Financial Statements
June 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

FINANCIAL STATEMENTS JUNE 30, 2012 (WITH COMPARATIVE TOTALS FOR 2011)

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To the Board of Trustees of The Small-Scale Sustainable Infrastructure Development Fund, Inc. Cambridge, Massachusetts

Independent Accountant's Review Report

We have reviewed the accompanying statements of financial position of The Small-Scale Sustainable Infrastructure Development Fund, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

GONZALEZ & ASSOCIATES, P.C. Certified Public Accountants

Stoughton, Massachusetts January 28, 2013

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

ASSETS

| | 2012 | 2011 | | | | |
|--|-------------------------|-----------------------|--|--|--|--|
| <u>Current Assets</u> | | | | | | |
| Cash | \$ 1,000,990 | \$ 1,006,071 | | | | |
| Contracts receivable | 10,610 | 33,765 | | | | |
| Total current assets | 1,011,600 | 1,039,836 | | | | |
| Property and Equipment | | | | | | |
| Office equipment | 2,622 | 2,622 | | | | |
| Less: accumulated depreciation | (1,311) | (437) | | | | |
| Total property and equipment | 1,311 | 2,185 | | | | |
| <u>Total Assets</u> | \$ 1,012,911 | \$ 1,042,021 | | | | |
| LIABILITIES AND NET ASSETS | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable | \$ 17,529 | \$ 6,571 | | | | |
| Loan payable | 10,000 | φ 0,071 | | | | |
| Total current liabilities | 27,529 | 6,571 | | | | |
| Net Assets | | | | | | |
| Unrestricted net assets | 885,382 | 935,450 | | | | |
| Board designated for: | Programme of Management | 8 90 NAC - 18 100 100 | | | | |
| Operations of the India-based S3IDF entity | 100,000 | 100,000 | | | | |
| Total net assets | 985,382 | 1,035,450 | | | | |
| | | | | | | |
| Total Liabilities and Net Assets | \$ 1,012,911 | \$ 1,042,021 | | | | |

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012 (WITH COMPARATIVE TOTALS FOR 2011)

| | | 2011 | | | | |
|----------------------------------|-------------------------------|-----------------|------------|--------------|--|--|
| | | Temporarily | <u> </u> | | | |
| | Unrestricted Restricted Total | | Total | | | |
| Support and Revenue | | | | | | |
| Contributions | \$ 17,660 | \$ 100,000 | \$ 117,660 | \$ 10,513 | | |
| Released from restriction | 100,000 | (100,000) | | | | |
| Contracts | 15,958 | | 15,958 | 152,214 | | |
| Interest income | 2,272 | 1,295 | | | | |
| In-kind salaries and consultants | 202,231 | | 202,231 | 217,233 | | |
| Total support and revenue | 338,121 | 338,121 338,121 | | | | |
| Expenses | | | | | | |
| Program services: | | | | | | |
| Projects | 106,412 | | 106,412 | 199,790 | | |
| Dissemination | 157,921 | | 157,921 | 188,856 | | |
| Total program services | 264,333 | | 264,333 | 388,646 | | |
| General and administrative | 72,999 | | 72,999 | 78,879 | | |
| Fundraising | 50,857 | | 50,857 | 19,900 | | |
| Total expenses | 388,189 | - | 388,189 | 487,425 | | |
| | | | | | | |
| Change in Net Assets | (50,068) | | (50,068) | (106,170) | | |
| Net Assets - Beginning of Year | 1,035,450 | _ | 1,035,450 | 1,141,620 | | |
| Net Assets - End of Year | \$ 985,382 | \$ | \$ 985,382 | \$ 1,035,450 | | |

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2012 (WITH COMPARATIVE TOTALS FOR 2011)

| 2011 | \ | | ↔ | 295,623 | 34,429 | | 10,674 | · |
|------|------------------------------|----------------|---|---------|--------|--|---|-------------------------------------|
| | 7 | 5 | \$ 202,231 119,644 | 321,875 | 24,877 | 15,947 | 10,922 | \$ 388,189 |
| | 7 | | \$ 29,372 | 47,313 | 1,200 | 2,344 | | \$ 50,857 |
| | General and | Administrative | 20,033 | 57,561 | 1 664 | 2,852 | 10,922 | 72,999 |
| 2012 | | | \$ 2 | - | N 5 | r = | | 83 |
| | Total Program Services | Services | 152,826 64,175 | 217,001 | 24,877 | 10,751 | | 264,333 |
| | | | ⇔ | | | | | ₩ |
| | : | Dissemination | 74,018 | 118,087 | 24,788 | 5,850 | | 157,921 |
| | | Disse | ↔ | | | | | ₩ |
| | | Projects | \$ 78,808 | 98,914 | 88 | 4,901 | | \$ 106,412 \$ |
| | • | Staff | Senior and other staff (pro-bono) Staff salaries and benefits | | Travel | Office expenses Office rent and utilities | Accounting, insurance and other professional fees | Transfers to India Operations Total |

