

Financial Statements  
with Independent Auditors' Report

GEOHAZARDS INTERNATIONAL

For the Years Ended  
December 31, 2017 and 2016



SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

# GEOHAZARDS INTERNATIONAL

## CONTENTS

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	Page
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to Financial Statements	8-16



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
GeoHazards International  
Menlo Park, CA

We have audited the accompanying financial statements of GeoHazards International (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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## INDEPENDENT AUDITORS' REPORT - Continued

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GeoHazards International as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

S D Mayer & Associates, LLP

*S D Mayer & Associates, LLP*

San Francisco, CA  
November 13, 2018

**GEOHAZARDS INTERNATIONAL**  
**STATEMENTS OF FINANCIAL POSITION**  
as of December 31, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 76,887	\$ 32,962
Donations receivable	112,350	374,524
Grants receivable	76,179	139,743
Investments at fair value	1,028,939	858,098
Other assets	11,663	8,970
Total Assets	\$ 1,306,018	\$ 1,414,297
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 42,264	\$ 45,472
Accrued expenses	32,414	27,715
Contract advances	7,292	-
Total Liabilities	81,970	73,187
Net Assets:		
Unrestricted net assets	1,106,884	958,162
Temporarily restricted net assets	117,164	382,948
Total Net Assets	1,224,048	1,341,110
Total Liabilities and Net Assets	\$ 1,306,018	\$ 1,414,297

The accompanying notes are an integral part of these financial statements

**GEOHAZARDS INTERNATIONAL**  
**STATEMENTS OF ACTIVITIES**  
for the years ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Grants:						
Federal	\$ 151,525	\$ -	\$ 151,525	\$ 213,454	\$ -	\$ 213,454
Corporations and foundations	416,982	-	416,982	198,288	225,000	423,288
Contributions	274,909	-	274,909	206,538	-	206,538
Net investment income (loss)	158,011	-	158,011	54,792	-	54,792
Other income	2,733	-	2,733	2,023	-	2,023
Net assets released from restrictions	265,784	(265,784)	-	355,569	(355,569)	-
Total Support and Revenue	<u>1,269,944</u>	<u>(265,784)</u>	<u>1,004,160</u>	<u>1,030,664</u>	<u>(130,569)</u>	<u>900,095</u>
Operating Expenses:						
Program services	726,248	-	726,248	548,307	-	548,307
Supporting services:						
Management and general	312,077	-	312,077	264,447	-	264,447
Fundraising	82,897	-	82,897	115,321	-	115,321
Total Operating Expenses	<u>1,121,222</u>	<u>-</u>	<u>1,121,222</u>	<u>928,075</u>	<u>-</u>	<u>928,075</u>
Changes in Net Assets	148,722	(265,784)	(117,062)	102,589	(130,569)	(27,980)
NET ASSETS:						
Beginning of year	958,162	382,948	1,341,110	855,573	513,517	1,369,090
End of year	<u>\$ 1,106,884</u>	<u>\$ 117,164</u>	<u>\$ 1,224,048</u>	<u>\$ 958,162</u>	<u>\$ 382,948</u>	<u>\$ 1,341,110</u>

The accompanying notes are an integral part of these financial statements

**GEOHAZARDS INTERNATIONAL**  
**STATEMENTS OF CASH FLOWS**  
for the years ended December 31, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATIONS:</b>		
Changes in Net Assets	\$ (117,062)	\$ (27,980)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Realized (gains) and losses on investments	(11,365)	(28,129)
Depreciation (appreciation) on investments	(103,371)	12,362
(Increase)/decrease in operating assets:		
Donations receivable	262,174	(348,602)
Grants receivable	63,564	240,849
Other assets	(2,693)	10,939
Increase/(decrease) in operating liabilities:		
Accounts payable	(3,208)	16,244
Accrued expenses	4,699	6,432
Contract advances	7,292	-
Net cash provided by (used) in operating activities	100,030	(117,885)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of securities	40,000	157,229
Purchase of investments	(52,830)	(24,537)
Dividends reinvested	(43,275)	(39,495)
Total cash provided by (used in) investing activities	(56,105)	93,197
Net increase (decrease) in cash balances	43,925	(24,688)
<b>CASH AND EQUIVALENTS:</b>		
Beginning of year	32,962	57,650
End of year	\$ 76,887	\$ 32,962
<b>Supplemental disclosure of cash flow information:</b>		
Donated securities	\$ 19,053	\$ 17,472
Interest expense	\$ 43	\$ 88

