

# Compatible Technology International

St. Paul, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
June 30, 2009 and 2008

*Carpenter Evert*  
Certified Public Accountants

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Certified Public Accountants

Minnesota Center • Suite 940

7760 France Avenue South

Bloomington, Minnesota 55435

952-831-0085 Fax 952-831-0792

## Carpenter Evert

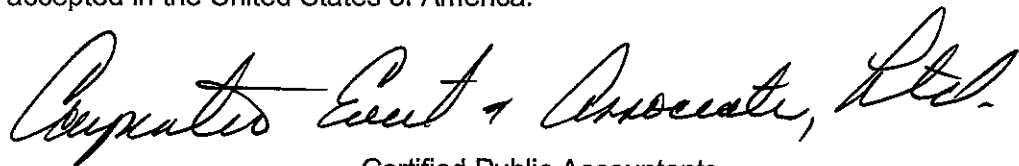
### Independent Auditor's Report

Board of Directors  
Compatible Technology International  
St. Paul, Minnesota

We have audited the accompanying statements of financial position of Compatible Technology International as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 audits 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 aforementioned financial statements present fairly, in all material respects, the financial position of Compatible Technology International as of June 30, 2009 and 2008, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants

Minneapolis, Minnesota  
September 1, 2009

EXHIBIT A

COMPATIBLE TECHNOLOGY INTERNATIONAL  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDING JUNE 30, 2009 AND 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Support and Revenue:						
Contributions	\$ 185,271	\$ 31,000	\$ -	\$ 234,148	\$ -	\$ -
In-kind Contributions	397,001	-	-	332,952	-	-
Special Events (Net of Special Event Expenses of \$7,412)	37,529	-	-	-	-	-
Product Sales	23,496	-	-	14,230	-	-
Investment and Other Income	6,709	-	-	10,949	-	-
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	18,690	(18,690)	-	12,137	(12,137)	-
Total Support and Revenue	668,696	12,310	-	604,416	(12,137)	-
Expense:						
Program Services:						
Technology Development	536,825	-	-	482,248	-	-
Post Harvest Food Processing	17,632	-	-	14,420	-	-
Water Enhancement	32,298	-	-	5,028	-	-
Nutrition	28,036	-	-	21,264	-	-
Total Program Services	614,791	-	-	522,960	-	-
Support Services:						
Management and General	78,658	-	-	94,639	-	-
Fundraising	37,961	-	-	33,912	-	-
Total Support Services	116,619	-	-	128,551	-	-
Total Expense	731,410	-	-	651,511	-	-
Change in Net Assets From Operations	(62,714)	12,310	-	(47,095)	(12,137)	-
Other Changes in Net Assets:						
Unrealized (Loss) in Beneficial Interest in Assets Held by Presbyterian Church (USA) Foundation	-	-	(37,143)	-	-	(21,044)
Change in Net Assets	(62,714)	12,310	(37,143)	(47,095)	(12,137)	(21,044)
Net Assets - Beginning of Year	157,748	30,936	134,485	204,843	43,073	155,529
Net Assets - End of Year	\$ 95,034	\$ 43,246	\$ 97,342	\$ 157,748	\$ 30,936	\$ 134,485
						\$ 323,169

The accompanying Notes to Financial Statements are an integral part of these statements.

EXHIBIT B

COMPATIBLE TECHNOLOGY INTERNATIONAL  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2009  
WITH COMPARATIVE TOTALS FOR 2008

	2009										2008	
	Program Services					Support Services					Total All Services	Total All Services
	Post Harvest Food Processing	Water Enhancement	Nutrition	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services				
Personnel Expense	\$ 16,777	\$ 6,901	\$ 3,354	\$ 29,142	\$ 15,784	\$ 15,458	\$ 31,242	\$ 60,384	\$ 126,133			
In-kind Services	397,001	-	-	397,001	-	-	-	397,001	332,952			
Professional Fees	56,817	10,688	4,690	75,145	29,496	21,411	50,907	126,052	64,094			
Travel	23,909	3,022	15,526	43,075	-	105	105	43,180	32,709			
Rent	16,326	6,715	3,264	28,358	4,863	-	4,863	33,221	32,288			
Production Expenses	17,602	304	148	18,147	-	-	-	18,147	-			
Project Expense	671	2,363	(67)	11,691	-	-	-	11,691	26,483			
Postage & Shipping	4,578	1,060	515	6,500	1,796	520	2,316	8,816	2,124			
Printing	1,329	547	266	2,309	5,942	104	6,046	8,355	8,722			
Supplies	599	246	120	1,397	6,630	-	6,630	8,027	5,519			
Telephone	-	-	-	-	6,618	-	6,618	6,618	6,625			
Insurance	-	-	-	-	4,736	-	4,736	4,736	5,094			
Meetings and Conferences	546	194	94	893	781	-	781	1,674	2,451			
Volunteer Expense	670	258	126	1,133	-	-	-	1,133	1,338			
Other Expense	-	-	-	-	333	363	696	696	2,371			
Interest and Bank Fees	-	-	-	-	122	-	122	122	245			
Depreciation	-	-	-	-	1,557	-	1,557	1,557	2,363			
<b>Total Expense</b>	<b>\$ 536,825</b>	<b>\$ 32,298</b>	<b>\$ 28,036</b>	<b>\$ 614,791</b>	<b>\$ 78,658</b>	<b>\$ 37,961</b>	<b>\$ 116,619</b>	<b>\$ 731,410</b>	<b>\$ 651,511</b>			

The accompanying Notes to Financial Statements are an integral part of this statement.

