



*Empowering families and children to effect lasting change.....community by community*

The McKnight Foundation  
Village Enterprise Program

Sustainable Cambodia Final Report  
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# Village Enterprise Program Grant Final Report

## Narrative

On behalf of the rural village families of Kravanh District and our entire organization, Sustainable Cambodia presents a final report on the Village Enterprise Grant activities funded by the McKnight Foundation.

## Summary of Grant Proposal

This \$25,000 one year Village Enterprise project was proposed to incorporate five innovative economic programs through which more than 4,725 family members would be empowered to change their communities. Through training workshops and resources, and assisted experience in new agricultural and animal husbandry methods, communities would pass on their knowledge to families in neighboring communities in how to effect change. After 30 years of economic and societal collapse, these impoverished rural families will have the tools they need to rebuild their lives.

The Village Enterprise Programs include community training in land law as well as in agricultural projects to increase and diversify crops, animal pass-on programs, microloans for family enterprise, and preschool child care centers to support children and their working parents. The programs were to be implemented in conjunction with wells and water which our organization is sponsoring and funding in tandem with the project.

Through the proven success of participatory management, the village committees and target families were to join our all-Cambodian village development staff in implementing these economic programs. Through these programs, the village community would create lasting change in the villages, while also generating ownership and accountability. The changes wrought in the community would be self-sustaining and self-replicating.

## Proposed Village Enterprise Grant Activities

Activity	Proposed initial quantity	Cost per item (US\$)	Total cost (US\$)
Agricultural projects (home gardening/ fishponds, provision of seeds, agricultural training)	120 families	60	7200
Animal pass-on program start up costs	130 families	65	8,450
Micro-loans program start up costs	99 groups	50	4,950
Community Pre-school start up costs	2	700	1,400
BAB community legal program *	30-40 individuals	-	3,000
<b>Sub Total of Budget- McKnight Foundation Grant Proposal</b>			<b>25,000</b>
Community Rice Bank	2	1000	2,000
Operational costs:			
Moto including gas and maintenance	2	1400	2,800
Staff salaries (Village Development Manager, Agricultural Manager)	2	1980	3,960
Overhead costs (electricity, phone, educational materials, expenses)	-	-	600
Transportation costs due to remote location	12 months	38.25	459
<b>Sub Total of Budget- Sustainable Cambodia</b>			<b>9,819</b>
<b>Total Cost of Project</b>			<b>34,819</b>

\* \$3000. This would include a contribution toward the curriculum development costs, planning and consultation, and all the costs of the training itself

## Comparison of Proposed and Actual Grant Activities

### Agricultural Training and Projects to Increase and Diversify Crops

#### **Proposed Activity:**

Assist 120 families in elevating food security, nutrition, income generation from cash crops, and farming skills through trainings and provision of supplies through agricultural projects, including home gardening, fishponds, provision of seeds, and agricultural training

#### **Home Gardening, Seeds, Training**

Home gardening works in conjunction with the wells project currently underway as access to water enables communities to cultivate small-scale home gardens. Initially the home gardens help to provide food security and to develop agricultural techniques that have led, in SC's experience, to income generation possibilities. The provision of vegetable seeds will be accompanied by agricultural training to ensure that the communities have the necessary skills to maximize production from their home gardens. An additional outcome is the reduced need for foraging for food, thus providing a small contribution towards preserving the natural resources. As time spent in foraging activities is reduced, more time is available for income generation or social activities.

#### **Actual Activity:**

Families in the target communities were introduced to the idea of growing castor crop (a cash crop) alongside food crops such as corn and beans. Additionally, families were introduced to a new type of non-chemical based fertilizer called EM (Effective Microorganisms). Finally, fruit bearing trees (sapodilla) were provided to community members.

#### 1. Castor & Food Crop Project

In 2007, fifty-four (54) families were provided with seeds and money for land preparation for the castor & food crop project. In 2008, an additional 104 families will be participating in the project including the expansion of the project into two new villages in Kravanh. The seeds provided included castor, red corn, soybean and peanut. Since this project was more directly related and connected to the microloan project, it is discussed in more detail below.

#### 2. EM Training (Effective Microorganisms)

Eight (8) training courses were provided in various locations. In 2007, 182 participants (from 53 families) participated in the EM training as it related to the castor & food crop project and other agricultural uses.

#### 3. Fruit Trees

One hundred-twenty one (121) families received a total of 1,006 sapodilla trees. In the original plan, 20 trees were to be distributed to each family. The first of the two phases of distribution provided 6 trees (of the 20) to ensure that each family properly followed the planting procedures: installing a support stake to protect the tree from strong winds and to keep the trees straight and upward, preparing the soil and project site appropriately, etc. There will be a combined meeting in early August of 2008 to monitor the tree planting results along with the castor & food crop cultivation plans. After the meeting and feedback session, the remaining trees will be distributed to the target families. The distribution and planting schedule are practical only in the rainy season: June-November. Since February of 2008, the ATC has served as the tree nursery where the trees have matured enough to distribute and plant now that the rains have returned.



*EM Training Sessions at the ATC.*

## Agricultural Training and Projects, continued

### 4. Agricultural Training Center (ATC)

February 2008 was the official opening and inauguration of the Agricultural Training Center (ATC). Building commenced September 19<sup>th</sup> 2007 and was completed January 10<sup>th</sup> 2008. The ATC fulfills a long-term vision of the villagers and SC to serve vital functions in the area. First, it provides a central meeting place for the three McKnight target villages. It helps to facilitate and ease travel time, communications, and logistics in this remote area. Secondly, it is serving as an additional school and educational center for children within the communities. Please refer to education section below for more information. Third, and more importantly, it serves as a training center for agricultural projects as well as a crop distribution site - a place to store crops in order to sell through the bidding process. Most importantly, the formal structure of the ATC, envisioned and built by the teamwork of families, communicates a valued image to every community member for hope and trust. The core values for empowerment, strong social spirit, cohesiveness and long lasting development are integral parts of the ATC where the trained SC staff can mentor the local villagers in various agricultural projects and experimentation.

