

Sustainable Cambodia, Inc.

Financial Statements And Independent Auditors' Report

December 31, 2013 and 2012

CONTENTS

Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statement of Activities – 2013	3
Statement of Activities – 2012	4
Statement of Functional Expenses – 2013	5-6
Statement of Functional Expenses – 2012	7-8
Statements of Cash Flows	9
Notes to Financial Statements	10-12

Kattell and Company, P.L.

Serving the Nonprofit Community

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sustainable Cambodia, Inc.
Gainesville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Sustainable Cambodia, Inc. (the Corporation), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows 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.

Auditors' 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 Corporation'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 Corporation'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.

Opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2013 and 2012, 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.

Emphasis of Matter. As discussed in Note 6 to the financial statements, the Corporation has elected to change its method of accounting from the modified cash basis to the accrual basis. The Corporation has restated the financial statements as of and for the year ended December 31, 2012 to conform to the accrual basis of accounting.

Kattell and Company, P.L.

September 5, 2014
Gainesville, Florida

"Not everything that counts can be counted, and not everything that can be counted counts."

- Albert Einstein

Statements of Financial Position

December 31, 2013 and 2012

Sustainable Cambodia, Inc.

	<u>2013</u>	<u>2012</u>
Assets		
Cash – USA:		
Checking	\$ 51,750	\$ 82,359
Cash – Cambodia:		
Checking	158,030	124,157
Cash on Hand	851	3,061
Pledges Receivable	11,571	34,661
Prepaid Expenses	4,332	3,300
Deposits	100	100
Property and Equipment:		
Equipment	12,590	12,414
Vehicles and Other Assets	81,682	29,607
Leasehold Improvements	16,476	10,997
Less: Accumulated Depreciation	(39,817)	(25,731)
Net Property and Equipment	70,931	27,287
Total Assets	\$ 297,565	\$ 274,925
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 384	\$ --
Deposits Held	1,877	6,344
Net Assets:		
Unrestricted:		
Invested in Fixed Assets	70,933	27,287
Other	87,049	119,434
Total Unrestricted	157,982	146,721
Temporarily Restricted	137,323	121,860
Total Net Assets	295,305	268,581
Total Net Assets and Liabilities	\$ 297,565	\$ 274,925

See accompanying notes.

Statement of Activities
For the Year Ended December 31, 2013
Sustainable Cambodia, Inc.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support</u>			
Contributions:			
Child Sponsorships	\$ 68,017	\$ --	\$ 68,017
University Scholarships	--	30,875	30,875
Village Sustainability	73,489	--	73,489
Board of Directors	89,373	--	89,373
Sustaining Sponsors	25,400	--	25,400
Other General Fund Contributions	43,700	--	43,700
Grants and Special Funding:			
Education	--	162,890	162,890
Village Sustainability and Wells & Water	--	43,665	43,665
Net Assets Released from Restrictions	<u>221,967</u>	<u>(221,967)</u>	<u>--</u>
Total Support	521,946	15,463	537,409
<u>Revenues</u>			
Program Revenues – Crop Loan Repayments	10,388	--	10,388
Program Revenues – RRH and Other	29,186	--	29,186
Interest Income	<u>501</u>	<u>--</u>	<u>501</u>
Total Revenues	<u>40,075</u>	<u>--</u>	<u>40,075</u>
Total Support and Revenues	562,021	15,463	577,484
<u>Expenses</u>			
Program Services:			
Community Healthcare	40,895	--	40,895
Education	372,884	--	372,884
Community Sustainability:			
Agricultural & Economic Development	72,221	--	72,221
Wells, Water & Sanitation	51,534	--	51,534
Supporting Activities:			
Management and General	10,467	--	10,467
Fundraising	<u>2,759</u>	<u>--</u>	<u>2,759</u>
Total Expenses	<u>550,760</u>	<u>--</u>	<u>550,760</u>
Change in Net Assets	11,261	15,463	26,724
Net Assets, January 1, 2013	<u>146,721</u>	<u>121,860</u>	<u>268,581</u>
Net Assets, December 31, 2013	<u>\$ 157,982</u>	<u>\$ 137,323</u>	<u>\$ 295,305</u>

See accompanying notes.