COMPATIBLE TECHNOLOGY INTERNATIONAL  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2008

	Program Services					Support Services			Total All Services
	Technology Development	Post Harvest Food Processing	Water Enhancement	Nutrition	Total Program Services	Management & General	Fund-raising	Total Support Services	
Personnel Expense	\$ 39,299	\$ 3,639	\$ 1,269	\$ 5,364	\$ 49,571	\$ 44,941	\$ 31,621	\$ 76,562	\$ 126,133
In-kind Services	332,952	-	-	-	332,952	-	-	-	332,952
Professional Fees	46,107	85	29	125	46,346	16,943	805	17,748	64,094
Travel	20,250	1,198	1,973	9,277	32,698	-	11	11	32,709
Rent	21,746	2,013	702	2,967	27,428	4,860	-	4,860	32,288
Project Expense	15,429	7,086	718	2,941	26,174	309	-	309	26,483
Postage	361	-	-	-	361	1,731	32	1,763	2,124
Printing	2,151	199	151	293	2,794	4,582	1,346	5,928	8,722
Supplies	1,050	30	11	45	1,136	4,383	-	4,383	5,519
Telephone	291	27	9	40	367	6,258	-	6,258	6,625
Insurance	-	-	-	-	-	5,094	-	5,094	5,094
Meetings and Conferences	1,396	31	45	46	1,518	836	97	933	2,451
Volunteer Expense	996	92	114	136	1,338	-	-	-	1,338
Other Expense	208	19	7	28	262	2,109	-	2,109	2,371
Interest and Bank Fees	12	1	-	2	15	230	-	230	245
Depreciation	-	-	-	-	-	2,363	-	2,363	2,363
<b>Total Expense</b>	<b>\$ 482,248</b>	<b>\$ 14,420</b>	<b>\$ 5,028</b>	<b>\$ 21,264</b>	<b>\$ 522,960</b>	<b>\$ 94,639</b>	<b>\$ 33,912</b>	<b>\$ 128,551</b>	<b>\$ 651,511</b>

The accompanying Notes to Financial Statements are an integral part of this statement.

COMPATIBLE TECHNOLOGY INTERNATIONAL  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and Cash Equivalents	\$ 106,172	\$ 136,299
Accounts Receivable	4,774	5,922
Pledges Receivable	-	2,551
Inventory	22,457	36,126
Prepaid Expenses	6,509	9,289
Total Current Assets	<u>139,912</u>	<u>190,187</u>
Beneficial Interest in Assets Held by the Presbyterian Church (USA) Foundation	97,342	134,485
Furniture and Equipment - Net	<u>1,494</u>	<u>3,051</u>
 TOTAL ASSETS	 <u>\$ 238,748</u>	 <u>\$ 327,723</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	\$ 2,257	\$ 3,267
Accrued Salaries, Wages and Benefits	869	570
Deferred Revenue	-	717
Total Current Liabilities	<u>3,126</u>	<u>4,554</u>
Net Assets:		
Unrestricted	95,034	157,748
Temporarily Restricted	43,246	30,936
Permanently Restricted	97,342	134,485
Total Net Assets	<u>235,622</u>	<u>323,169</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 238,748</u>	 <u>\$ 327,723</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

COMPATIBLE TECHNOLOGY INTERNATIONAL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (87,547)	\$ (80,276)
Total Adjustments	57,420	30,786
Net Cash (Used) by Operating Activities	<u>(30,127)</u>	<u>(49,490)</u>
Cash Flows from Investing Activities:		
None	-	-
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net (Decrease) in Cash and Cash Equivalents	(30,127)	(49,490)
Cash and Cash Equivalents - Beginning of Year	<u>136,299</u>	<u>185,789</u>
Cash and Cash Equivalents - End of Year	<u>\$ 106,172</u>	<u>\$ 136,299</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

COMPATIBLE TECHNOLOGY INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

1. Summary of Significant Accounting Policies

Organizational Purpose

Compatible Technology International (CTI) works to improve the lives of people in developing countries by designing food and water technologies that are sustainable and appropriate to local cultures, and by collaborating with in-country organizations to identify needs and to achieve widespread use of our technologies to relieve hunger and poverty.