For example:

- Planting of new crop strains and new crops not already in the area
- Further introduce, train, monitor & evaluate the use of EM fertilizer (and other agricultural ideas) in a more controlled, systematic, testing environment
- Further develop and expand the castor and food crop project through vigorous monitoring and evaluation
- Devote and develop a portion of the facility and land to animal husbandry programs
- Mentor & train community members in self-sufficiency and sustainable agricultural practices



*Please see Photo Story of the ACT on following page.*

## Agricultural Projects / Training



A milestone initiative in delivering the economic development and agricultural training activity is the creation of the Agricultural Training Center (ATC) in Chrey Krim, located at the crossroads of the three designated McKnight Grant villages.

Constructed by volunteer labor from surrounding community families, with assistance from SC for construction materials and trainings, the ATC benefits the older members of the community as well as the young. Currently, it serves as an education center, training center and community meeting place.



Sokharun and Soknay

Children of all ages from the surrounding villages travel to the ATC each day to attend lessons taught by four SC volunteer university students. Currently, sixty students are studying English and in the future will begin classes in Khmer and mathematics.

The ATC also serves as a meeting and training facility for the farmers in the area. National Coordinator Sorn Soknay says, "We must allow the Cambodian farmers to invest 100% of their time in farming during the day. In the evening they can come to the ATC to share information and knowledge."

In the future the ATC will be surrounded by a model farm where villagers can see the methods and benefits of advanced agricultural techniques and practices. SC Community Organizational Manager, Sam Sokharun says that the ATC will grow as a resource center full of agricultural books and resources for the community farmers to ask questions and share ideas.

Recent training workshops have introduced the application and benefits of EM organic fertilizer, training in diversified cash crops and well repair techniques. Most recently, SC in cooperation with NGO Bridges Across Borders, held an urgently needed workshop on Land Law training and possession rights.

The ATC is considered by the communities to be an invaluable asset. Sokharun adds, "Now the community has new hope; they believe the ATC will provide lasting benefits for their growth and success."



Model farmer shows Ag. Mgr. Sameth the benefits of EM.



# Pass-On Animals

## **Proposed Activity:**

Assist 130 families with pass-on animals

## **Animal Pass-On**

According to the PRA surveys and commune councils' needs assessments, all the communities identified animal husbandry as being a top 5 needs priority. SC's Animal Pass-On project directly addresses these needs as the model is specifically designed to benefit increasing numbers of families as the offspring are passed on to the next planned recipients. Social capital and trusting relationships grow within and between communities as families interact during workshops in animal rearing techniques.



The introduction of the animal pass-on project provides a new source of protein as an alternative to hunting wild animals in nearby forests. As the animals will be reared next to the families' homes, the animal pass-on project gradually helps to reduce the amount of time spent hunting for meat. This in turn allows for more time to be available for income generation or social activities. Waste organic matter can be added to the pig sty thus helping to produce compost for the home garden. This method allows for intensified use of the home gardens, reducing the need to turn to slash and burn in order to increase the size of their agricultural land. Once a family has reared a sufficient number of animals for their own uses and provided their pass-on animals to those next in line, the additional animals can be sold in order to generate income.

## **Actual Activity:**

Mother cows were provided to families in the target area. The distribution of 350 chickens is planned for July, 2008. The goals of the animal pass-on program are to provide food security, income generation and labor assistance (in the case of cows).

### 1. Mother Cows

Mother cows were provided to five (5) of the poorest families in Pteash Rong. The five families have, in total, 36 family members (14 female family members).

The target beneficiaries who received animals in the pass-on program were identified by village committees in their own community as the poorest. As an experience of empowerment, the families also served as the representatives in selecting the vendors of the animals and purchased them at a very reasonable price with the agreement from their members. Sustainable Cambodia is helping to mentor the families when other outside assistance is not available. The village committee members understand the process of the pass-on program and have built good relationships with other community members and the vendors.

In 2008, the Pass-On project was temporarily suspended because the families did not want animals during the dry season (January – May). It is difficult to feed, care and raise animals during this timeframe. It was also apparent that providing only cows was monetarily unwise due to their high cost (\$400/animal).

### 2. Chickens

In early June of 2008 a budget request was submitted to provide 70 families in the target area with pass-on chickens. In total, 350 chickens will be provided.

### 3. Animal Husbandry Training

In conjunction with the distribution of chickens the Sustainable Cambodia staff will conduct animal husbandry training courses. Local families who have been long involved in successful animal husbandry will share their experiences with other villagers. This collaboration maximizes the available resources in the community and reduces the dependence on outside speakers who normally charge a great deal of money for this kind of training. The training will include instructions and practice in how to build henhouses, identify diseases and animal treatment options.

# Microloans

## **Proposed Activity:**

Assist 99 family groups with Microloan opportunities

## **Microloans**

The need for microloans for setting up small businesses or farming activities, was also identified in the PRAs and by the commune councils as a high needs priority. The endowment cash capital is provided by SC to enable community members to start an income-generating activity based on their potential skills and talent. In order to apply for a loan, the groups of five people must submit a business plan, written by the group with support from SC staff, in conjunction with skills acquired through operating a small business. The group teams encourage each other's success and hold each other accountability for repayment of the loan. With the money from repaid loans (with monthly interest rate of 1.5%), Village microloan committees expand microloan opportunities to benefit further members of the community.

Once established, the fund can also be used in conjunction with other community development projects like animal pass-on, home gardening, and other income generation initiatives. The input of start-up capital into small local economies creates economic opportunities for those directly involved with the project as well as creating a spill-over economy of primarily services and suppliers. As the project operates in small rural villages, the economic dynamics are on a micro-scale yet have the potential for beneficial impact on the lives of the individuals and others living in the community. In past microloan projects, SC has seen women as major participants and believes that when women are empowered, both families and communities benefit. This has also been the case in micro-loans programs the world over.