Statement of Activities
For the Year Ended December 31, 2012
Sustainable Cambodia, Inc.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support</u>			
Contributions:			
Child Sponsorships	\$ 55,700	\$ --	\$ 55,700
University Scholarships	--	26,889	26,889
Village Sustainability	38,356	--	38,356
Board of Directors	120,270	--	120,270
Other General Fund Contributions	31,021	--	31,021
Grants and Special Funding:			
Education	--	101,554	101,554
Village Sustainability and Wells & Water	--	104,071	104,071
Loss on Sale of Assets	(144)	--	(144)
Net Assets Released from Restrictions	<u>268,004</u>	<u>(268,004)</u>	<u>--</u>
Total Support	513,207	(35,490)	477,717
<u>Revenues</u>			
Program Revenues – Crop Loan Repayments	40,845	--	40,845
Program Revenues – RRH and Other	29,452	--	29,452
Interest Income	<u>561</u>	<u>--</u>	<u>561</u>
Total Revenues	<u>70,858</u>	<u>--</u>	<u>70,858</u>
Total Support and Revenues	584,065	(35,490)	548,575
<u>Expenses</u>			
Program Services:			
Community Healthcare	22,108	--	22,108
Education	289,636	--	289,636
Community Sustainability:			
Agricultural & Economic Development	126,540	--	126,540
Wells, Water & Sanitation	88,648	--	88,648
Supporting Activities:			
Management and General	2,403	--	2,403
Fundraising	<u>2,631</u>	<u>--</u>	<u>2,631</u>
Total Expenses	<u>531,966</u>	<u>--</u>	<u>531,966</u>
Change in Net Assets	52,099	(35,490)	16,609
Net Assets, January 1, 2012	<u>94,622</u>	<u>157,350</u>	<u>251,972</u>
Net Assets, December 31, 2012	<u>\$ 146,721</u>	<u>\$ 121,860</u>	<u>\$ 268,581</u>

See accompanying notes.

Statement of Functional Expenses
For the Year Ended December 31, 2013
Sustainable Cambodia, Inc.

	Program Services				
	Community Healthcare	Education	Agricultural & Economic Development	Wells, Water & Sanitation	Total Program Services
Accounting /Grant Audit Fees	\$ --	\$ --	\$ --	\$ --	\$ --
Banking/Wire/Online Donation Fees	162	1,481	286	205	2,134
Buildings Rent	499	10,080	880	631	12,090
Buildings Repair & Maintenance	149	3,325	262	188	3,924
Buildings Utilities	484	5,569	853	611	7,517
Communication/Internet/Web Hosting	580	5,300	1,023	733	7,636
Computer System/IT Equipment	22	2,939	42	31	3,034
Depreciation	1,291	11,792	2,277	1,631	16,991
Equipment	63	1,198	257	184	1,702
Meetings/Conferences	152	1,388	268	192	2,000
Office Supplies	211	1,914	370	265	2,760
Postage/Shipping	--	--	--	--	--
Programs:					
Agricultural Farm Association Training	--	--	--	--	--
Beekeeping	--	--	649	--	649
Community Workshops/Training	--	--	2,934	--	2,934
Community Ponds & Family Fish Ponds	--	--	--	3,025	3,025
Disaster Relief and Other Needs	--	--	--	--	--
Home Gardens/Fruit Trees/Seeds	--	--	7,634	--	7,634
Infrastructure/Roads/Solar Panels	--	--	--	125	125
Healthcare & Nutrition Workshops	--	--	--	--	--
Agricultural Cash Crop Loans	--	--	--	--	--
MicroLoans and Cash Crop Loans	--	--	10,022	--	10,022
Pass-On Animals/Fishponds	--	--	5,941	--	5,941
Rainwater Harvesting	--	--	--	5,953	5,953
BioSand Filters	--	--	--	4,413	4,413
Latrines and Sanitation	--	--	--	3,921	3,921
Wells	--	--	--	1,946	1,946
Programs: Education					
Community Primary Schools	--	9,040	--	--	9,040
Educational Supplies	--	5,706	--	--	5,706
Educational Outreach Salaries and Other	--	24,811	--	--	24,811
Literacy/Mobile Library/Workshops	--	5,484	--	--	5,484
Preschool Bldgs /Materials/Salaries	--	19,663	--	--	19,663
Sewing/Crafts/Other Trade Items	--	2,902	--	--	2,902
Student Special Activities/Occasions	--	9,153	--	--	9,153
Student Clothing/Bikes	--	9,755	--	--	9,755
Student Scholarships	--	50,497	--	--	50,497
TC Swartz/Wong School Programs	--	23,096	--	--	23,096
Student Support, CICD (Children in Difficult Circumstances)	--	5,007	--	--	5,007
Programs: Healthcare and Nutrition					
Preschool/TC Nutrition Food Supplement	14,980	--	--	--	14,980
Health Supplies: Mosquito Nets/etc.	214	--	--	--	214
Healthcare Needs- Students, Families, Staff	4,649	--	--	--	4,649
Project Monitoring/M&E/Data	92	1,980	496	353	2,921
Printing, Publication	109	999	193	138	1,439
Registration Fees/Job Announcement Costs	--	--	--	--	--
Staff Salaries	16,252	109,587	32,996	23,537	182,372
Staff Salaries – KBFC Kravanh School	--	19,829	--	--	19,829
Staff Salaries – TC Swartz Schools	--	14,135	--	--	14,135
Staff Capacity Building: Seminars/Training	340	7,516	925	660	9,441
Staff Health Insurance and Salary Taxes	173	1,578	305	218	2,274
Transportation/Gas/Repairs	79	3,562	2,913	2,076	8,630
Travel	24	216	42	30	312
Volunteer Coordinator/Program	370	3,382	653	468	4,873
Totals	\$ 40,895	\$ 372,884	\$ 72,221	\$ 51,534	\$ 537,534

