THE VETIVER NETWORK

Financial Statements

December 31, 2001 and 2000

THE VETIVER NETWORK

Contents

INDEPENDENT AUDITOR'S REPORT

To Board of Directors
The Vetiver Network
Arlington, Virginia

We have audited the accompanying statements of financial position of The Vetiver Network (TVN) (a nonprofit organization) as of December 31, 2001 and 2000, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of TVN's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TVN as of December 31, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Costin, Updegrove & Combs, P. L. C.
Leesburg, Virginia

June 11, 2002

THE VETIVER NETWORK
Statements of Financial Position
December 31, 2001 and 2000

	2001	2000
ASSETS		
ASSETS		
Cash and cash equivalents	$ 123,751	$ 119,802
Restricted cash	33,547	82,067
Federal withholding taxes receivable	967	829
Furniture and equipment, at cost, net of accumulated depreciation of $9,436 in 2001 and $9,990 in 2000	5,854	7,594
	$ 164,119	$ 210,292
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 252	$ 5,493
Grants payable	37,756	14,340
Interest payable − Danish grant	1,889	261
	39,897	20,094
NET ASSETS		
Unrestricted	90,675	108,131
Temporarily restricted	33,547	82,067
	124,222	190,198
	$ 164,119	$ 210,292

See independent auditor's report and accompanying notes.

THE VETIVER NETWORK

Statements of Activities

Year Ended December 31, 2001

(with comparative totals for 2000)

	Unrestricted	Temporarily Restricted	Totals 2001	Totals 2000
REVENUES AND SUPPORT				
Contributions	$ 56,980	$ –	$ 56,980	$339,446
Sales	269	–	269	–
Interest	3,690	–	3,690	2,271
Net assets released from restrictions				
Satisfaction of program restrictions	48,520	(48,520)	–	–
	109,459	(48,520)	60,939	341,717
EXPENSES				
Programs				
Network support	25,000	–	25,000	53,477
NGO support	–	–	–	(1,000)
Research awards	46,731	–	46,731	76,500
Newsletter publications	38,266	–	38,266	23,342
Postage	2,903	–	2,903	1,186
Travel and entertainment	509	–	509	4,312
	113,409	–	113,409	157,817
Management and general				
Depreciation	3,990	–	3,990	4,465
Loss on disposal of equipment	977	–	977	5,021
Legal and professional fees	7,675	–	7,675	1,521
Office expense	864	–	864	4,974
	13,506	–	13,506	15,981
	126,915	–	126,915	173,798
CHANGE IN NET ASSETS	(17,456)	(48,520)	(65,976)	167,919
NET ASSETS, BEGINNING OF YEAR	108,131	82,067	190,198	22,279
NET ASSETS, END OF YEAR	$ 90,675	$ 33,547	$124,222	$190,198

See independent auditor’s report and accompanying notes.

See independent auditor’s report and accompanying notes.

THE VETIVER NETWORK

Statements of Cash Flows

Years Ended December 31, 2001 and 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (65,976)	$ 167,919
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	3,990	4,465
Loss on disposal of equipment	977	5,021
Increase (decrease) in:		
Federal withholding taxes receivable	(138)	
(704)		
Prepaid expenses	-	3,499
Increase in:		
Accounts payable	18,175	14,833
Interest payable − Danish grant	1,628	261
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(41,344)	195,294
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in cash restricted by contributors	48,520	(82,067)
Purchases of equipment	(3,227)	(1,955)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	45,293	(84,022)
INCREASE IN CASH	3,949	111,272
CASH, BEGINNING OF YEAR	119,802	8,530
CASH, END OF YEAR	$ 123,751	$ 119,802

See independent auditor’s report and accompanying notes.

THE VETIVER NETWORK
Notes to Financial Statements
December 31, 2001 and 2000

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Basis of Accounting and Presentation

The financial statements of TVN have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. The financial statements have been presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations".

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

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

Cash and Cash Equivalents

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and equipment

Furniture and equipment are those assets used in the operations of TVN. They are recorded at cost or, if donated, at the estimated fair market value at the date of donation. They are being depreciated over estimated useful lives of five years using the straight-line method.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, in accordance with Statement of Financial Accounting Standard (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made".

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

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

Sales

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

Fair Value of Financial Instruments

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of TVN.

Allocation of Joint Costs

In 1999, TVN adopted SOP 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Include Fundraising.* SOP 98-2 applies to all fundraising activities of nonprofit organizations and, in particular, to joint activities – those fundraising activities that include elements of other activities such as program, or management and general. SOP 98-2 requires that all costs related to a joint activity be recorded as fundraising costs, unless the activity meets several criteria. These criteria relate to the purpose, the intended audience, and the content of the joint activity. TVN had no such joint activities during either 2001 or 2000.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following on December 31, 2001 and 2000:

	2001	2000
Savings – operating	$ 122,628	$ 115,061
Non-interest bearing checking account	1,118	4,708
Petty cash	5	33
	$ 123,751	$ 119,802

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2001 and 2000 equaled $33,547 and $82,067, respectively. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors for 2001 and 2000 as follows:

	2001	2000
Network support	$ 5,810	$ 21,977
NGO support	–	76,000
Newsletter publication	42,710	3,490
Internet	–	970
	$ 48,520	$102,437

NOTE D – CONCENTRATIONS

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

TVN has concentrated its credit risk by maintaining all cash deposits in a single bank. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000. TVN's uninsured cash balances at December 31, 2001 and 2000 total $57,298 and $101,869, respectively.

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

To Board of Directors
The Vetiver Network
Arlington, Virginia

Our report on our audit of the basic financial statements of The Vetiver Network (TVN) for 2001 and 2000 appears on page one. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Danish Grant Activity is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the management of TVN. Such schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

Costin, Updegrove & Combs, P. L. C.
Leesburg, Virginia

June 11, 2002

THE VETIVER NETWORK

Schedule of Danish Grant Activity

Years Ended December 31, 2001 and 2000

	2001	2000
INCOME		
Donations	$	$ 108,5
EXPENSES		
Network Support		
Amhara Network	1,000	_
Andean Vetiver Network	_	1,000
Brazil Vetiver Network	_	1,000
Cameroon Vetiver Network	_	1,000
Chile Vetiver Network	_	1,002
China Vetiver Network	_	2,000
Columbia Vetiver Network	_	2,000
Costa Rica Vetiver Network	_	1,000
Ecuador Vetiver Network	_	1,000
Indonesia Vetiver Network	_	4,000
Mexico Vetiver Network	_	975
Panama Vetiver Network	1,000	1,000
Peru Vetiver Network	_	1,000
Southern Africa Network	1,000	_
Tanzania Vetiver Network	_	4,000
Venezuela Network	1,000	_
Other support		1,000
	4,000	21,977
Other		
Publications and newsletters	38,224	3,490
Administration		
Meals and entertainment	62	_
Internet charges	1,748	970
	1,810	970
TOTAL EXPENSES	44,034	26,437
CHANGE IN NET ASSETS	$ (44,034)	$ 82,067

See independent auditor's report on the schedule of Danish grant activity.