and foundations	198,288	225,000	423,288	81,932	695,500	777,432
Contributions	206,538	-	206,538	117,545	-	117,545
Net investment income (loss)	54,792	-	54,792	(3,900)	-	(3,900)
Rent income	-	-	-	36,432	-	36,432
Other income	2,023	-	2,023	6,648	-	6,648
In-Kind Donations	-	-	-	3,500	-	3,500
Net assets released from restrictions	355,569	(355,569)	-	336,705	(336,705)	-
Total Support and Revenue	<u>1,030,664</u>	<u>(130,569)</u>	<u>900,095</u>	<u>623,025</u>	<u>358,795</u>	<u>981,820</u>
Operating Expenses:						
Program services	548,307	-	548,307	345,795	-	345,795
Supporting services:						
Management and general	264,447	-	264,447	195,234	-	195,234
Fundraising	115,321	-	115,321	105,153	-	105,153
Total Operating Expenses	<u>928,075</u>	<u>-</u>	<u>928,075</u>	<u>646,182</u>	<u>-</u>	<u>646,182</u>
Changes in Net Assets	102,589	(130,569)	(27,980)	(23,157)	358,795	335,638
NET ASSETS:						
Beginning of year	<u>855,573</u>	<u>513,517</u>	<u>1,369,090</u>	<u>878,730</u>	<u>154,722</u>	<u>1,033,452</u>
End of year	<u>\$ 958,162</u>	<u>\$ 382,948</u>	<u>\$ 1,341,110</u>	<u>\$ 855,573</u>	<u>\$ 513,517</u>	<u>\$ 1,369,090</u>

The accompanying notes are an integral part of these financial statements

**GEOHAZARDS INTERNATIONAL**  
**STATEMENTS OF CASH FLOWS**  
for the years ended December 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATIONS:</b>		
Changes in Net Assets	\$ (27,980)	\$ 335,638
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Net effect of donated securities	-	1,354
Realized (gains) and losses on investments	(28,129)	55,669
Unrealized loss on investments	12,362	-
(Increase)/decrease in operating assets:		
Donations receivable	(348,602)	(8,214)
Grants receivable	240,849	(259,206)
Other assets	10,939	(590)
Increase/(decrease) in operating liabilities:		
Accounts payable	16,244	3,777
Accrued expenses	6,432	(163)
Deferred rent liability	-	(2,017)
Deposit held for sub-tenant	-	(48,180)
Net cash provided by (used) in operating activities	(117,885)	78,068
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of securities	157,229	75,000
Purchase of investments	(24,537)	(82,159)
Dividends reinvested	(39,495)	(51,769)
Total cash provided by (used in) investing activities	93,197	(58,928)
Net increase (decrease) in cash balances	(24,688)	19,140
<b>CASH AND EQUIVALENTS:</b>		
Beginning of year	57,650	38,510
End of year	\$ 32,962	\$ 57,650
<b>Supplemental disclosure of cash flow information:</b>		
Donated securities	\$ -	\$ 4,900
Interest expense	\$ 88	\$ 106

The accompanying notes are an integral part of these financial statements

**GEOHAZARDS INTERNATIONAL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
for the year ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses:				
Salaries and wages	\$ 188,215	\$ 159,099	\$ 80,978	\$ 428,292
Employee benefits and payroll taxes	29,452	24,896	12,671	67,019
Total Personnel Expenses	<u>217,667</u>	<u>183,995</u>	<u>93,649</u>	<u>495,311</u>
Consulting and professional fees	203,725	34,644	2,471	240,840
Computers and equipment	1,164	961	489	2,614
Conferences and meetings	7,457	1,361	-	8,818
Insurance	3,145	2,659	1,353	7,157
Interest	-	88	-	88
Occupancy	23,443	18,555	9,444	51,442
Other	6,749	6,920	817	14,486
Postage and shipping	2,393	686	702	3,781
Printing and publications	1,747	158	35	1,940
Repair and maintenance	-	150	-	150
Supplies	4,558	1,135	841	6,534
Telephone	1,131	3,974	830	5,935
Travel and per diem	75,128	9,161	4,690	88,979
Total Expenses	<u>\$ 548,307</u>	<u>\$ 264,447</u>	<u>\$ 115,321</u>	<u>\$ 928,075</u>

