
GEOHAZARDS INTERNATIONAL

FINANCIAL STATEMENTS

For the years ended December 31, 2006 and 2005

with Report of Independent Auditors

GEOHAZARDS INTERNATIONAL

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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, 2006, and 2005 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the management of GeoHazards International. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2006 and 2005, and the changes in its net assets, functional expenses 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

San Francisco, California
July 10, 2007

GEOHAZARDS INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

as of December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 163,609	\$ 175,743
Grants receivable	20,000	110,000
Federal grants receivable	32,313	145,525
Other current assets	11,149	7,896
Investments at fair value	2,303,861	2,211,720
Furniture and equipment, net	<u>963</u>	<u>1,811</u>
Total Assets	\$ <u><u>2,531,895</u></u>	\$ <u><u>2,652,695</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 18,395	\$ 61,289
Accrued expenses	7,127	8,291
Contract advances	<u>-</u>	<u>85,957</u>
Total Liabilities	<u>25,522</u>	<u>155,537</u>
Commitments		
Net Assets:		
Unrestricted Net Assets	2,249,888	2,387,158
Temporarily Restricted Net Assets	<u>256,485</u>	<u>110,000</u>
Total Net Assets	<u>2,506,373</u>	<u>2,497,158</u>
Total Liabilities and Net Assets	\$ <u><u>2,531,895</u></u>	\$ <u><u>2,652,695</u></u>

The accompanying notes are an integral part of these financial statements

GEOHAZARDS INTERNATIONAL

STATEMENTS OF ACTIVITIES for the years ended December 31, 2006 and 2005

	2006			2005		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2006</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2005</u>
Support and Revenue:						
Grants:						
Federal	\$ 160,693	\$ -	\$ 160,693	\$ 985,155	\$ -	\$ 985,155
Corporations and foundations	108,212	236,485	344,697	45,703	80,000	125,703
Contributions	49,555	-	49,555	61,884	-	61,884
Dividends and interest	61,617	-	61,617	48,672	-	48,672
Gain/(loss) on sale of securities	47,806	-	47,806	9,353	-	9,353
Unrealized gain/(loss) on securities	161,000	-	161,000	83,453	-	83,453
Other income	2,455	-	2,455	84,980	40,703	125,683
In-kind donations	17,342	-	17,342			
Net assets released from restrictions	90,000	(90,000)	-	192,225	(192,225)	-
	<u>698,680</u>	<u>146,485</u>	<u>845,165</u>	<u>1,511,425</u>	<u>(71,522)</u>	<u>1,439,903</u>
Total Support and Revenue						
Operating Expenses:						
Program services	625,187	-	625,187	1,191,845	-	1,191,845
Supporting services:						
Management and general	179,670	-	179,670	65,616	-	65,616
Fundraising	31,093	-	31,093	-	-	-
	<u>835,950</u>	<u>-</u>	<u>835,950</u>	<u>1,257,461</u>	<u>-</u>	<u>1,257,461</u>
Total Operating Expenses						
Changes in Net Assets	(137,270)	146,485	9,215	253,964	(71,522)	182,442
NET ASSETS:						
Beginning of year	<u>2,387,158</u>	<u>110,000</u>	<u>2,497,158</u>	<u>2,133,194</u>	<u>181,522</u>	<u>2,314,716</u>
End of year	<u>\$ 2,249,888</u>	<u>\$ 256,485</u>	<u>\$ 2,506,373</u>	<u>\$ 2,387,158</u>	<u>\$ 110,000</u>	<u>\$ 2,497,158</u>

The accompanying notes are an integral part of these financial statements

GEOHAZARDS INTERNATIONAL

STATEMENTS OF CASH FLOWS for the years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATIONS:		
Changes in net assets	\$ 9,215	\$ 182,442
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	848	2,040
Gain on sale of securities	(47,806)	(9,353)
Unrealized gain on securities	(161,000)	(83,453)
(Increase)/decrease in operating assets:		
Grants receivable	90,000	20,000
Federal grants receivable	113,212	(94,003)
Other current assets	(3,253)	(3,192)
Increase/(decrease) in operating liabilities:		
Accounts payable	(42,894)	49,086
Accrued expenses	(1,164)	8,291
Deferred revenue	<u>(85,957)</u>	<u>85,957</u>
 Net cash provided/(used) by operating activities	 <u>(128,799)</u>	 <u>157,815</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of securities	174,000	104,735
Purchase of securities	<u>(57,335)</u>	<u>(178,213)</u>
 Total cash provided/(used) by investing activities	 <u>116,665</u>	 <u>(73,478)</u>
 Net increase in cash balances	 (12,134)	 84,337
CASH AND EQUIVALENTS:		
Beginning of year	<u>175,743</u>	<u>91,406</u>
 End of year	 <u>\$ 163,609</u>	 <u>\$ 175,743</u>
SUPPLEMENTAL DATA:		
In-kind donations	<u>\$ 17,342</u>	<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, 2006