## **Actual Activity:**

This portion of the grant was used to initiate the castor & food crop microloan project. The reasons for the change involved discussions with the local community leaders who believed that the castor & food crop project would provide long-term, sustainable improvements in the areas of income generation and food security. Additional assistance with this project was provided by BFD (Buddhists for Development) who had previous experience with the castor plant.

## **Castor & Food Crop Microloan Project Report for Pteash Rong Commune, Kravanh District**

A castor & food crop microloan project was implemented in June, 2007 by Sustainable Cambodia in Pteash Rong commune of Kravanh District. The primary objectives of the project are income generation through the selling of castor & food crops at a guaranteed premium price; increased capacity of beneficiaries in their abilities to diversify their crop production through training in agricultural techniques by SC staff, through access to microloans to purchase crop seed and prepare fields for planting, and through planting cash crops that have the potential to be planted, harvested and sold biannually.

Secondary benefits include increased food security as families will be producing more food due to a greater amount of land being put into cultivation and a wider variety of crops being planted, as well as being able to purchase more food from market with the income generated through the selling of their castor & food crops. Additionally, an increase of social capital connects participating families as they work together with other community members in all phases of the castor & food crop micro-loan project and therefore solidify relationships.



## Castor & Food Crop Microloan Project Report, continued

The formulation and implementation of the project occurred over a time span of a single month and included the participation of all stakeholders. After two meetings in early June of 2007 between Sustainable Cambodia (SC) and Buddhists for Development (BFD), to discuss contract terms between the two organizations, the collaborative efforts began. After a feasibility study was carried out by an agricultural expert employed by BFD and multiple meetings between SC, BFD and participating communities, an agreement was formed between all stakeholders. The feasibility study included taking soil samples at the target area to ascertain soil quality, and a meeting with potential beneficiaries in the target area of Pteash Rong commune to gauge the villagers' willingness and capacity to produce the castor & food crops. Later, two contracts were produced, with one being signed by SC's National Coordinator (NC) and BFD representatives, and the other being signed by all participating members of the target community and SC's NC.

The first contract between SC and BFD states that SC will purchase all castor & food crops produced by the target communities at a pre-determined premium price (which BFD guarantees via its long standing contract with the Thai government), transport the product to BFD in Banteay Meanchey and then sell the product to BFD at a slightly higher premium price. A second contract was signed by SC and the participating farmers in Pteash Rong commune. In short, the contract states that SC will provide micro-loans to farmers to be used exclusively for purchasing cash crop seed (green bean, soy bean, peanut and red corn) and preparing land for cultivation; that SC will provide training in agricultural techniques to participating farmers; that farmers will grow at least two crops on each hectare parcel of land, with one of the crops being castor; and that SC will buy all castor & food crops produced at a pre-determined premium price.

## Community Preschools

### Proposed Activity:

Build 2 preschools with community families and assist in training local teachers

### Preschool Program

The services and benefits provided by preschools are given in the general section below. The specific advantage of providing preschools in the target area is that they provide education and community facilities *within* the communes. As the target area is remote, it takes children up to 2 ½ hours to travel to state school, meaning that not all children can currently access education. The provision of two preschools in the area addresses this issue. While the children attend the preschool, their parents can engage in food security or income generation activities. In SC's experience, the preschool also acts as a meeting point and introduces SC to the community through the children.

In 2005 Sustainable Cambodia joined community families and village leadership committees to introduce the Community Preschool Program. This program provides parents with a safe place to leave their young children ages 3-6 years of age during the day while they are planting and harvesting or gainfully employed outside the village. Simultaneously, the childcare centers provide a stimulating learning environment for the children. Children who spend their formative years in these centers will enter school ready and anxious to learn.

To date, most preschool buildings have been constructed by village families on land donated by one of the families. The community contributes all of the labor and some of the materials while Sustainable Cambodia provides assistance with major building materials. Village committees and parent families interview prospective teachers from their community to select the preschool teacher.



Sustainable Cambodia then provides training in classroom instruction as well as books, educational materials and methods in creating safe and creative learning activities. The teachers decorate the classroom with locally available materials to make flowers and birds and other lovely crafts. Additional interactive toys and materials are often supplied by special donors.

## Interview with Mr. Orn Phalla, Education Coordinator

*Please tell us about the new preschool in Pteash Rung Village*

The teacher's name is Ms Yan Yin. There are 7 family members in her family. She is the youngest in her family and will marry soon! Her education level is higher than other people in her own village. The soon-to-be-married teacher lives with her parents. She is a nice, friendly young lady. She wished to get a high education when she was a student but she couldn't because her family could not support her accommodation and travel and her house was very far from school. Then she decided to drop out of the secondary school. Because her friendly attitude and lovely behavior, she was elected to be a preschool teacher by her villagers and the community committee.



Photo above: Happy Pteash Rong preschoolers learn about clean hands and good hygiene while their schoolhouse is under construction.

*What are the education goals of the teacher and the community parents for the students? Will they learn the Khmer alphabet? Will they start to write?*

The teacher completed the training on teaching methodology and the community parents will train soon on the preschool management and process to run the preschool. The kids who are in 2 to 5 years old are learning songs, playing games and something around them. For kids who are 5 to 6 years old they will learn something deeper than the younger ones. They will learn the Khmer alphabet, math, hygiene and general knowledge helping to make it easier when they start learning at state school in grade 1.

SC also has an Education Manager (EM) working in Kravanh helping to prepare the preschool curriculum and other educational materials.

*Has SC promised to help the preschool teachers with salary for the first year? If yes, how much?*

Yes, learning started in early 2008 and the parents decided to fund 300Riel per family for every month. The teacher's salary is 50,000 riel/month. SC is paying for the difference in the families' contributions and the salary.