The accompanying notes are an integral part of these financial statements

**GEOHAZARDS INTERNATIONAL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
for the year ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses:				
Salaries and wages	\$ 239,774	\$ 158,599	\$ 55,493	\$ 453,866
Employee benefits and payroll taxes	<u>38,952</u>	<u>25,765</u>	<u>9,015</u>	<u>73,732</u>
Total Personnel Expenses	278,726	184,364	64,508	527,598
Consulting and professional fees	249,020	34,791	1,577	285,388
Computers and equipment	4,622	1,731	606	6,959
Conferences and meetings	26,470	2,423	67	28,960
Insurance	-	6,979	-	6,979
Interest	-	43	-	43
Occupancy	29,510	18,499	6,473	54,482
Other	8,771	53,799	4,737	67,307
Postage and shipping	346	68	1,628	2,042
Printing and publications	1,713	372	2,038	4,123
Taxes, licenses and other fees	-	100	-	100
Supplies	5,701	1,848	647	8,196
Telephone	6,083	1,682	588	8,353
Travel and per diem	115,286	5,378	28	120,692
Total Expenses	<u>\$ 726,248</u>	<u>\$ 312,077</u>	<u>\$ 82,897</u>	<u>\$ 1,121,222</u>

The accompanying notes are an integral part of these financial statements



**GEOHAZARDS INTERNATIONAL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
for the year ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses:				
Salaries and wages	\$ 188,215	\$ 159,099	\$ 80,978	\$ 428,292
Employee benefits and payroll taxes	29,452	24,896	12,671	67,019
Total Personnel Expenses	<u>217,667</u>	<u>183,995</u>	<u>93,649</u>	<u>495,311</u>
Consulting and professional fees	203,725	34,644	2,471	240,840
Computers and equipment	1,164	961	489	2,614
Conferences and meetings	7,457	1,361	-	8,818
Insurance	3,145	2,659	1,353	7,157
Interest	-	88	-	88
Occupancy	23,443	18,555	9,444	51,442
Other	6,749	6,920	817	14,486
Postage and shipping	2,393	686	702	3,781
Printing and publications	1,747	158	35	1,940
Taxes, licenses and other fees	-	150	-	150
Supplies	4,558	1,135	841	6,534
Telephone	1,131	3,974	830	5,935
Travel and per diem	75,128	9,161	4,690	88,979
Total Expenses	<u>\$ 548,307</u>	<u>\$ 264,447</u>	<u>\$ 115,321</u>	<u>\$ 928,075</u>

The accompanying notes are an integral part of these financial statements

**GEOHAZARDS INTERNATIONAL**  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2017 and 2016

**1. Organization and Summary of Significant Accounting Policies:**

Organization

GeoHazards International (GHI or Organization) was established in 1991 as a non-profit organization to improve the safety of communities at risk from geological hazards. Current GHI initiatives include projects in India, Haiti, Nepal, Bhutan, Indonesia and China. Other programs include public education and outreach to raise awareness of earthquake risk.

Basis of Accounting

The financial statements of GHI have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Pursuant to Accounting Standards Codification No. 958, *Financial Statements of Not-for-Profit Entities*, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of GHI and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed restrictions, but may be designated for a specific purpose by action of the Board of Trustees or otherwise limited by contractual arrangements with outside parties.

*Temporarily Restricted Net Assets* – Net assets that are subject to donor-imposed restrictions that can be fulfilled either by actions of GHI pursuant to those stipulations and/or expire with the passage of time.

*Permanently Restricted Net Assets* - Net assets that are subject to donor-imposed restrictions that GHI maintain them permanently. Generally, the donors of these assets permit GHI to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2017 and 2016, GHI had no permanently restricted net assets.

**GEOHAZARDS INTERNATIONAL**  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2017 and 2016

**1. Organization and Summary of Significant Accounting Policies: (continued)**

Description of program and supporting services

The following program and supporting services are included in the accompanying financial statements:

Federal Grants

GHI recognizes revenue when it incurs expenses in accordance with the related grant award. The federal government reimburses GHI for its costs plus an approved allowance to cover its indirect costs. Expenses incurred in excess of billings are recorded as federal grants receivable.

