

Sustainable Cambodia, Inc

Financial Statements and Independent Auditors' Report

December 31, 2007

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Kattell and Company, P.L.

Serving the Nonprofit Community

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sustainable Cambodia, Inc.
Gainesville, Florida

We have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of Sustainable Cambodia, Inc. (the Corporation) as of December 31, 2007, and the related statements of revenues, expenses and changes in net assets – modified cash basis, and functional expenses – modified cash basis for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of the Corporation, as of December 31, 2007, and the its revenues, expenses and changes in net assets for the year then ended, on the basis of accounting described in Note 1.

Kattell and Company, P.L.

June 11, 2008
Gainesville, Florida

“Not everything that counts can be counted, and not everything that can be counted counts.”

- Albert Einstein

**Statement of Assets, Liabilities and Net Assets -
Modified Cash Basis
December 31, 2007
Sustainable Cambodia, Inc.**

	<u>2007</u>
Assets	
Cash – USA:	
Checking	\$ 22,925
Cash – Cambodia:	
Checking	50,684
Savings	3,472
Fixed Assets:	
Equipment	2,581
Vehicles	4,955
Less: Accumulated Depreciation	(2,661)
Net Fixed Assets	<u>4,875</u>
Total Assets	<u>\$ 81,956</u>
Liabilities and Net Assets	
Liabilities	\$ --
Net Assets:	
Unrestricted	4,243
Temporarily Restricted	<u>77,713</u>
Total Net Assets	<u>81,956</u>
Total Net Assets	<u>\$ 81,956</u>

See accompanying notes.

**Statement of Revenues, Expenses and Changes in Net Assets -
Modified Cash Basis
For the Year Ended December 31, 2007
Sustainable Cambodia, Inc.**

	Unrestricted	Temporarily Restricted	Total
<u>Support</u>			
Contributions:			
Child Sponsorships	\$ 39,906	\$ --	\$ 39,906
Board of Directors	27,342	--	27,342
Other Contributions	23,321	22,663	45,984
Grants:			
Corporate	--	5,000	5,000
Foundation	--	156,219	156,219
Net Assets Released from Restrictions	<u>141,968</u>	<u>(141,968)</u>	<u>--</u>
Total Support	232,537	41,914	274,451
<u>Revenues</u>			
Program Revenues	5,364	--	5,364
Interest Income	<u>449</u>	<u>--</u>	<u>449</u>
Total Revenues	<u>5,813</u>	<u>--</u>	<u>5,813</u>
Total Support and Revenues	238,350	41,914	280,264
<u>Expenses</u>			
Program Services:			
Community Healthcare	13,788	--	13,788
Student Education	55,870	--	55,870
Community Sustainability:			
Agricultural Development	22,262	--	22,262
Economic Development	20,599	--	20,599
Wells, Water & Sanitation	143,524	--	143,524
Supporting Activities:			
General and Administrative	1,942	--	1,942
Fundraising	<u>1,958</u>	<u>--</u>	<u>1,958</u>
Total Expenses	<u>259,943</u>	<u>--</u>	<u>259,943</u>
Change in Net Assets	(21,593)	41,914	20,321
Net Assets, January 1, 2007	<u>25,836</u>	<u>35,799</u>	<u>61,635</u>
Net Assets, December 31, 2007	<u>4,243</u>	<u>77,713</u>	<u>\$ 81,956</u>

See accompanying notes.

**Statement of Functional Expenses -
Modified Cash Basis
For the Year Ended December 31, 2007
Sustainable Cambodia, Inc.**

Program Services						
	Community Healthcare	Student Education	Community Sustainability			Total Program Services
			Agricultural Development	Economic Development	Wells, Water & Sanitation	
Accounting	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Banking/Wire/Online Donation Fees	53	150	73	69	377	722
Buildings Rent	691	4,146	296	296	691	6,120
Buildings Repair & Maintenance	200	1,204	39	39	200	1,682
Buildings Utilities	300	1,805	--	--	300	2,405
Communication/Internet/Web Hosting	313	884	428	405	2,221	4,251
Community Education	--	--	--	4,097	--	4,097
Depreciation	196	554	268	253	1,390	2,661
Equipment	--	1,197	--	56	--	1,253
Meetings	88	176	215	215	174	868
Miscellaneous	--	--	--	124	--	124
Office Supplies	131	444	215	203	1,114	2,107
Postage/Shipping	--	--	--	--	--	--
Programs:						
Agricultural/Training	--	--	6,308	--	--	6,308
Beekeeping	--	--	888	888	--	1,776
Crafts/Clothing/Other Trade Items	--	--	--	4,026	--	4,026
Healthcare & Nutrition	2,301	--	--	--	--	2,301
MicroLoans	--	--	--	5,457	--	5,457
Pass-On Animals/Fishponds	--	--	9,839	--	--	9,839
Preschool:						
Nutrition Food Supplement	4,900	516	--	--	--	5,416
Rice Banks	--	--	--	538	--	538
Vocational Training	--	--	--	350	--	350
Wells/Water/Sanitation/Training	--	--	--	--	116,856	116,856
Printing & Publication	69	196	95	90	493	943
Registration Fees	37	104	50	48	261	500
School:						
Educational Supplies	--	2,929	--	--	--	2,929
Computer Lab Supplies	--	1,801	--	--	--	1,801
Special Activities/Occasions	--	2,051	--	--	--	2,051
Student Clothing/Bikes	--	3,260	--	--	--	3,260
Student Scholarships	--	3,746	--	--	--	3,746
Staff Salaries	3,757	26,176	2,272	2,223	14,096	48,524
Staff Scholarships/ Training	--	3,113	245	246	--	3,604
Transportation/Gas/Repairs	372	340	509	482	2,643	4,346
Travel	116	330	160	151	829	1,586
Volunteer Coordinator/Program	264	748	362	343	1,879	3,596
Total	\$ 13,788	\$ 55,870	\$ 22,262	\$ 20,599	\$ 143,524	\$ 256,043

See accompanying notes.