### **Actual Activity:**

Two preschools are being provided to the communities. Two parent communities were formed and four teachers were selected from the local communities to attend education training workshops with SC. One preschool in Pteash Rung is 75% complete and students have been attending the school during the construction process. Additionally, older students are receiving English lessons at this preschool. The second preschool in Chrey Krem has been delayed due to the heavy workload demands of the planting season. However, preschool children are attending school at a local household in the area. The school is scheduled for construction during August 2008. Finally, the ATC in Pteas Rung is serving as a learning center for older students. Four University scholarship students travel from Pursat 5 days a week to teach there.



Photo below: Older students study English with SC volunteer intern students at the ATC schoolroom.

Location	Children
Pteash Rung Preschool	21 preschool age students 98 older students receiving English lessons
Chrey Krem Preschool (currently being held at a local village house)	28 preschool age students
Agricultural Training Center	67 older students receiving English lessons

# Community Land Law Training Workshops

## Proposed Activity:

**Bridges Across Borders** is an international, non-governmental organization involved in establishing legal clinics in universities with excellent results in Cambodia and in the region of Southeast Asia. One extension of this pursuit is the Community Legal Advisor Support Project. CLASP aims to support grassroots networks in their efforts to acquire the skills, knowledge, and resources that they require to resolve legal problems, big and small, and to help educate their communities about their legal rights while empowering people throughout the entire process.

Although not identified by the communities themselves as being a high priority need, the vulnerability of the Kravanh communities to land rights conflicts is high. This area presents an excellent opportunity to conduct basic land law training and to show the communities the importance of registering their land and the process involved.

Bridges Across Borders will work with local supporters who are well informed about local land law issues and who are experienced community builders in land law education. Trained legal interns within BAB and a Cambodian lawyer from the partner organization Community Legal Education Center will conduct the land law training workshops. The organizations will produce grassroots legal training materials on land law as well as provide workshops and training to commune council members, village committee members and the legal training project committee. This information will then be disseminated among interested parties within the target community. Furthermore, the training and workshop information will ultimately be transferred to other villages where Sustainable Cambodia programs are active.

## Actual Activity

A three-day land law training seminar was held at the Agricultural Training Center (ATC) in Kravanh District from 11 to 13 of March 2008.

Conducting the workshop was the Community Legal Education Manager of Bridges Across Borders (BAB) along with 2 of their volunteers and 6 university interns. Attending the workshop were 36 representatives from SC staff and target villages, including 3 managers, 2 university interns, 2 international volunteers, 2 commune council members, 3 village chiefs, 2 village vice-chiefs, 7 community committee members, and 15 other villagers.



The substantial part of the land law training was delivered on the first two days. The workshop introduced the community to the concepts of property and rights, movable and immovable property, the extent of landowners' rights, transfer of land, infringements upon ownership, land classification; and the concept of land possession. The workshop was conducted in an interactive style with participants encouraged to ask questions, work in groups, consider case studies and apply the content of the training to their own situations. BAB staff sought feedback from the attendees to ensure they understood the various legal concepts being taught. Throughout the workshop, participants expressed their strong interest in learning about land law as a valuable tool for addressing problems facing their communities.



On the third day, a legal officer from the East West Management Institute spoke to the participants about land law problems in nearby Veal Veng District. The training concluded with a question-and-answer session with BAB's legal officers. Participants were also invited to share their own experiences of land law with the group.

In order to provide a sustainability of law knowledge, managers and university law interns from Sustainable Cambodia attended the training and in the future they will be able to conduct the training by themselves not only in the communities sponsored by McKnight Grant, but also to other villages in Sustainable Cambodia target. As part of their capacity strengthening, a follow-up workshop on land law has been scheduled in July 2008 as agreed by BAB.

## Interview with Mr. SAM Sokharun, Community Organizing Manager

*Could you start by telling us about how long you have been working for Sustainable Cambodia and the sort of work you have been involved with?*

Yes, I joined Sustainable Cambodia in February of 2007 and have always been involved with community development projects; this mainly involves developing project ideas with local communities and co-operating with and sometimes educating communities to make these projects a reality.

*How do you feel about working with village communities?*

I love working with villagers, I am aware of many of the problems that villagers face and a lot of what I do is to make sure that Cambodian villagers aren't forced into situations where other people are able to take advantage of them. An example is the use of high interest loans for many villagers who have no choice but to accept them, the problem is that many of these villagers can't work off the interest and so end up spending even more of their money on the loan repayments. Of course, in these situations it becomes even more difficult for these people to work themselves out of poverty, which is our ultimate aim.



*What sort of opportunities do you think the new agricultural training center will bring to the local villagers in Kravanh?*

A great range! It must be emphasized of course that the new center is only being built because the villagers want it. They are the ones building the center with their own hands! We have discussed with them at great length the reasons why we think it would be useful to them, and they have been integral to the decision making process. We hope that this new center will become an educational center for local farmers where we can discuss successes from other parts of the country and so bring new ideas to the area. We also hope to test out new crops at land we have available at the center, as well as new experimental ways of growing established crops to improve output. Many of the villagers have a low margin of error for such things due to the subsistence nature of their livelihoods so something like this would be perfect for our needs. We also would like to have some time dedicated for the education of the children of some of the villagers in such subjects as English and healthcare.



*And how is your role going to change with the new center?*

I will be working at the training center on top of my original duties so things certainly won't be quiet. I will be spending a lot of time educating the locals about the new techniques that have been successful elsewhere and discussing the crop trials that we would like to be trying out in the near future.

## Major Accomplishments

Over the course of the grant year, the major accomplishments are integrated in a growing sense of community and ownership for the families through hands-on projects, training and accountability. The growth of community optimism and participation has led to measurable successes and future potentialities of the Castor & Food Crop Microloan Project and the creation and multiple services of the Agricultural Training Center.