Grants, Contributions, and Revenue Recognition

GHI recognizes revenue at fair value when a donor/grantor makes an unconditional promise to give. GHI records these contributions as unrestricted or temporarily restricted, depending upon the existence and nature of any donor-imposed restrictions. Amounts received that are designated for future periods or designated for specific purposes are reported as temporarily restricted support. When a temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions expended in the year of receipt are reflected as unrestricted.

GHI does not anticipate any significant uncollectible grants or contributions for services rendered or expenses incurred.

General and Administrative Expenses

General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of GHI.

Fund Raising

Fundraising expenses include the necessary costs to encourage and secure financial support from the government, individuals, foundations and corporations.

**GEOHAZARDS INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2017 and 2016

**1. Organization and Summary of Significant Accounting Policies: (continued)**

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. Significant estimates include the functional allocation of expenses, allocation of indirect costs and fair valuation of investments. Accordingly, actual results could differ from those estimates.

Indirect Costs

Certain contracts awarded by federal and other agencies generally allow a charge for indirect costs, based on certain criteria which may vary by contract, (IDC rate). The applicable IDC rate is determined on an annual provisional basis and subject to later adjustment as a result of audit and/or review by the granting agency.

Property and Equipment and Depreciation

All acquisitions of property and equipment in excess of \$2,000 and expenditures for repairs, maintenance renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment is recorded at cost or, if donated, the approximate fair market value on the date of donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis, primarily five years for furniture and equipment.

Cash and Cash Equivalents

Cash and cash equivalents consist of a checking account and savings account. For purposes of the statement of cash flows, cash equivalents include highly liquid debt instruments with a purchased maturity of three months or less.

Compensated Absences

GHI accrues a liability for earned vacations to which employees are entitled depending on their length of service and other factors. The accompanying financial statements include accrued vacation benefits of \$26,807 and \$25,011 for the years ended December 31, 2017 and 2016, respectively.

**GEOHAZARDS INTERNATIONAL**  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2017 and 2016

**1. Organization and Summary of Significant Accounting Policies: (continued)**

Foreign Currency Transactions

Receipts and disbursements in foreign currencies are converted into U.S. dollars at the exchange rates approximating those at the transaction dates. Foreign currency exchange gains and (losses) were immaterial for the years ended December 31, 2017 and 2016, respectively.

Functional Allocation of Expenses

Expenses that apply to more than one functional category have been allocated between program, management and general, and fundraising, based on the time spent on these functions by specific employees. Other costs are charged directly to the appropriate functional category.

Fair Value of Financial Instruments

The carrying value of certain financial instruments, including cash and cash equivalents, grants receivable, investments, other assets, accounts payable and accrued expenses approximate fair value due to their short-term nature. The carrying value of loans payable approximate fair value, as the interest rates approximate market rates.

The fair value of the GHI's financial instruments reflects the amounts that the GHI expects to receive in connection with the sale of an asset or pay in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). Generally Accepted Accounting Principles also established a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 – quoted prices in active markets for identical assets and liabilities.

Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 – unobservable inputs that are supported by little or no market activity.

**GEOHAZARDS INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2017 and 2016

**2. Concentrations:**

GHI maintains its cash balances at various banks in the United States as of December 31, 2017 and 2016. During 2013, GHI opened a foreign bank account in Haiti. The balance was \$80 and \$230 as of December 31, 2017 and 2016, respectively.

The Federal Deposit Insurance Corporation (FDIC) insures account balances at US banks up to \$250,000. At December 31, 2017 and 2016, GHI had uninsured bank balances in US financial institutions of \$23,716 and \$249, respectively.

89% of GHI's donations receivable was from one (1) donor and 50% of grants revenue was from three (3) funding sources in 2017. 93% of GHI's donations receivable were from three (3) donors and 24% of donations revenue was from one (1) donor in 2016.

**3. Donations and Grants Receivable:**

Donations receivable include mainly non-federal contributions. Donations receivable are composed of the following amounts at December 31,

	<u>2017</u>	<u>2016</u>
Donations receivable in less than one year	\$ 112,350	\$ 374,524
Donations receivable in one to five years	-	-
Total donations receivable	<u>112,350</u>	<u>374,524</u>
Less discount for present value	-	-
Donations receivable – net	<u>\$ 112,350</u>	<u>\$ 374,524</u>

Grants receivable are mainly from government or federal sources. Donations and grants receivable are deemed to be fully collectible by management.