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012 (WITH COMPARATIVE TOTALS FOR 2011)

| | Version 2004 A 77 100 | 2012 | | 2011 | | |
|--|-----------------------|-----------|-----|-----------|--|--|
| Cash Flows From Operating Activities Change in net assets Adjustment to reconcile change in net assets | \$ | (50,068) | \$ | (106,170) | | |
| to net cash provided by operating activities: Depreciation (Increase) decrease in: | | 874 | | 437 | | |
| Contracts receivable | | 23,155 | | (33,765) | | |
| Increase (decrease) in: | | 10,958 | | (10.353) | | |
| Accounts payable | | 10,958 | | (10,352) | | |
| Net Cash (Used) by Operating Activities | | (15,081) | | (149,850) | | |
| Curch Floure From Investing Askinting | | | | | | |
| Cash Flows From Investing Activities Purchase of fixed assets | | 0 | • | (2,622) | | |
| Net Cash (Used) in Investing Activities | | 0 | | (2,622) | | |
| Cash Flows From Financing Activities Cash received from loan payable | i. | 10,000 | | 0 | | |
| Net Cash Provided by Financing Activities | | 10,000 | | 0 | | |
| Net (Decrease) in Cash and Cash Equivalents | | (5,081) | | (152,472) | | |
| Cash and Cash Equivalents - Beginning of Year | | 1,006,071 | | 1,158,543 | | |
| Cash and Cash Equivalent - End of Year | \$ | 1,000,990 | \$ | 1,006,071 | | |
| SUPPLEMENTAL CASH FLOW INFORMATION: Interest paid | \$ | 0 | _\$ | 0 | | |
| Disposal of fully depreciated fixed assets | \$ | 0 | _\$ | 2,724 | | |

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Note 1. Organization

The Small-Scale Sustainable Infrastructure Development Fund, Inc. (S³IDF) was organized in the Commonwealth of Massachusetts as a nonprofit corporation on September 7, 2001. The stated purpose of the Organization is to facilitate, through financing and technical and business assistance, small-scale pro-poor sustainable energy, water, and sanitation infrastructure to be owned and operated by small local businesses and community organizations. Such investments are needed for poverty alleviation and overall economic advancement in the developing world. S³IDF works with nongovernment private, community, and nonprofit organizations in developing countries and links them with programs supporting infrastructure services such as energy, water supply, sanitation, transportation, telecommunications, and other investments related to the use of these services.

S³IDF also disseminates its approach, called the Social Merchant Bank Approach, to improve the effectiveness of projects and programs implemented by international and local development entities.

Note 2. Summary of Significant Accounting Policies

a. <u>Standards of Accounting and Reporting</u>
The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations'.

b. Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

<u>Unrestricted</u> - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

<u>Temporarily Restricted</u> - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

<u>Permanently Restricted</u> - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. No permanently restricted assets were received or held during 2012 and 2011 and accordingly, these financials do not reflect any activity related to this class of net assets for 2012 and 2011.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

c. Allocation of Expenses

Expenses by function have been allocated among program and supporting services directly or on the basis of time records and estimates made by the Organization's management. 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 the Organization.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, The Small-Scale Sustainable Infrastructure Development Fund, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

e. <u>Use of Estimates</u>

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

f. Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of 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.

g. Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a time or purpose restriction expires, restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restriction.

h. <u>Donated Services</u>

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills are performed by people with those skills and would otherwise be purchased. The Organization received donated services during 2012 and 2011 of \$202,231 and \$217,233, respectively, which were recorded as in kind contributions and in kind salary expenses for donated time provided by the Executive Director and staff members.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

i. <u>Designation of Unrestricted Net Assets</u>

The Board of Directors designated \$100,000 of unrestricted net assets for the operations of the India-based S³IDF entity. The full amount of these designated funds will be transferred to India in September 2012.

j. <u>Property and Equipment</u>

These assets are recorded at cost, when purchased or if donated, at their estimated fair market value at date of donation. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and betterments that materially prolong the useful lives of assets are capitalized.

k. Depreciation

Provisions for depreciation are made in the accounts using the straight-line method over the estimated useful life of the asset. Equipment is being depreciated over three years.

I. <u>Compensated Absences</u>

Employees of S³IDF, Inc. are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

m. <u>Summarized Comparative Financial Statements</u>

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organizations financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Note 3. Tax Status

S³IDF, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Small Scale Sustainable Infrastructure Development Fund, Inc.'s federal exempt organization tax returns for the years ended June 30, 2009, 2010 and 2011 are subject to examination by the Internal Revenue Service, generally three years after they are filed.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

(Continued)

Note 4. Uninsured Cash Balances

S³IDF, Inc. maintains its cash account at a local bank. Cash accounts at banks are insured by the Federal Deposit Insurance Corporation for up to \$250,000 at each bank. The amount in excess of insured limits was \$769,505 at June 30, 2012.

The Organization is currently in the process of opening accounts at separate banks to ensure FDIC Insurance to more of their cash.

Note 5. Significant Contributions

S³IDF, Inc. had a major contributor for the year ending June 30, 2012, which comprised 30% of total support and revenue.

Note 6. Related Party Transactions

The President of the Board of Directors is an in-kind employee of the Organization as detailed in Note 2h. His donated time was valued at \$166,628 during the year ended June 30, 2012. This board member was owed \$10,679 at June 30, 2012 for reimbursable expenses. In addition, the Organization rents office space owned by this board member as detailed in Note 7 and a loan is due to the board member as detailed in Note 8.

The Treasurer of the Board of Directors is also an in-kind employee as detailed in Note 2h. His donated time was valued at \$29,610 during the year ended June 30, 2012.

Note 7. Lease Commitments

The Organization currently leases office space, owned by the President of the Board of Directors, under a two year sublease which expired January 1, 2009. The sublease agreement has not been renewed and the Organization is renting the office space on a month to month basis at the rate as under the prior lease. The lease requires monthly payments of \$1,250. Rent expense totaled \$15,000 for the years ended June 30, 2012 and 2011, respectively.

Note 8. Loan Payable

The President of the Board of Directors provided a working capital loan in the amount of \$10,000. The loan has zero interest and is payable April 2013.

Note 9. Subsequent Events

Subsequent events were evaluated through January 28, 2013, which is the date the financial statements were available to be issued.