- In past years, other NGOs have operated in Kravanh as charities by offering support projects that did not require or develop ownership and accountability among the community people. SC managers feel that the transition from passive participation to active ownership of opportunities would take time. Later, as the ATC project emerged and engaged the families in hands-on community building, this transition into empowerment and accountability has become one of the ground-breaking successes of the McKnight Grant projects.
- The Castor & Food Crop Microloan project has become the foremost accomplishment of the grant experience. The community replaced their pattern of leaving their land unused with an innovative strategy for supplemental food security and income generation. In the first loan group in 2007, 54 families participated while a total of 113 families are participating in 2008. The loan was used only for land preparation based upon a guaranteed castor seed purchase from Sustainable Cambodia in cooperation with Buddhists for Development (BFD) and Thai vendors.

This project is considered long-term, sustainable and viable because the families are learning and passing on new agricultural techniques and marketing skills with middle men. By 2008, a marked increase in the number of interested families is strengthening future possibilities for this community project. In 2007, only 54 families were interested in the project when it was first introduced through a policy that 100% of the land preparation assistance was provided by Sustainable Cambodia. Now, in 2008, the number has increased to 600 families even after the families were told that the policy of land preparation assistance has changed from 100% to 50%. This means that they have to cover 50% of the financial burden, but they still want to participate in the program.

Seeing their interaction in this project and the successful continuation of this empowerment program is impressive. In the future, families will rely on themselves in managing this project and in further developing their community.

- The Agricultural Training Center (ATC) is providing tangible opportunities to villagers and the village children. The villagers themselves raised the idea and contributed their time and materials toward the successful building of the center. Currently, 98 students (52 females) from 3 villages, Pteash Rung, Chong Rouk and Chrey Krem are attending English classes daily. Prior to the development of the ATC, these children had severely limited opportunities in receiving an education. Classes at the ATC have been helping to fulfill their educational needs.

Moreover, the ATC is used as a community meeting place for trainings & workshops, and provides accommodation for SC staff managers, staff, and interns who must otherwise travel over up to 4 hours daily from Pursat to oversee projects and teach. In the near future, there will be continuing pilot crop growing projects, crop storage, and animal husbandry training for the villagers.

## Major Challenges

Many of the major challenges of the grant year actually inspired successful outcomes and major accomplishments.

- Community families were accustomed to receiving incentives from the government or other groups in return for their attendance in the community meetings and trainings. When Sustainable Cambodia first entered the area and contacted the commune chief and village chiefs for meetings, one challenge was that people complained about not getting money or other materials and only receiving a gathering snack or meal. Seeing this, SC managers paid careful attention to the process and identified the root causes of the complaint. They sought information from other NGOs regarding the methods they used with community people for trainings or meetings. Soon SC managers invited those unsatisfied families to be more involved with projects. After the families saw the benefit of their involvement, they started to realize the long-term importance of the projects rather than short-term incentives they previously received.
- The villages of Kravanh District are known to have landmines. The people are scattered throughout the large villages making it difficult to gather for project meetings, sharing knowledge and strengthening a better relationship between SC staff and village communities. The families thought that having a central site for meetings would help to reduce their travel time. Without hesitation, this led to the idea of having a multi-use center, now the ATC, to serve as a central community meeting place.
- Working with people from the government close to national election date was and is another major challenge. As in our proposal, the grant is scheduled for completion in June 2008; however, since the beginning of 2008 we have found it difficult to meet with the local authorities including at the village level, commune level and district level. They have all been busy with helping their party in their campaign toward the 27 July National Election and have not had sufficient time for discussions and meetings with Sustainable Cambodia.
- In designing the proposal, it was challenging to gauge the demands of managing the Village Enterprise projects in remote locations. It was equally challenging to gauge the toll taken by constantly rising inflation costs that are affecting all aspects of daily life in rural areas. The distance from Sustainable Cambodia offices in Pursat Town to the target community is about 30 km. Traveling back and forth on bumpy, sandy roads requires considerable time and energy, frequent moto repairs and increasingly expensive gas costs in an inflated economy. The SC staff and volunteer interns, following a strong work ethic, have persevered to perform their jobs and have benefitted from the option to stay overnight at the ATC. In the future, Sustainable Cambodia, working hand-in-hand with the commune councils and villages, is planning a road construction project in the area to help villagers in getting their products to market.
- **Recent Economic Changes in Communities Served by Grant**  
Since Sustainable Cambodia submitted the Village Enterprise Program proposal in early 2007, the struggle of rural Cambodian communities to feed their families has escalated due to widespread economic threats. Percentages of the overall inflation rate, varying from 10.8 to 18.2 since the grant was approved are essentially linked to the devaluation of the U.S. dollar. “The Cambodian riel (KHR) is artificially pegged to the \$US at (4,000 riels). As well as dealing with eroded purchasing power, Cambodia is importing inflation on imports from neighboring countries whose currencies have appreciated against the dollar. Dollarization presents a further challenge for policy makers devising sustainable policies to address the current food crisis.” \*

Inflated food prices, including the doubling of the price of rice from March 2007 – March 2008\*, are unquestionably the crucial threat to vulnerable farming communities where family incomes cannot keep up with the escalating prices of basic daily needs: rice, vegetables, meats and non-food items like cooking gas, fertilizers for crops, and gasoline for moto transportation. “A sudden drop-off in the numbers of prahoc fish has seen their price more than triple this year, up to as high as 50 US cents a kilogram from around 12 cents, putting this most basic of Cambodian commodities out of reach for many. While not normally a benchmark by which to measure food security, prahoc prices have highlighted the spiraling costs of staple goods that are threatening Cambodia's poorest with hunger.”\*\*

