

THE VETIVER NETWORK

Financial Statements

December 31, 2003 and 2002



THE VETIVER NETWORK
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Certified Public Accountants & Consultants

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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 (a nonprofit organization) as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 The Vetiver Network as of December 31, 2003 and 2002, 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, PLC
Updegrove, Combs, McDaniel & Wilson, PLC
Leesburg, Virginia

May 11, 2004

THE VETIVER NETWORK
 Statements of Financial Position
 December 31, 2003 and December 31, 2002

ASSETS

	<u>2003</u>	<u>2002</u>
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 55,387	\$ 100,412
Restricted	5,000	-
Grants receivable	<u>-</u>	<u>35,000</u>
TOTAL CURRENT ASSETS	<u>60,387</u>	<u>135,412</u>
Furniture and equipment	15,602	15,290
Accumulated depreciation	<u>(13,655)</u>	<u>(12,157)</u>
	<u>1,947</u>	<u>3,133</u>
	<u>\$ 62,334</u>	<u>\$ 138,545</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 156	\$ 703
Grants payable	-	52,106
Interest payable - Danish grant	<u>-</u>	<u>276</u>
TOTAL CURRENT LIABILITIES	<u>156</u>	<u>53,085</u>
NET ASSETS		
Unrestricted	57,178	85,460
Temporarily restricted	<u>5,000</u>	<u>-</u>
	<u>62,178</u>	<u>85,460</u>
	<u>\$ 62,334</u>	<u>\$ 138,545</u>

See independent auditor's report and accompanying notes.



THE VETIVER NETWORK

Statements of Activities

Year Ended December 31, 2003

(with comparative totals for Year Ended December 31, 2002)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2003</u>	<u>2002</u>
REVENUES AND SUPPORT				
Contributions	\$ -	\$ 10,000	\$ 10,000	\$ 35,250
Sales	-	-	-	199
Interest	1,076	-	1,076	1,613
Reversal of grant commitments	40,592	-	40,592	-
Royalties	65	-	65	104
Net assets released from restriction	5,000	(5,000)	-	-
	<u>46,733</u>	<u>5,000</u>	<u>51,733</u>	<u>37,166</u>
EXPENSES				
Programs				
Network support	-	-	-	11,750
NGO support	1,500	-	1,500	1,200
Research awards	42,601	-	42,601	36,350
Newsletter publications	-	-	-	7,791
Postage	1,151	-	1,151	2,272
Travel and entertainment	5,941	-	5,941	318
	<u>51,193</u>	<u>-</u>	<u>51,193</u>	<u>59,681</u>
Management and general				
Depreciation	1,498	-	1,498	2,721
Legal and professional fees	17,400	-	17,400	7,415
Office expense	4,924	-	4,924	6,111
	<u>23,822</u>	<u>-</u>	<u>23,822</u>	<u>16,247</u>
	<u>75,015</u>	<u>-</u>	<u>75,015</u>	<u>75,928</u>
INCREASE (DECREASE)				
NET ASSETS	(28,282)	5,000	(23,282)	(38,762)
NET ASSETS,				
BEGINNING OF YEAR	<u>85,460</u>	<u>-</u>	<u>85,460</u>	<u>124,222</u>
NET ASSETS, END OF YEAR	<u>\$ 57,178</u>	<u>\$ 5,000</u>	<u>\$ 62,178</u>	<u>\$ 85,460</u>

See independent auditor's report and accompanying notes.



THE VETIVER NETWORK
 Statements of Cash Flows
 Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (23,282)	\$ (38,762)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	1,498	2,721
Reversal of grant commitments	(40,592)	-
(Increase) decrease in:		
Grants receivable	35,000	(35,000)
Federal withholding taxes receivable	-	967
Increase (decrease) in:		
Accounts payable	(547)	450
Grants payable	(11,514)	14,350
Interest payable - Danish grant	(276)	(1,613)
NET CASH USED IN OPERATING ACTIVITIES	<u>(39,713)</u>	<u>(56,887)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(312)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(312)</u>	<u>-</u>
 DECREASE IN CASH AND CASH EQUIVALENTS	(40,025)	(56,887)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>100,412</u>	<u>157,299</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 60,387</u>	<u>\$ 100,412</u>

See independent auditor's report and accompanying notes.



THE VETIVER NETWORK
Notes to Financial Statements
December 31, 2003 and 2002

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 to seven 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 2003 or 2002.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following on December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Savings - operating	\$ 52,248	\$ 99,397
Non-interest bearing checking account	3,065	999
Petty cash	74	16
	<u>\$ 55,387</u>	<u>\$ 100,412</u>

NOTE C – INTEREST PAYABLE – DANISH GRANT

In July 2000, the Ministry of Foreign Affairs of Denmark, Danida issued a grant to TVN for kr900,000 (Danish Kroner) or approximately \$146,000 (USD) for the financing of the Vetiver project, "A World Wide Project to Support the Accelerated Introduction Of The Vetiver Grass Technology For Natural 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, 2003 there was no interest owed to Danida, and at December 31, 2002, \$276 of interest was owed.



THE VETIVER NETWORK
Notes to Financial Statements

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2003 were \$5,000. There were no temporarily restricted net assets at December 31, 2002. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors for 2003 and 2002 as follows:

	2003	2002
Network support	\$ -	\$ 25,310
Grant expense	5,000	36,000
Newsletter publication	-	7,237
	\$ 5,000	\$ 68,547

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.

NOTE F – COMMITMENTS

On October 23, 2003, TVN entered into a contract with its president through October 31, 2004, that provides for professional fees to be paid at a part-time rate (four hours per day) of \$250 per day, not to exceed twenty days per month. No additional benefits will be paid and the relationship is to be considered that of an independent contractor. On April 7, 2004, the professional fee was reduced from \$5,000 to \$1,750 per month, of which \$750 is paid from TVN earnings related to the agreement described in Note G.

NOTE G – SUBSEQUENT EVENTS

In May, 2004, TVN received a new grant in the amount of \$20,000 for water related research. No recipient had been identified for the grant at the date of this report.

Effective October 1, 2003, TVN entered into a cost reimbursement agreement not to exceed \$121,000 with Innovative Resources Management Inc., for services to be performed through September 30, 2005 in relation to a project titled "Congo Livelihood Improvement and Food Security Program." The project is funded by the United States Agency for International Development. No services had been provided or costs incurred by TVN as of December 31, 2003. In connection with this agreement TVN is obligated to obtain and maintain insurance that will protect TVN from any claims resulting from its operations under the agreement, including its employees or subcontractors. Such insurance has been difficult to acquire in the Congo, and any liability resulting from the lack thereof cannot be determined at this time.