**4. Property and Equipment:**

Property and equipment is valued as stated in Note 1 and is summarized as follows:

	<u>2017</u>	<u>2016</u>
Furniture	\$ 5,176	\$ 5,176
Office equipment	9,748	9,748
Computer equipment	24,813	24,813
Less: accumulated depreciation	<u>(39,737)</u>	<u>(39,737)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense in the years ended 2017 and 2016.

**GEOHAZARDS INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2017 and 2016

**5. Fair Value of Financial Instruments:**

The following table sets forth GHI's assets and liabilities that are measured at fair value on a recurring basis as of the December 31,

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2017</u>
Equity	\$ -	-	-	\$ -
Mutual Funds	1,028,939	-	-	1,028,939
Total	\$ 1,028,939	-	-	\$ 1,028,939

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2016</u>
Equity	\$ 5,018	-	-	\$ 5,018
Mutual Funds	853,080	-	-	853,080
Total	\$ 858,098	-	-	\$ 858,098

**6. Investments:**

Investments are stated at fair value and at December 31, consisted of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity	\$ -	\$ -	\$ 5,018	\$ 5,018
Mutual Funds	776,283	1,028,939	703,705	853,080
Total	\$ 776,283	\$ 1,028,939	\$ 708,723	\$ 858,098

Net Investment income (loss) consisted of for the year ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 43,275	\$ 39,025
Realized and unrealized gains (losses)	114,736	15,767
Total	\$ 158,011	\$ 54,792

**GEOHAZARDS INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2017 and 2016

**7. Temporarily Restricted Net Assets:**

Contributions that are restricted by a grantor agency or a donor are reported as an increase in unrestricted net assets if the restriction expires, or the conditions are met in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. As of December 31, temporarily restricted net assets consisted of:

	<u>2017</u>	<u>2016</u>
<b>Time restricted:</b>		
Foundations and Corporations	\$ 25,000	\$ 157,100
<b>Purpose restricted:</b>		
UCB Internship	-	18,285
Producing earthquake test for schools in Bhutan	68,364	150,000
Reducing risk, raising awareness and limiting losses in Aizawl, India	-	32,563
Inventory school building	23,800	25,000
<b>Total</b>	<u>\$ 117,164</u>	<u>\$ 382,948</u>



**GEOHAZARDS INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2017 and 2016

**8. Net Assets Released from Restrictions:**

Net assets released from restrictions during the year by incurring expenses satisfying the restricted purposes as of December 31 were as follows:

	<u>2017</u>	<u>2016</u>
<b>Time restricted:</b>		
Foundations and Corporations	\$ 132,100	\$ 164,400
<b>Purpose restricted:</b>		
UCB Internship	18,286	16,657
School Awareness and Contents Hazards Mitigation – India	-	-
Producing earthquake test for schools in Bhutan	81,635	66,301
Reducing risk, raising awareness and limit losses in Aizawl, India	32,563	108,211
Inventory school building	1,200	-
Total	<u>\$ 265,784</u>	<u>\$ 355,569</u>

**9. Employee Benefits:**

GHI has established a 403(b) savings and retirement plan for its employees. GHI matches employee contributions to the plan, up to a maximum of 3% of each employee's earnings. All full-time and part-time employees are eligible to join the plan after six months of employment. For the years ended December 31, 2017 and 2016, GHI contributed approximately \$11,862 and \$10,803 to the plan, respectively.

**10. Commitments and Related Party:**

In February 2013, GHI rented office space on a month to month basis in Menlo Park from a board member of GHI. Monthly rent was increased from \$4,000 to \$4,325 effective July 1, 2016 and was increased from \$4,325 to \$4,498 effective July 1, 2017. Total rent for the Menlo Park office in 2017 and 2016 amounted to \$52,938 and \$49,950, respectively.

**GEOHAZARDS INTERNATIONAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2017 and 2016

**11. Tax Exempt Status:**

GHI is a not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the U.S Internal Revenue Code (the Code), and contributions to it are tax deductible as prescribed by the Code. GHI is also exempt from California income tax under Section 23701d of Revenue and Taxation Code. Accordingly, no provision for income taxes has been included in these financial statements.

GHI assesses its accounting for uncertainties in income taxes recognized in its financial statements and prescribes a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in the tax returns. There was no material impact on GHI’s financial statements as a result of the adoption of this policy.

GHI is generally no longer subject to tax examinations relating to federal and state tax returns for years prior to 2013.

**12. Subsequent Events:**

GHI has evaluated all subsequent events through November 13, 2018, the date of this report, and determined there are no material recognized or unrecognized subsequent events.