See accompanying notes.

Supporting Activities

	Management and General	Fundraising	Total Expenses
Accounting /Grant Audit Fees	\$ 7,750	\$ --	\$ 7,750
Banking/Wire/Online Donation Fees	672	2,444	5,250
Buildings Rent	--	--	12,090
Buildings Repair & Maintenance	--	--	3,924
Buildings Utilities	--	--	7,517
Communication/Internet/Web Hosting	384	--	8,020
Computer System/IT Equipment	--	--	3,034
Depreciation	--	--	16,991
Equipment	--	--	1,702
Meetings/Conferences	--	--	2,000
Office Supplies	447	--	3,207
Postage/Shipping	486	315	801
Programs:			
Agricultural Farm Association Training	--	--	--
Beekeeping	--	--	649
Community Workshops/Training	--	--	2,934
Community Ponds & Family Fish Ponds	--	--	3,025
Disaster Relief and Other Needs	--	--	--
Home Gardens/Fruit Trees/Seeds	--	--	7,634
Infrastructure/Roads/Solar Panels	--	--	125
Healthcare & Nutrition Workshops	--	--	--
Agricultural Cash Crop Loans	--	--	--
MicroLoans and Cash Crop Loans	--	--	10,022
Pass-On Animals/Fishponds	--	--	5,941
Rainwater Harvesting	--	--	5,953
BioSand Filters	--	--	4,413
Latrines and Sanitation	--	--	3,921
Wells/Water/Sanitation	--	--	1,946
Programs: Education			
Community Primary Schools	--	--	9,040
Educational Supplies	--	--	5,706
Educational Outreach Salaries and Other	--	--	24,811
Literacy/Mobile Library/Workshops	--	--	5,484
Preschool Bldgs /Materials/Salaries	--	--	19,663
Sewing/Crafts/Other Trade Items	--	--	2,902
Student Special Activities/Occasions	--	--	9,153
Student Clothing/Bikes	--	--	9,755
Student Scholarships	--	--	50,497
TC Swartz/Wong School Programs	--	--	23,096
Student Support, CICD (Children in Difficult Circumstances)	--	--	5,007
Programs: Healthcare and Nutrition			
Preschool/TC Nutrition Food Supplement	--	--	14,980
Health Supplies: Mosquito Nets/etc.	--	--	214
Healthcare Needs- Students, Families, Staff	--	--	4,649
Project Monitoring/M&E/Data	--	--	2,921
Printing, Publication	267	--	1,706
Registration Fees/Job Announcement Costs	461	--	461
Staff Salaries	--	--	182,372
Staff Salaries – KBFC Kravanh School	--	--	19,829
Staff Salaries – TC Swartz School	--	--	14,135
Staff Capacity Building: Seminars/Training	--	--	9,441
Staff Health Insurance and Salary Taxes	--	--	2,274
Transportation/Gas/Repairs	--	--	8,630
Travel	--	--	312
Volunteer Coordinator/Program	--	--	4,873
Totals	\$ 10,467	\$ 2,759	\$ 550,760

See accompanying notes.

