

THE VETIVER NETWORK

Financial Statements
and
Supplementary Information

December 31, 2002 and 2001

THE VETIVER NETWORK
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Vetiver Network
Arlington, Virginia

We have audited the accompanying statements of financial position of The Vetiver Network ("TVN") (a nonprofit organization) as of December 31, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of TVN'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 TVN as of December 31, 2002 and 2001, 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.

Updegrove, Combs, McDaniel & Wilson, P.L.C.
Leesburg, Virginia

May 6, 2003

THE VETIVER NETWORK
 Statements of Financial Position
 December 31, 2002 and December 31, 2001

ASSETS

	2002	2001
CURRENT ASSETS		
Cash and cash equivalents	\$ 100,412	\$ 123,752
Restricted cash	-	33,547
Grants receivable	35,000	-
Federal withholding taxes receivable	-	967
Furniture and equipment, net of accumulated depreciation of \$12,157 and \$9,436 in 2002 and 2001, respectively	3,133	5,854
	\$ 138,545	\$ 164,120

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 703	\$ 253
Grants payable	52,106	37,756
Interest payable - Danish grant	276	1,889
	53,085	39,898
NET ASSETS		
Unrestricted	85,460	90,675
Temporarily restricted	-	33,547
	85,460	124,222
	\$ 138,545	\$ 164,120

See independent auditor's report and accompanying notes.

THE VETIVER NETWORK

Statements of Activities

Year Ended December 31, 2002

(with comparative totals for Year Ended December 31, 2001)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2002</u>	<u>2001</u>
REVENUES AND SUPPORT				
Contributions	\$ 250	\$ 35,000	\$ 35,250	\$ 56,980
Sales	199	-	199	269
Interest	1,613	-	1,613	3,690
Royalties	104	-	104	-
Net assets released from restrictions	68,547	(68,547)	-	-
	<u>70,713</u>	<u>(33,547)</u>	<u>37,166</u>	<u>60,939</u>
EXPENSES				
Programs				
Network support	11,750	-	11,750	25,000
NGO support	1,200	-	1,200	-
Research awards	36,350	-	36,350	46,731
Newsletter publications	7,791	-	7,791	38,266
Postage	2,272	-	2,272	2,903
Travel and entertainment	318	-	318	508
	<u>59,681</u>	<u>-</u>	<u>59,681</u>	<u>113,408</u>
Management and general				
Depreciation	2,721	-	2,721	3,990
Loss on disposal of equipment	-	-	-	977
Legal and professional fees	7,415	-	7,415	7,675
Office expense	6,111	-	6,111	865
	<u>16,247</u>	<u>-</u>	<u>16,247</u>	<u>13,507</u>
	<u>75,928</u>	<u>-</u>	<u>75,928</u>	<u>126,915</u>
DECREASE IN NET ASSETS	(5,215)	(33,547)	(38,762)	(65,976)
NET ASSETS, BEGINNING OF YEAR	<u>90,675</u>	<u>33,547</u>	<u>124,222</u>	<u>190,198</u>
NET ASSETS, END OF YEAR	<u>\$ 85,460</u>	<u>\$ -</u>	<u>\$ 85,460</u>	<u>\$ 124,222</u>

See independent auditor's report and accompanying notes.

THE VETIVER NETWORK
 Statements of Cash Flows
 Years Ended December 31, 2002 and 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (38,762)	\$ (65,976)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	2,721	3,990
Loss on disposal of equipment	-	977
(Increase) decrease in:		
Grants receivable	(35,000)	-
Federal withholding taxes receivable	967	(138)
Increase (decrease) in:		
Accounts payable	450	18,176
Grants payable	14,350	-
Interest payable - Danish grant	(1,613)	1,628
NET CASH USED BY OPERATING ACTIVITIES	(56,887)	(41,343)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in cash restricted by contributors	33,547	48,520
Purchase of equipment	-	(3,227)
NET CASH PROVIDED BY INVESTING ACTIVITIES	33,547	45,293
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,340)	3,950
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	123,752	119,802
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 100,412	\$ 123,752

See independent auditor's report and accompanying notes.

THE VETIVER NETWORK

Notes to Financial Statements

December 31, 2002 and 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Vetiver Network (TVN) was incorporated in 1995, pursuant to Chapter 9 of Title 13.1 of the Code of Virginia, for the purpose of promoting conservation and environmental activities. TVN's primary focus is the dissemination of information about Vetiver grass technology, and other related technologies, for the purpose of soil and water conservation, land rehabilitation and stabilization, phyto-remediation of polluted resources, and the general promotion of better natural resource management on a worldwide basis.