The accompanying notes are an integral part of these financial statements

**GEOHAZARDS INTERNATIONAL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
for the year ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses:				
Salaries and wages	\$ 129,412	\$ 99,822	\$ 56,662	\$ 285,896
Employee benefits and payroll taxes	23,300	17,973	10,202	51,475
Total Personnel Expenses	<u>152,712</u>	<u>117,795</u>	<u>66,864</u>	<u>337,371</u>
Consulting and professional fees	127,941	12,989	8,795	149,725
Computers and equipment	305	235	134	674
Conferences and meetings	1,591	1,228	745	3,564
Insurance	3,129	2,414	1,370	6,913
Interest	-	106	-	106
Occupancy	22,379	46,003	9,113	77,495
Other	2,794	4,435	1,272	8,501
Postage and shipping	163	362	993	1,518
Printing and publications	61	240	1,635	1,936
Repairs and maintenance	-	75	-	75
Supplies	1,507	548	311	2,366
Telephone	2,407	1,664	1,258	5,329
Travel and per diem	30,806	7,140	12,663	50,609
Total Expenses	<u>\$ 345,795</u>	<u>\$ 195,234</u>	<u>\$ 105,153</u>	<u>\$ 646,182</u>

The accompanying notes are an integral part of these financial statements

# GEOHAZARDS INTERNATIONAL

Notes to the financial statements

For the Years Ended December 31, 2016 and 2015

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

### Organization

GeoHazards International (GHI or Organization) 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, Bhutan and China. 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, 2016 and 2015, GHI had no permanently restricted net assets.

# **GEOHAZARDS INTERNATIONAL**

Notes to the financial statements

For the Years Ended December 31, 2016 and 2015

## **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 expenses in accordance with the related grant award. The federal government 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 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

For the Years Ended December 31, 2016 and 2015

## **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, allocation of indirect costs 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 \$25,011 and \$17,685 for the years ended December 31, 2016 and 2015, respectively.

# **GEOHAZARDS INTERNATIONAL**

Notes to the financial statements

For the Years Ended December 31, 2016 and 2015

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

### Foreign Currency Transactions

Receipts and disbursements in foreign currencies are converted into U.S. dollars at the exchange rates approximating those at the transaction dates. Foreign currency exchange gains and (losses) were immaterial for the years ended December 31, 2016 and 2015.

### 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

The carrying value of certain financial instruments, including cash and cash equivalents, grants receivable, investments, other assets, accounts payable and accrued expenses approximate fair value due to their short-term nature. The carrying value of loans payable approximate fair value, as the interest rates approximate market rates.

The fair value of the GHI's financial instruments reflects the amounts that the GHI expects to receive in connection with the sale of an asset or pay in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). Generally Accepted Accounting Principles also established a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 – quoted prices in active markets for identical assets and liabilities.

Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 – unobservable inputs that are supported by little or no market activity.

# GEOHAZARDS INTERNATIONAL

Notes to the financial statements

For the Years Ended December 31, 2016 and 2015

## 2. Concentrations:

GHI maintains its cash balances at various banks in the United States as of December 31, 2016 and 2015. During 2013, GHI opened a foreign bank account in Haiti. The balance was \$230 and \$378 as of December 31, 2016 and 2015, respectively.

The Federal Deposit Insurance Corporation (FDIC) insures account balances at US banks up to \$250,000. At December 31, 2016 and 2015, GHI had uninsured bank balances in US financial institutions of \$249 and \$977, respectively.

93% of GHI's donations receivable were from three (3) donors and 24% of donations revenue were from one (1) donor in 2016. 63% of donations revenue were from three (3) donors in 2015.

## 3. Grants and Donations Receivable:

Grants and donations 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,

	2016	2015
Grants and donations receivable in less than one year	\$ 514,267	\$ 406,514
Grants and donations receivable in one to five years	-	-
Total grants and donations receivable	514,267	406,514
Less discount for present value	-	-
Grants and donations receivable – net	\$ 514,267	\$ 406,514

Long-term promises to give are not discounted because the discount is deemed to be immaterial.

## 4. Property and Equipment:

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

	2016	2015
Furniture	\$ 5,176	\$ 5,176
Office equipment	9,748	9,748
Computer equipment	24,813	24,813
Less: accumulated depreciation	(39,737)	(39,737)
Property and equipment, net	\$ -	\$ -

There was no depreciation expense in 2016 and 2015.