## Major Challenges: Recent Economic Changes in Communities Served by Grant, continued

Factors contributing to inflated food prices include the increased costs of fertilizers and transportation. Food shortages are created, in part, from profitable rice exportation that drives higher domestic prices inside Cambodia. In the urban areas of Phnom Penh and Siem Reap there are visible signs of a construction boom and influx of foreign development, notably from Korea. Yet in the countryside where over 75% of Cambodians are subsistence farmers, there are visible signs of increasing poverty. Widespread rice shortages are predicted to strike rural families by June of 2008. \*\*\*

As recently as May and June of 2008, Scientific American has published articles by Earth Institute director Jeffrey Sachs on sustainable development in which he addresses the recent surge in world food prices that are creating havoc in poor countries. To offset the challenges, Sachs and Cambodian NGOs and Civil Society Organizations (CSOs) recommend these comprehensive projects to empower families to be self-sustaining: home-grown food production, high-yield seed, water management and small-scale irrigation, improved roads, storage for harvested crops, animal husbandry, microloans, community rice banks and crop diversification and agricultural technologies to generate surplus crops for emerging markets.

Through the Village Enterprise Programs and innovative community development projects, Sustainable Cambodia is striving to expand awareness and opportunities of self-reliance to fortify rural communities through these difficult times. Future projects will continue to prioritize well installations and empowerment models with new focus on high-yield seed, naturally available fertilization methods, small-scale irrigation, improved roads, cooperative farming, cash crops and increased markets.

\* United Nations Cambodia – Rising Food prices – Discussion Paper – June 2008

\*\* CAAI – New Media (Cambodian Association Auckland Inc) February, 2008

\*\*\* Thomas Keusters (World Food Program) quoted by CAAI, Feb, 2008 and by Voice of America, April, 2008

## Measurable Changes in the Lives of Communities Served by the Grant Projects

### Castor & Food Crops (2007) and 2<sup>nd</sup> Loans made in June 2008 for Future Harvests –see below

Total Land (ha)	Loan	Harvest Results				# of Families	Total Member	Female
		Red Corn	Soy Bean	Peanut	Castor			
88.5	\$ 4,425	24 T	40.5 T	3.6 T	9210 T	54	388	190
235	\$ 4,462					77 - 99		

### Castor & Food Crops (2008)

Village	Land Size (ha)	# of Families	Total Members	Females
Chrey Krem	96	37	132	65
Chung Rouk	123	49	200	101
Pteash Rung	16	9	32	19
<b>Total</b>	<b>235</b>	<b>95</b>	<b>364</b>	<b>185</b>
Veal*	42.5	18	70	31
Ankrong*	99.25	45	132	65

- *These villages are part of expansion plan for 2008 in the Kravanh District and do not fall within the geographic area of the McKnight Grant*

### Fruit Trees

Village	Type of Fruit Tree	# of Families	Total Members	Female
Chrey Krem	Sapodilla	54	210	113
Chung Rouk	Sapodilla	33	142	70
Pteash Rung	Sapodilla	34	138	55
<b>Total</b>		<b>121</b>	<b>490</b>	<b>238</b>

*\*20 Families in Chrey Krem planted 20 trees each; the other families planted 6 trees each*

### EM and Castor & Food Crops Training (8 courses)

No	Participants	Total Family Members	Female Family Members	Location	Time
01	34	272	102	Chrey Krem	02/06/2007
02	13	68	33	SC office	09/06/2007
03	27	136	55	Phteash Rung	13/06/2007
04	24	266	27	Chung Ruk	14/06/2007
05	33	177	87	Chrey Krem	24/07/2007
06	07	30	18	Phteash Rung	25/08/2007
07	25	104	50	Chung Ruk	02/09/2007
08	19	142	69	Chung Ruk	30/09/2007
<b>Total</b>	<b>182</b>	<b>1195</b>	<b>441</b>		

*\*Note: 2 additional training courses have been conducted in 2008, but these do not fall within the target communities of the McKnight Grant.*

Measurable Changes in the Lives of Communities Served by the Grant Projects, continued

**Animal Pass On**

	Cows	Families	Total Member	Female	Cost	Community
	4	4	30	14	\$ 1600	Chrey Krem
	1	1	6	3	\$ 400	Phteash Rung
<b>Total</b>	<b>5</b>	<b>5</b>	<b>36</b>	<b>14</b>	<b>\$ 2000</b>	

	Chickens	Families	Total Member	Female	Cost	Community
	70	14	61	33	\$210	Chrey Krem
	50	10	44	28	\$150	Phteash Rung
	230	46	204	94	\$690	Chong Ruk
<b>Total</b>	<b>350</b>	<b>70</b>	<b>309</b>	<b>155</b>	<b>\$1050</b>	

## Follow-up Work Planned with Members of Community

### Project Committees

The Project Village Committees are the main groups responsible for follow-up work in the community when the grant is finished. The members have been empowered to manage their community projects through workshops and hands-on experience in facilitation, planning, and leadership skills. Knowing that Sustainable Cambodia and the McKnight Grant will not be in the community forever, the Village Committees have participated in every stage of the projects, starting with the planning stage alongside the community members as well as project monitoring and project evaluation. SC managers have empowered the committee members to take the lead in all projects for their communities.

### Village Chief and Commune Chief

During the survey stage about potential projects, the village chief was contacted to provide information of various community projects that the people have requested. Since then, each village chief has been involved in all community meetings and understands the projects. SC staff provided all relevant information to each village chief including policies, contracts made in the village and then he/she served as a conflict resolution person for project committees and community members. At the end of the project, the project documents have been stored in the village department for future use.