	<u>Program Services</u>			<u>Other</u>	<u>Total</u>	<u>Management and</u>		
	<u>Dehli</u>	<u>Dharamsala</u>	<u>Tsunami</u>	<u>Programs</u>	<u>Programs</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses:								
Salaries and wages	\$ 23,502	\$ 6,668	\$ 2,019	\$ 111,177	\$ 143,366	\$ 73,157	\$ 1,694	\$ 218,217
Employee benefits and payroll taxes	-	1,038	314	17,303	18,655	11,386	264	30,305
Total Personnel Expenses	23,502	7,706	2,333	128,480	162,021	84,543	1,958	248,522
Consulting and professional fees	92,481	28,203	48,031	100,891	269,606	38,623	29,135	337,364
Computers and equipment	103	-	-	-	103	3,159	-	3,262
Conferences and meetings	-	-	2,124	575	2,699	2,956	-	5,655
Depreciation	-	-	-	-	-	848	-	848
Grants passthrough	-	-	-	59,000	59,000	-	-	59,000
Insurance	-	210	-	-	210	10,433	-	10,643
Occupancy	-	-	-	-	-	55,824	-	55,824
Other	-	-	-	644	644	5,747	-	6,391
Postage and shipping	-	-	61	-	61	1,541	-	1,602
Printing and publications	3	23	-	-	26	2,847	-	2,873
Repairs and maintenance	-	-	-	-	-	2,109	-	2,109
Telephone	2,128	15	-	163	2,306	8,746	-	11,052
Travel and per diem	17,404	16,981	3,700	15,141	53,226	20,237	-	73,463
In-kind expense	-	-	-	-	-	17,342	-	17,342
Indirect cost allocation	75,285	-	-	-	75,285	(75,285)	-	-
Total Expenses	\$ 210,906	\$ 53,138	\$ 56,249	\$ 304,894	\$ 625,187	\$ 179,670	\$ 31,093	\$ 835,950

The accompanying notes are an integral part of these financial statements

GEOHAZARDS INTERNATIONAL

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2005

	<u>India</u>	<u>Program Services</u> <u>Central</u> <u>Asia</u>	<u>Turkish</u> <u>School</u>	<u>Other</u>	<u>Total</u> <u>Program</u> <u>Services</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Total</u>
Personnel Expenses:							
Salaries and wages	\$ 94,700	\$ 22,048	\$ -	\$ 68,026	\$ 184,774	\$ 139,409	\$ 324,183
Employee benefits and payroll taxes	18,372	4,277	-	12	22,661	23,413	46,074
Total Personnel Expenses	<u>113,072</u>	<u>26,325</u>	<u>-</u>	<u>68,038</u>	<u>207,435</u>	<u>162,822</u>	<u>370,257</u>
Consulting and professional fees	163,557	123,881	13,824	70,907	372,169	33,364	405,533
Contract services	27,205	12,130	-	-	39,335	-	39,335
Computers and equipment	4,980	253	550	3,169	8,952	4,811	13,763
Conferences and meetings	34,824	3,467	-	695	38,986	2,355	41,341
Depreciation	-	-	-	-	-	2,040	2,040
Insurance	-	-	-	-	-	15,524	15,524
Occupancy	-	-	-	-	-	61,023	61,023
Other	-	777	-	48,903	49,680	7,773	57,453
Postage and shipping	-	-	-	148	148	1,565	1,713
Printing and publications	-	4,172	-	2,268	6,440	321	6,761
Telephone	3,576	-	10	116	3,702	8,340	12,042
Travel and per diem	145,781	50,923	3,928	12,356	212,988	17,688	230,676
Indirect cost allocation	<u>166,923</u>	<u>85,087</u>	<u>-</u>	<u>-</u>	<u>252,010</u>	<u>(252,010)</u>	<u>-</u>
Total Expenses	<u>\$ 659,918</u>	<u>\$ 307,015</u>	<u>\$ 18,312</u>	<u>\$ 206,600</u>	<u>\$ 1,191,845</u>	<u>\$ 65,616</u>	<u>\$ 1,257,461</u>

The accompanying notes are an integral part of these financial statements

GEOHAZARDS INTERNATIONAL

Notes to the financial statements

1. Organization and Summary of Significant Accounting Policies:

Organization

GeoHazards International (GHI) was established in 1991 as a non-profit organization to reduce death and suffering – particularly among children – due to earthquakes and other natural hazards in the world's most vulnerable communities through advocacy, preparedness, prevention, and mitigation. Current GHI earthquake safety initiatives include projects in India, Kazakhstan, Tajikistan, Uzbekistan and Turkey.