Statement of Functional Expenses
For the Year Ended December 31, 2012
Sustainable Cambodia, Inc.

	Program Services				
	Community Healthcare	Education	Community Sustainability		Total Program Services
			Agricultural & Economic Development	Wells, Water & Sanitation	
Accounting /Grant Audit Fees	\$ --	\$ --	\$ --	\$ --	\$ --
Banking/Wire/Online Donation Fees	58	753	368	224	1,403
Buildings Rent	271	8,345	1,733	1,052	11,401
Buildings Repair & Maintenance	165	4,278	1,054	640	6,137
Buildings Utilities	234	4,796	1,500	911	7,441
Communication/Internet/Web Hosting	242	3,173	1,551	942	5,908
Computer System/IT Equipment	102	2,928	784	526	4,340
Depreciation	423	5,538	2,707	1,644	10,312
Equipment	--	3,116	265	265	3,646
Meetings/Conferences	19	249	122	74	464
Office Supplies	122	3,528	778	472	4,900
Postage/Shipping	--	--	--	--	--
Programs:					
Agricultural Farm Association Training	--	--	--	--	--
Beekeeping	--	--	--	--	--
Community Workshops/Training	--	2,492	1,711	--	4,203
Community Ponds & Family Fish Ponds	--	--	--	--	--
Disaster Relief and Other Needs	2,188	4,226	611	--	7,025
Home Gardens/Fruit Trees/Seeds	--	--	1,964	--	1,964
Infrastructure/Roads/Solar Panels	--	--	3,090	--	3,090
Healthcare & Nutrition Workshops	785	--	--	--	785
Agricultural Cash Crop Loans	--	--	--	--	--
MicroLoans and Cash Crop Loans	--	--	64,760	--	64,760
Pass-On Animals/Fishponds	--	--	7,420	--	7,420
Rainwater Harvesting	--	--	--	19,270	19,270
Rice Banks	--	--	--	--	--
Vocational Training	--	--	--	--	--
Wells/Water/Sanitation	--	--	--	39,342	39,342
Programs: Education					
Community Primary Schools	--	5,110	--	--	5,110
Educational Supplies	--	5,787	--	--	5,787
Educational Outreach Salaries and Other	--	25,882	--	--	25,882
Literacy/Mobile Library/Workshops	--	203	--	--	203
Preschool Bldgs /Materials/Salaries	--	14,336	--	--	14,336
Sewing/Crafts/Other Trade Items	--	3,045	--	--	3,045
Student Special Activities/Occasions	--	8,392	--	--	8,392
Student Clothing/Bikes	--	16,841	--	--	16,841
Student Scholarships	--	37,774	--	--	37,774
Programs: Healthcare and Nutrition					
Preschool/TC Nutrition Food Supplement	6,156	4,361	--	--	10,517
Health Supplies: Mosquito Nets/etc.	2,443	--	--	--	2,443
Project Monitoring/M&E/Data	--	7,321	151	151	7,623
Printing, Publication	71	924	452	274	1,721
Registration Fees/Job Announcement Costs	4	53	26	16	99
Staff Salaries	8,336	71,532	29,318	17,909	127,095
Staff Salaries – KBFC Kravanh School	--	18,638	--	--	18,638
Staff Salaries – TC Swartz Schools	--	3,573	--	--	3,573
Staff Capacity Building: Seminars/Training	254	4,809	1,815	1,176	8,054
Staff Capacity/Training TC Swartz Schools	--	10,751	--	--	10,751
Staff Health Insurance	--	66	32	20	118
Transportation/Gas/Repairs	43	4,292	3,097	2,990	10,422
Travel	3	42	20	12	77
Volunteer Coordinator/Program	189	2,482	1,211	738	4,620
Totals	\$ 22,108	\$ 289,636	\$ 126,540	\$ 88,648	\$ 526,932

See accompanying notes.