Basis of Accounting

The financial statements of TVN have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

TVN reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of 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 those estimates.

Income Tax Status

TVN is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. TVN has been classified as a private foundation within the meaning of Section 509(a).

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are considered to be all unrestricted highly liquid investments with maturities of three months or less at the time of acquisition.

THE VETIVER NETWORK
Notes to Financial Statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and Equipment

Purchased property and equipment is capitalized at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over their estimated useful lives of five years.

Donated Furniture and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted contributions.

Absent donor stipulations regarding how long those donated assets must be maintained, TVN reports expirations of donor restrictions when the donated or acquired net assets are placed in service as instructed by the donor. TVN reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets represent funds provided with a type-of-use restriction. There are no temporarily restricted net assets that are time-of-availability restricted.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

THE VETIVER NETWORK
Notes to Financial Statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales

TVN produces videos and slides promoting the use of Vetiver technology. TVN's policy is to provide items to those requesting them without regard to the requestor's ability to pay. Amounts received from those who pay are included in sales.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Allocation of Joint Costs

All costs related to a joint activity (program or management and general) are recorded as fundraising costs, unless the activity meets several criteria. These criteria relate to the purpose, the intended audience, and the content of the joint activity. TVN had no such joint activities during either 2002 or 2001.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following on December 31, 2002 and 2001:

	2002	2001
Savings - operating	\$ 99,397	\$ 122,629
Non-interest bearing checking account	999	1,118
Petty cash	16	5
	<u>\$ 100,412</u>	<u>\$ 123,752</u>

NOTE C – INTEREST PAYABLE – DANISH GRANT

In July 2000, the Ministry of Foreign Affairs of Denmark, Danida issued a grant to TVN for \$900,000 for the financing of the Vetiver project, "A World Wide Project to Support the Accelerated Introduction Of The Vetiver Grass Technology For Nature Resources Conservation and Rehabilitation". Any accrued interest and unspent funds, if any, shall be returned to Danida at the end of the project. At December 31, 2002 and 2001, there was \$276 and \$1,889 of interest owed to Danida.

THE VETIVER NETWORK
Notes to Financial Statements

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

There were no temporarily restricted net assets at December 31, 2002. Temporarily restricted net assets at December 31, 2001 were \$33,547. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors for 2002 and 2001 as follows:

	2002	2001
Network support	\$ 25,310	\$ 5,810
Grant expense	36,000	-
Newsletter publication	7,237	42,710
	\$ 68,547	\$ 48,520

NOTE E – CONCENTRATIONS

TVN receives the majority of its support through contributions, awards and grants. If this support ceases, it would cause a significant impact on TVN and its ability to continue its operations.

TVN has concentrated its credit risk by maintaining all cash deposits in a single bank. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. TVN's uninsured cash balances at December 31, 2002 and 2001 total \$2,692 and \$57,298, respectively.

**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF DANISH GRANT ACTIVITY**

To the Board of Directors
The Vetiver Network
Arlington, Virginia

Our report on our audit of the basic financial statements of The Vetiver Network (TVN) for 2002 and 2001 appears on page one. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Danish Grant Activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the management of TVN. Such schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

Updegrave, Combs, McDaniel & Wilson, P.L.C.
Leesburg, Virginia

May 6, 2003

THE VETIVER NETWORK
Schedule of Danish Grant Activity
Years Ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
INCOME		
Donations	\$ -	\$ -
Interest income	-	-
	<u>-</u>	<u>-</u>
EXPENSES		
Network Support		
Amhara Vetiver Network	-	1,000
Brazil Vetiver Network	8,000	-
Europe Vetiver Network	1,000	-
Latin America Vetiver Network	2,750	-
Mexico Vetiver Network	6,000	-
Panama Vetiver Network	-	1,000
Southern Africa Vetiver Network	6,800	1,000
Venezuela Vetiver Network	-	1,000
	<u>24,550</u>	<u>4,000</u>
Other		
Publications and newsletters	7,237	38,224
	<u>7,237</u>	<u>38,224</u>
Administration		
Bank charges	8	-
Meals and entertainment	-	62
Internet charges	1,794	1,748
Office supplies	238	-
Postage	1,099	-
	<u>3,139</u>	<u>1,810</u>
	<u>34,926</u>	<u>44,034</u>
CHANGE IN NET ASSETS	<u>\$ (34,926)</u>	<u>\$ (44,034)</u>

See independent auditor's report on the Schedule of Danish Activity.