CTI's programs are as follows:

Technology Development – Activities which relate to the design, modification, application, and evaluation of devices, techniques, and processes that help fight hunger and poverty. Training activities are also included in this category.

Post Harvest Food Processing – Activities which relate to adding value to the harvest where the emphasis is on making processing easier, quicker, conserves crop, and which processes the crop into a useable form. Implied in this category is recognition that using CTI devices (grinder, dryer, slicer, etc.) can improve the economic well-being of the user.

Water Enhancement – Activities which relate to the dissemination and application of technologies which enhance potable water.

Nutrition – Activities which relate to added nutritional value using CTI devices and methods. In this category several ingredients and/or methods are employed to produce a product with high nutritional value.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to CTI, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restriction. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as part of unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of CTI resulting from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be satisfied by actions of CTI.

Permanently Restricted Net Assets – Net assets resulting from contributions with donor-imposed stipulations that neither expire with time nor may be fulfilled by actions of CTI.

COMPATIBLE TECHNOLOGY INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, CTI considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

Inventory

Inventory consists of products sold by CTI and is valued at the average cost.

Furniture and Equipment

All major expenditures for furniture and equipment are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

Contributions

Contributions are recorded as support when received or pledged. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Risks and Uncertainties

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

COMPATIBLE TECHNOLOGY INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations of expenses between categories must be made. When allocations are required, they are based on the best estimates of management.

Income Tax

CTI has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. It has been classified as an organization that is not a private foundation under the Internal Revenue Code, and charitable contributions by donors are tax deductible.

2. Significant Concentrations of Credit Risk

CTI provides services from the Twin Cities to locations throughout the world. Accounts receivable are due from domestic and international individuals and institutions.

3. Furniture and Equipment

CTI owned the following as of:

	<u>June 30,</u>		<u>Estimated</u>
	<u>2009</u>	<u>2008</u>	<u>Useful Lives</u>
Furniture and Equipment	\$ 14,710	\$ 14,710	5-7 Years
Less Accumulated Depreciation	<u>13,216</u>	<u>11,659</u>	
	<u>\$ 1,494</u>	<u>\$ 3,051</u>	

Depreciation expense of \$1,557 and \$2,363 was recorded for the years ended June 30, 2009 and 2008, respectively.

COMPATIBLE TECHNOLOGY INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

4. Beneficial Interest in Assets Held by the Presbyterian Church (USA) Foundation

CTI has an irrevocable beneficial interest to the annual income from assets donated to the Presbyterian Church (USA) Foundation. The assets are held in a fund under the control of the Presbyterian Church (USA) Foundation and are invested in a balanced growth mutual fund. CTI will continue to receive the annual income earned by these assets so long as it continues its work in India and maintains an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The original value of the donated assets was \$145,694. The fair value of the fund was \$97,342 and \$134,485 at June 30, 2009 and 2008, respectively.

5. Temporarily Restricted Net Assets

The purpose of temporarily restricted net assets is to account for funds received but not yet spent for the purpose intended by the donor. Temporarily restricted net assets included the following as of:

	June 30,	
	2009	2008
Guatemala Water Project	\$ 8,862	\$ 17,401
George Ewing Legacy Fund	13,063	13,535
Moringa Project	1,856	-
Yackel Foundation Water Project	6,500	-
Wallin Foundation East Africa	12,965	-
	\$ 43,246	\$ 30,936

6. In-kind Contributions

CTI records in-kind contributions at fair market value at date of donation. In-kind contributions included the following as of:

	June 30,	
	2009	2008
Technology, Research and Development Services – at \$30 to \$60 per hour for 7,365 and 6,172 hours, respectively.	\$ 370,890	\$ 332,952
Legal Services	25,389	-
Grinder Manufacturing	300	-
Research and Development	422	-
	\$ 397,001	\$ 332,952

COMPATIBLE TECHNOLOGY INTERNATIONAL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

7. Leased Facilities

Rental commitments under noncancelable leases for office space and equipment in effect at June 30, 2009, total \$10,246. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	
2010	<u>\$ 10,246</u>

The rental expense for the years ended June 30, 2009 and 2008, was \$33,222 and \$25,888, respectively.

8. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash (Used) by Operating Activities are as follows as of:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Depreciation	\$ 1,557	\$ 2,363
Unrealized Loss in Beneficial Interest in Assets Held by Presbyterian Church (USA) Foundation	37,143	21,044
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(1,010)	(1,719)
Accrued Salaries, Wages and Benefits	299	(156)
Deferred Revenue	(717)	717
Decreases (Increases) in Current Assets:		
Accounts Receivable	1,148	(1,888)
Pledges Receivable	2,551	6,266
Inventory	13,669	7,212
Prepaid Expenses	2,780	(3,053)
Total Adjustments	<u>\$ 57,420</u>	<u>\$ 30,786</u>