# GEOHAZARDS INTERNATIONAL

Notes to the financial statements

For the Years Ended December 31, 2016 and 2015

## 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,

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2016</u>
Equity	\$ 5,018	-	-	\$ 5,018
Mutual Funds	853,080	-	-	853,080
Total	<u>\$ 858,098</u>	<u>-</u>	<u>-</u>	<u>\$ 858,098</u>

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2015</u>
Equity	\$ 4,900	-	-	\$ 4,900
Mutual Funds	930,628	-	-	930,628
Total	<u>\$ 935,528</u>	<u>-</u>	<u>-</u>	<u>\$ 935,528</u>

## 6. Investments:

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

	<u>2016</u>		<u>2015</u>	
	Cost	Fair Value	Cost	Fair Value
Equity	\$ 5,018	5,018	\$ 4,900	4,900
Mutual Funds	703,705	853,080	763,992	930,628
Total	<u>\$ 708,723</u>	<u>858,098</u>	<u>\$ 768,892</u>	<u>935,528</u>

Net Investment income (loss) consisted of for the year ended December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 39,025	\$ 51,769
Realized and unrealized gains (losses)	15,767	(55,669)
Total	<u>\$ 54,792</u>	<u>\$ (3,900)</u>

## GEOHAZARDS INTERNATIONAL

Notes to the financial statements

For the Years Ended December 31, 2016 and 2015

### 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 consisted of:

	<u>2016</u>	<u>2015</u>
<b>Time restricted:</b>		
Foundations and Corporations	\$ 157,100	\$ 271,500
<b>Purpose restricted:</b>		
UCB Internship	18,285	34,943
Producing earthquake protective desks for schools in Bhutan	150,000	66,301
Reducing risk, raising awareness and limiting losses in Aizawl, India	32,563	140,773
Inventorying of school buildings in Delhi	25,000	-
<b>Total</b>	<u>\$ 382,948</u>	<u>\$ 513,517</u>

# GEOHAZARDS INTERNATIONAL

Notes to the financial statements

For the Years Ended December 31, 2016 and 2015

## 8. Net Assets Released from Restrictions:

Net assets released from restrictions during the year by incurring expenses satisfying the restricted purposes as of December 31 were as follows:

	<u>2016</u>	<u>2015</u>
<b>Time restricted:</b>		
Foundations and Corporations	\$ 164,400	\$ 182,500
<b>Purpose restricted:</b>		
UCB Internship	16,657	73,382
School Awareness and Contents Hazards Mitigation – India	-	21,538
Producing earthquake protective desks for schools in Bhutan	66,301	3,699
Reducing risk, raising awareness and limiting losses in Aizawl, India	108,211	43,235
Improve Hospital Earthquake Safety in India	-	12,351
Total	<u>\$ 355,569</u>	<u>\$ 336,705</u>

## 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 years ended December 31, 2016 and 2015, GHI contributed approximately \$10,803 and \$8,500 to the plan, respectively.

## 10. Commitments and Related Party:

GHI's office lease in Palo Alto was amended in March 2013 and the term of the lease was extended until March 2015. Monthly rent is initially set at \$12,074. The Organization did not extend the lease after its expiration date and become month-to-month after March 2015.

In February 2013, GHI rented office space on a month to month basis in Menlo Park from a board member of GHI. Monthly rent was increased from \$4,000 to \$4,325 effective July 1, 2016. Total rent for the Menlo Park office in 2016 and 2015 amounted to \$49,950 and \$48,000, respectively.

# **GEOHAZARDS INTERNATIONAL**

Notes to the financial statements

For the Years Ended December 31, 2016 and 2015

## **10. Commitments and Related Party: (continued)**

GHI subleased its former Palo Alto office under an agreement that expired on March 31, 2015. Total rental income for the years ended December 31, 2016 and 2015 amounted to \$0 and \$36,432, respectively.

## **11. Tax Exempt Status:**

GHI is a not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the U.S Internal Revenue Code (the Code), and contributions to it are tax deductible as prescribed by the Code. GHI is also exempt from California income tax under Section 23701d of Revenue and Taxation Code. Accordingly, no provision for income taxes has been included in these financial statements.

GHI assesses its accounting for uncertainties in income taxes recognized in its 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. There was no material impact on GHI’s financial statements as a result of the adoption of this policy.

GHI is generally no longer subject to tax examinations relating to federal and state tax returns for years prior to 2012.

## **12. Subsequent Events:**

GHI has evaluated all subsequent events through December 19, 2017, the date of this report, and determined there are no material recognized or unrecognized subsequent events.