Supporting Activities

	Management and General	Fundraising	Total Expenses
Accounting /Grant Audit Fees	\$ --	\$ --	\$ --
Banking/Wire/Online Donation Fees	680	2,631	4,714
Buildings Rent	--	--	11,401
Buildings Repair & Maintenance	--	--	6,137
Buildings Utilities	--	--	7,441
Communication/Internet/Web Hosting	792	--	6,700
Computer System/IT Equipment	--	--	4,340
Depreciation	--	--	10,312
Equipment	--	--	3,646
Meetings/Conferences	--	--	464
Office Supplies	338	--	5,238
Postage/Shipping	256	--	256
Programs:			
Agricultural Farm Association Training	--	--	--
Beekeeping	--	--	--
Community Workshops/Training	--	--	4,203
Community Ponds & Family Fish Ponds	--	--	--
Disaster Relief and Other Needs	--	--	7,025
Home Gardens/Fruit Trees/Seeds	--	--	1,964
Infrastructure/Roads/Solar Panels	--	--	3,090
Healthcare & Nutrition Workshops	--	--	785
Agricultural Cash Crop Loans	--	--	--
MicroLoans and Cash Crop Loans	--	--	64,760
Pass-On Animals/Fishponds	--	--	7,420
Rainwater Harvesting	--	--	19,270
Rice Banks	--	--	--
Vocational Training	--	--	--
Wells/Water/Sanitation	--	--	39,342
Programs: Education			
Community Primary Schools	--	--	5,110
Educational Supplies	--	--	5,787
Educational Outreach Salaries and Other	--	--	25,882
Literacy/Mobile Library/Workshops	--	--	203
Preschool Bldgs /Materials/Salaries	--	--	14,336
Sewing/Crafts/Other Trade Items	--	--	3,045
Student Special Activities/Occasions	--	--	8,392
Student Clothing/Bikes	--	--	16,841
Student Scholarships	--	--	37,774
Programs: Healthcare and Nutrition			
Preschool/TC Nutrition Food Supplement	--	--	10,517
Health Supplies: Mosquito Nets/etc.	--	--	2,443
Project Monitoring/M&E/Data	--	--	7,623
Printing, Publication	--	--	1,721
Registration Fees/Job Announcement Costs	337	--	436
Staff Salaries	--	--	127,095
Staff Salaries – KBFC Kravanh School	--	--	18,638
Staff Salaries – TC Swartz School	--	--	3,573
Staff Capacity Building: Seminars/Training	--	--	8,054
Staff Capacity/Training TC Swartz Schools	--	--	10,751
Staff Health Insurance	--	--	118
Transportation/Gas/Repairs	--	--	10,422
Travel	--	--	77
Volunteer Coordinator/Program	--	--	4,620
Totals	\$ 2,403	\$ 2,631	\$ 531,966

See accompanying notes.

Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012
Sustainable Cambodia, Inc.

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Change In Net Assets	\$ 26,724	\$ 16,609
Adjustments:		
Depreciation Expense	16,991	10,312
Changes in:		
Pledges Receivable	23,090	(17,095)
Prepaid Expenses	(1,032)	--
Deposits	--	3,600
Accounts Payable	384	--
Deposits Held	<u>(4,468)</u>	<u>1,644</u>
Net Cash Provided by Operating Activities	61,689	15,070
Investing Activities:		
Purchase of Property and Equipment	<u>(60,635)</u>	<u>(13,000)</u>
Net Change in Cash	1,054	2,070
Cash, Beginning of Year	<u>209,577</u>	<u>207,507</u>
Cash, End of Year	<u>\$ 210,631</u>	<u>\$ 209,577</u>

Reconciliation to Cash on the Statements of Financial Position

	<u>2013</u>	<u>2012</u>
Cash – USA	\$ 51,750	\$ 82,359
Cash – Cambodia		
Checking	158,030	124,157
Cash on Hand	<u>851</u>	<u>3,061</u>
Total Cash	<u>\$ 210,631</u>	<u>\$ 209,577</u>

See accompanying notes.

Notes to the Financial Statements
December 31, 2013 and 2012
Sustainable Cambodia, Inc.

NOTE 1 – Summary of Significant Accounting Policies

Entity

Sustainable Cambodia, Inc. (the Corporation) is a nonprofit corporation organized under the Florida Not-For-Profit Corporation Act. The Corporation is operated to help certain Cambodian villages become self-sustaining communities where people want to live; with healthy water and facilities, good food, health care and education for the residents; where there is environmental and social responsibility, and employment that allows them to sustain and continually improve their quality of life.