Supporting Services

	Management and General	Fundraising	Total Expenses
Accounting	\$ 610	\$ --	\$ 610
Banking/Wire/Online Donation Fees	356	1,211	2,289
Buildings Rent	--	--	6,120
Buildings Repair & Maintenance	--	--	1,682
Buildings Utilities	--	--	2,405
Communication/Internet/Web Hosting	275	--	4,526
Community Education	--	--	4,097
Depreciation	--	--	2,661
Equipment	--	--	1,253
Meetings	--	--	868
Miscellaneous	--	--	124
Office Supplies	25	--	2,132
Postage/Shipping	441	--	441
Programs:			
Agricultural/Training	--	--	6,308
Beekeeping	--	--	1,776
Crafts/Clothing/Other Trade Items	--	--	4,026
Healthcare & Nutrition	--	--	2,301
MicroLoans	--	--	5,457
Pass-On Animals/Fishponds	--	--	9,839
Preschool:			
Nutrition Food Supplement	--	--	5,416
Rice Banks	--	--	538
Vocational Training	--	--	350
Wells/Water/Sanitation/Training	--	--	116,856
Printing & Publication	49	747	1,739
Registration Fees	186	--	686
School:			
Educational Supplies	--	--	2,929
Computer Lab Supplies	--	--	1,801
Special Activities/Occasions	--	--	2,051
Student Clothing/Bikes	--	--	3,260
Student Scholarships	--	--	3,746
Staff Salaries	--	--	48,524
Staff Scholarships/ Training	--	--	3,604
Transportation/Gas/Repairs	--	--	4,346
Travel	--	--	1,586
Volunteer Coordinator/Program	--	--	3,596
Total	\$ 1,942	\$ 1,958	\$ 259,943

Note to the Financial Statements
December 31, 2007
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 does not earn any unrelated business income and has, therefore, recorded no provision for federal income taxes. 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.

Basis of Accounting

The financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Revenues are recognized only when cash is received and expenses are recognized only when cash is disbursed. The Corporation modifies the cash basis by recording as an asset any cash payments for equipment and vehicles and depreciating these assets over their useful lives.

Financial Statements Presented

The Corporation considers itself a voluntary health and welfare organization and has presented a statement of functional expenses – modified cash basis.

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 had no permanently restricted net assets during the year.

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.

Equipment and Vehicles

Equipment and vehicles over \$500 are valued at cost if purchased, or estimated fair value at the date of donation. Equipment consisting of office technology and motor scooters and are depreciated using the straight-line method over estimated useful lives of 5 years.

Note to the Financial Statements
December 31, 2007
Sustainable Cambodia, Inc.

NOTE 1 – Summary of Significant Accounting Policies (concluded)

Expense Allocation

Expenses are allocated to the various functional categories based on the purpose achieved by each expenditure. The Corporation does not employ non-resident Cambodians therefore all payroll expenses of the employees are allocated to their specific program. Rent, utilities of the administrative offices and administrative personnel in Gainesville, Florida, are in-kind donations and are not recognized under the modified cash basis of accounting.

NOTE 2 – Concentration of Credit Risk

Cash balances in the U.S. banks do not exceed the FDIC insured limits.

NOTE 3 – Equipment and Vehicles

All fixed assets are located in Pursat, Cambodia.

NOTE 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs:

Well Installation:	
Bio Sand Filter System	\$ 11,422
Other	17,763
Student Education	3,511
Community Sustainability - Unspecified	45,017
Total	<u>\$ 77,713</u>

NOTE 5 – Leases

The Corporation has entered into a lease for the building that houses the school and administrative offices in Pursat, Cambodia. Under the terms of this lease, the Corporation makes monthly payments of \$270 USD until December 31, 2008. However, the lease required prepayment of the last six months. The Corporation has the option to extend the lease for two additional years.

The Corporation executed another lease for the program development office in Pursat, Cambodia. Under the terms of this lease, the Corporation will make monthly payments of \$50 USD until May 31, 2008. The Corporation has the option to renew the lease on a month-to-month basis thereafter. However, the lease required prepayment of the last two months.

Future minimum rental payments for both leases amount to \$1,680 in 2008.

The Corporation's administrative office space in Gainesville, Florida is an in-kind donation by a separate company founded by a board member.

NOTE 6 – 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. The Organization expenses these loans when they are made under the modified cash basis of accounting. Repayments of principal to the Organization are reported as program income when received. Interest repayments are retained by the village committees for future use in the villages.