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

The financial statements of GHI are presented on the basis of permanently restricted net assets, temporarily restricted net assets and unrestricted net assets, pursuant to Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under the provisions of the Guide, 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, 2006 GHI had no permanently restricted net assets.

GEOHAZARDS INTERNATIONAL

Notes to the financial statements (continued)

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 and Contributions

GHI recognizes revenue at fair market 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.

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 individuals, foundations and corporations.

GEOHAZARDS INTERNATIONAL

Notes to the financial statements (continued)

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. Accordingly, actual results could differ from these estimates. Such estimates include reserves for uncollectible receivables and allowances for depreciation.

Indirect Costs

Contracts awarded by federal agencies generally allow a charge for indirect costs, based on the ratio of total indirect costs to total direct costs. The applicable percentage 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.

Tax Exempt Status

GHI has been granted tax-exempt status under Internal Revenue Code section 501(c)(3) by the Internal Revenue Service and under section 23701(d) of the Revenue and Taxation Code by the California Franchise Tax Board. It has also received a ruling that it is not a private foundation.

Cash and Cash Equivalents

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

GEOHAZARDS INTERNATIONAL

Notes to the financial statements (continued)

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.

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 2006, GHI periodically maintained cash in banks in excess of the limit insured by the federal government. At December 31, 2006 funds held in excess of these limits amounted to \$82,566. In addition, GHI held \$2,303,861 in investment accounts which are insured by private parties.

3. Grants Receivable:

Grants receivable represent unconditional promises to give by grantors. All grants are deemed to be fully collectible by management and are composed of the following amounts receivable as follows at December 31, 2006:

	<u>2006</u>		<u>2005</u>	
	<u>Federal</u>	<u>Other</u>	<u>Federal</u>	<u>Other</u>
Amounts due in:				
2006			\$145,525	\$ 90,000
2007	<u>\$32,313</u>	<u>\$20,000</u>	<u>-</u>	<u>20,000</u>
Total	<u>\$32,313</u>	<u>\$20,000</u>	<u>\$145,525</u>	<u>\$110,000</u>

GEOHAZARDS INTERNATIONAL

Notes to the financial statements (continued)

4. Property and Equipment:

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

	<u>2006</u>	<u>2005</u>
Furniture	\$ 5,176	\$ 5,176
Office equipment	9,748	9,748
Computer equipment	24,813	24,813
Less: Accumulated depreciation	<u>(38,774)</u>	<u>(37,926)</u>
Property and equipment, net	<u>\$ 963</u>	<u>\$ 1,811</u>

Depreciation expense for 2006 and 2005 amounted to 848 and 2,040 respectively.

5. Investments:

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

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Mutual Funds	<u>\$2,052,146</u>	<u>\$2,303,861</u>	<u>\$2,121,006</u>	<u>\$2,211,720</u>

Interest and dividends earned on these securities amounted to \$57,334 (2005: \$47,617).

Realized gains, including capital gain distributions of \$26,189, amounted to \$47,806 (2005: \$9,353). Unrealized gains amounted to \$161,000 (2005: \$83,453).

GEOHAZARDS INTERNATIONAL

Notes to the financial statements (continued)

6. 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:

	<u>2006</u>	<u>2005</u>
Dharamsala, India Project	\$155,382	\$ -
Time restricted	<u>101,103</u>	<u>110,000</u>
Total	<u>\$256,485</u>	<u>\$110,000</u>

7. Net Assets Released from Restrictions:

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

	<u>2006</u>	<u>2005</u>
Time restricted	<u>\$90,000</u>	<u>\$192,225</u>
Total	<u>\$90,000</u>	<u>\$192,225</u>

8. 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, 2006, GHI contributed \$5,198 to the plan (2005: \$5,655).

GEOHAZARDS INTERNATIONAL

Notes to the financial statements (continued)

9. 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, 2006 are:

Year Ended December 31:

2007	\$ 47,011
2008	50,126
2009	52,165
2010	53,751
2011	55,337
2012	<u>13,933</u>
	<u>\$272,323</u>

Rental expense for the year was \$55,824, (2005: \$61,023).