## Strategies to Replicate Projects in Other Parts of Pursat and Cambodia

- Continue to expand the Castor & Food Crop Microloan program into neighboring villages in Kravanh District. Already in 2008 two new villages of Veal and Ankrong have joined the program.
- Increase the loan size for each castor & food crop farmer from \$80 to \$100 per family in 2009 to cover the steadily increasing costs of land preparation, gasoline and seeds. The increase of the loan size has multiple advantages such as attracting more farmers to this crop, putting more land into productive use and diversifying the market needs. The more crops produced, the more income received will help make the communities less dependant upon SC or other external agencies. Social capital and the economy will become stronger and stronger helping to satisfy SC's mission of building sustainable communities.
- Minimize the gap of the contract from an indirect to direct contract. In 2007, SC contracted with BFD for purchasing the castor seed harvest and, in turn, BFD contracted with Thai Castor Oil (TCO) corporation. In 2008, SC directly contracts with TCO. By 2010, the community committee or community organization will take the present SC roles.
- In 2007, SC paid \$200/ton for the castor seed harvest (and sold to BDF for \$220/ton at the project site - ATC). Now, in 2008, SC has contracted with the farmers to pay them \$225-\$250/ton - and SC will give a \$15/ton bonus to farmers who produce more than 2 tons per seasonal growing calendar. The seed will be sold directly to TCO at the Cambodia-Thai border for \$485/ton.
- The castor & food crop committees, comprised of 3 to 5 members in each community, will also receive \$12.5/ton harvested from the total quantity of castor collective amount. The committee's income, in part, will directly reflect the committee's performance. If they work hard, are proactive and conscientious with the farmers, the farmers will be successful with their crop. The more castor & food crops collected by each farmer, the more benefit the committee will receive.
- Beside bonuses for successful harvests every castor & food crop farmer, SC, and committee member will benefit from the net selling profits. The total net profit will be divided - 50% will go into an SC account to maintain its deposited value against inflation until the money is reloaned. The other 50% will go into the community - 35% of the total community portion will be used for community welfare and the other 15% will be used for committee operational costs.

## Changes in Sustainable Cambodia from the McKnight Grant Experience

It has been an honor to receive this grant from the McKnight Foundation and to join you as partners in the important development work in rural Cambodian communities. Thank you for the trust you have placed in Sustainable Cambodia. This grant has been both a challenge and a learning process for everyone involved in the project. Despite the challenges, the SC grant team devoted their full energy towards meeting the grant objectives and learned invaluable lessons in how to partner well with each other and the community we hope to serve.

The SC Grant Team has strived to deliver a comprehensive sustainable project that involves improved income generation, improved agricultural practices, food security and education for the future of Cambodia – its children.

- One of the significant learning experiences for the SC grant management team has been their accountability to inform the grantor of changes in grant activities prior to moving forward with those changes. SC's only paid staff members of any sort are native Cambodians. The organization utilizes onsite international volunteers and volunteer executive leadership to help train the native Cambodian staff. The entire data collection, evaluation and reporting process has taught everyone to understand their responsibilities as grant partners. Sustainable Cambodia managers and grant team members are meeting in July, 2008 to clarify policies and procedures that will increase the effective and efficient methods of grant management. In future grant management, each grant will be assigned one manager to oversee all grant activities, data collection and reporting.
- The keystones of the project lie in two projects. The Agricultural Training Center (ATC) will serve as a long-term permanent fixture in the community. As outlined in the report, it will serve as a training center for many agricultural and animal husbandry projects. Most importantly, it fulfills the core values for empowerment, strong social spirit, cohesiveness and long-lasting sustainability in the community. As the villagers become more self-reliant and Sustainable Cambodia begins to withdraw from the area the local villagers will become 100% responsible for the future of the ATC including training and implementing their own projects.
- The introduction of the castor plant into the community is an innovative agricultural project. To our knowledge this type of project has not been introduced in any of our target areas in Pursat Province. The key to this project is growing a cash crop (castor) amongst food crops such as corn, green beans and peanut. Therefore, income generation and food security projects are entwined. Along with this project a new non-chemical based fertilizer (Effective Microorganisms – EM for short) is being introduced to the villagers. Both the castor & food crop and EM are considered by SC and the villagers as long-term solutions in the areas of income generation and food security. Having said that, we fully realize that this project needs a 3-5 year timeframe to fully implement, monitor & evaluate and adapt to the always evolving needs of the communities involved.

Again, on behalf of our village families and children, the entire Sustainable Cambodia community hopes that the McKnight Foundation will see the value, direction and potential of our projects. Thousands of family members have new skills, experiences, increased income, opportunities for education, and perhaps most importantly, new confidence in planning and managing their own future projects. Many families have actively participated in the projects, overall processes, and essential decision-making. The SC team and the village communities realize that community development is a long-term process, not a one-time project. As the ATC further develops into a full training facility, families will enhance their skills of self-reliance and project management and pass them onto other families, other villages and future generations.

McKnight Foundation- Sustainable Cambodia  
Village Enterprise Program Grant Financial Report  
July, 2008

Program Activity	Proposed Quantity	Proposed Total Costs	Actual Quantity	Actual Total Costs	Notes
Agricultural Projects & Training	120 Families	7,200	182 + Families	12,180	1
Animal Pass-On Program Start-up Costs	130 Families	8,450	5 + 75 Families	2,300	2 *
Microloan Program Start-up Costs	99 Groups	4,950	133 families	5,480	3
Community Preschool Start-up Costs	2 / 150 children	1,400	1 / 49 children +165 older students	819	4 *
BAB Land Law Training	30-40 individuals	3,000	36 individuals	3,000	
<b>Subtotal of Budget - McKnight Foundation Grant Proposal</b>		<b>25,000</b>		<b>23,779</b>	
Community Rice Bank	2	2,000	0	0	5
Operational Costs:					
Moto including gas and maintenance	2	2,800	2	3,875	6
Staff Salaries: Village Development Mgr / Agriculture Mgr	2	3,960	2	3,720	
Overhead Costs ( electricity, phone, educational materials, expenses)		600		876	
ATC School materials, supplies, and overhead				1,082	
Transportation Costs due to remote location	12 months	459	12 months	610	
<b>Subtotal of Budget - Sustainable Cambodia</b>		<b>9,819</b>		<b>10,163</b>	
<b>Subtotal of Costs incurred to date</b>				<b>33,942</b>	
<b>Subtotal of Costs incurred 3Q-2008</b>				<b>1,631</b>	*
<b>Total Cost of Project</b>		<b>34,819</b>		<b>35,573</b>	

\* Grant Project Activities Scheduled in 3Q-2008

### Relevant Developments after Submitting Grant Proposal

In the proposal, Sustainable Cambodia planned to deliver the Village Enterprise project activities in five villages of the Kravanh District. In delivering the actual grant activities, three neighboring villages – Pteash Rong, Ching Rouk and Chrey Krim- were selected for the project site for the McKnight grant activities. These villages connect in a central area that soon became the site of the Agricultural Training Center (ATC), one of the significant successes and outgrowths of the McKnight Grant vision. The other two extremely remote villages were selected as project sites for another grant program.