Tax Exempt Status

The Corporation is exempt from income taxes according to provisions of Section 501(c)(3) of the Internal Revenue Code. The Corporation has not earned any unrelated business taxable income; therefore, no provision for federal income taxes is reported. In addition, the Corporation has been classified by the Internal Revenue Service as an organization that is not a private foundation and qualifies for the charitable contribution deduction. The Corporation holds no uncertain tax positions and, therefore, has no policy for evaluating them. The Corporation's Form 990, *Return of Organization Exempt from Income Taxes*, is subject to examination by the IRS, generally for three years after the date filed.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Association is considered a voluntary health and welfare organization and statements of functional expenses have been included.

Accounting for Net Assets

The Corporation's net assets, the excess of assets over liabilities, are reported in three mutually exclusive classes:

Permanently Restricted - Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which do not expire by passage of time or can not be fulfilled by actions of the Corporation. The Corporation held no permanently restricted net assets.

Temporarily Restricted - Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which expire by passage of time or are fulfilled by actions of the Corporation.

Unrestricted - Those net assets that are neither permanently or temporarily restricted.

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or 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."

Receivables

The pledges receivable was promised by participating Rotary Clubs to fund projects of the subsequent year. The Corporation expects to receive these amounts shortly after year-end, therefore there is no allowance for doubtful accounts. There are no identifiable concentrations of credit risk related to these amounts.

Notes to the Financial Statements
December 31, 2013 and 2012
Sustainable Cambodia, Inc.

NOTE 1 – Summary of Significant Accounting Policies (concluded)

Property and Equipment

Property and equipment over \$500 are valued at cost if purchased, or estimated fair value at the date of donation. Equipment consists of office technology and motor scooters, and is depreciated using the straight-line method over the estimated useful life of five years.

All fixed assets are located in Pursat, Cambodia. Leasehold Improvements are additions, alterations, remodeling, or renovations to the school, community development offices, and administrative offices located in Pursat, Cambodia, and are depreciated using the straight-line method over the term of the lease, which is five years and one month.

Expense Allocation

Expenses are allocated to the various functional categories based on the purpose achieved by each expenditure. The Corporation only employs resident Cambodians, therefore all payroll expenses for employees are assigned to a specific program.

NOTE 2 – Concentration of Credit Risk

Cash balances in the U.S. banks do not exceed insured limits of the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs:

	<u>2013</u>	<u>2012</u>
Education	\$ 76,108	\$ 70,638
Water	19,971	18,338
Community Development/Villages Sustainability	23,901	6,391
Health	17,343	26,493
Total	<u>\$ 137,323</u>	<u>\$ 121,860</u>

NOTE 4 – Leases

In June, 2009, the Corporation entered into a lease agreement for the school, community development office, and administrative offices located in Pursat, Cambodia. The term of the lease is for sixty-one (61) months at a rate of \$550 per month; however, the last six months of the final year have been prepaid. Future lease obligations are as follows:

2014	\$ 3,300
Total	<u>\$ 3,300</u>

The Corporation's administrative office space in Gainesville, Florida is donated by an Organization owned by a board member.

Notes to the Financial Statements
December 31, 2013 and 2012
Sustainable Cambodia, Inc.

NOTE 5 – MicroLoans Issued

MicroLoans provide funding for Cambodian communities to make small business loans to their members. The recipients are expected to repay the loans with interest to their own Village Microloan Committees that oversee and provide the next sequence of loans. The loans are not repaid to the Corporation.

Cash Crop Loans are also provided to families who repay the principal loans to the Corporation. These repaid funds are then available for the next sequence of loans. The repaid loans are reported as program income for the Corporation when received. Interest repayments are retained by the village committees for future use in the villages. Effective June 30, 2013, the Corporation transferred control and oversight to the Community Committees in keeping with its empowerment mission.

NOTE 6 – Change in Accounting Principle

The Corporation changed from the modified-cash basis to the accrual basis of accounting. The accrual basis is the preferred method of accounting. As such, a Statement of Cash Flows is now presented. Otherwise, the change had no material effect on the financial statements.

NOTE 7 – Subsequent Event

The Organization has evaluated events and transactions for potential recognition or disclosure through September 5, 2014, which is the date the financial statements were available to be issued.