### Summary of Budget Variance from Grant Proposal

In keeping with participatory management practices, Sustainable Cambodia (SC) managers met with target village committee members and families to discuss the goals of the each grant project. Through this exchange of ideas and considerations, two activities of the Village Enterprise grant – Agricultural Projects / Training and Microloans- evolved into projects which were significantly different in approach while delivering the originally proposed outcomes. In both instances, we believe the evolved project models are delivering outcomes to achieve our original goals in building substantial empowerment training with long-lasting economic opportunities. Together, the projects are viewed by the participating families, SC staff and volunteers as the cornerstones for the future of the communities.

McKnight Foundation- Sustainable Cambodia  
Village Enterprise Program Grant Financial Report  
July, 2008

Budget Variance, continued

1. In preparing for the agricultural training program, SC learned from the families not only their specific questions and interests in crop diversifications but also their concerns for the logistics in how to gather as a community after long days in the fields spread out across multiple remote villages. The unexpected outcome was the creation of the Agricultural Training Center (ATC) built with family sweat equity under guidance and financial assistance from SC through McKnight grant funding. A continuing source of training and education, the ATC is a tangible reminder of what can happen when a community works together.
2. The Pass-On project was temporarily suspended in early 2008 because the families did not want animals during the dry season (January – May). It is difficult to feed, care and raise animals during this timeframe. It was also apparent that providing only cows was monetarily unwise due to their high cost (\$400/animal). In July of 2008, 350 chickens and training are scheduled to be provided for 70 families for a total of \$1,050.
3. In preparing for the Microloan program, participating families and SC managers worked together to adapt the originally proposed model to meet the specific needs of the community. Rather than provide individual microloans for family groups who are still learning how to manage projects independently, SC met with village committees and families to create a community cash crop microloan project to be supervised by SC. After the experience base of the families grew and initial loans were repaid through SC, subsequent loans for community cash crops have been reissued to expand the economic opportunities to an increasing number of families.
4. The second preschool in Chrey Krem has been delayed due to the heavy workload demands of the planting season. However, preschool children are attending school at a local household in the area. The school is scheduled for construction during August 2008. The remaining preschool budget of \$581 will be applied toward the completion of the preschools.
5. The Community Rice Banks are scheduled for construction after the rice harvest season in early 2009. Related expenses have not been included in the Sustainable Cambodia portion of the budget.
6. In designing the proposal, it was challenging to gauge the demands of managing the Village Enterprise projects in remote locations. It was equally challenging to gauge the toll taken by constantly rising inflation costs that are affecting all aspects of daily life in rural areas. The distance from Sustainable Cambodia offices in Pursat Town to the target community is about 30 km. Traveling back and forth on bumpy, sandy roads requires considerable time and energy, frequent moto repairs and increasingly expensive gas costs in an inflated economy. In the future, Sustainable Cambodia, working hand-in-hand with the commune councils and villages, is planning a road construction project in the area to help villagers in getting their products to market.

# 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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4055 NW 43<sup>rd</sup> Street, Suite 28 Gainesville, Florida 32606 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

## 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>
<b>Assets</b>	
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	4,875
<b>Total Assets</b>	<b>\$ 81,956</b>
<b>Liabilities and Net Assets</b>	
Liabilities	\$ --
Net Assets:	
Unrestricted	4,243
Temporarily Restricted	77,713
Total Net Assets	81,956
<b>Total Net Assets</b>	<b>\$ 81,956</b>

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
<b>Support</b>			
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	141,968	(141,968)	--
<b>Total Support</b>	<b>232,537</b>	<b>41,914</b>	<b>274,451</b>
<b>Revenues</b>			
Program Revenues	5,364	--	5,364
Interest Income	449	--	449
<b>Total Revenues</b>	<b>5,813</b>	<b>--</b>	<b>5,813</b>
<b>Total Support and Revenues</b>	<b>238,350</b>	<b>41,914</b>	<b>280,264</b>
<b>Expenses</b>			
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	1,958	--	1,958
<b>Total Expenses</b>	<b>259,943</b>	<b>--</b>	<b>259,943</b>
<b>Change in Net Assets</b>	<b>(21,593)</b>	<b>41,914</b>	<b>20,321</b>
<b>Net Assets, January 1, 2007</b>	<b>25,836</b>	<b>35,799</b>	<b>61,635</b>
<b>Net Assets, December 31, 2007</b>	<b>4,243</b>	<b>77,713</b>	<b>\$ 81,956</b>

See accompanying notes.

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

	<b>Program Services</b>					
	Community Healthcare	Student Education	<b>Community Sustainability</b>			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
<b>Total</b>	<b>\$ 13,788</b>	<b>\$ 55,870</b>	<b>\$ 22,262</b>	<b>\$ 20,599</b>	<b>\$ 143,524</b>	<b>\$ 256,043</b>

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
<b>Total</b>	<b>\$ 1,942</b>	<b>\$ 1,958</b>	<b>\$ 259,943</b>

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
<b>Total</b>	<b><u>\$ 77,713</u></b>

**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.