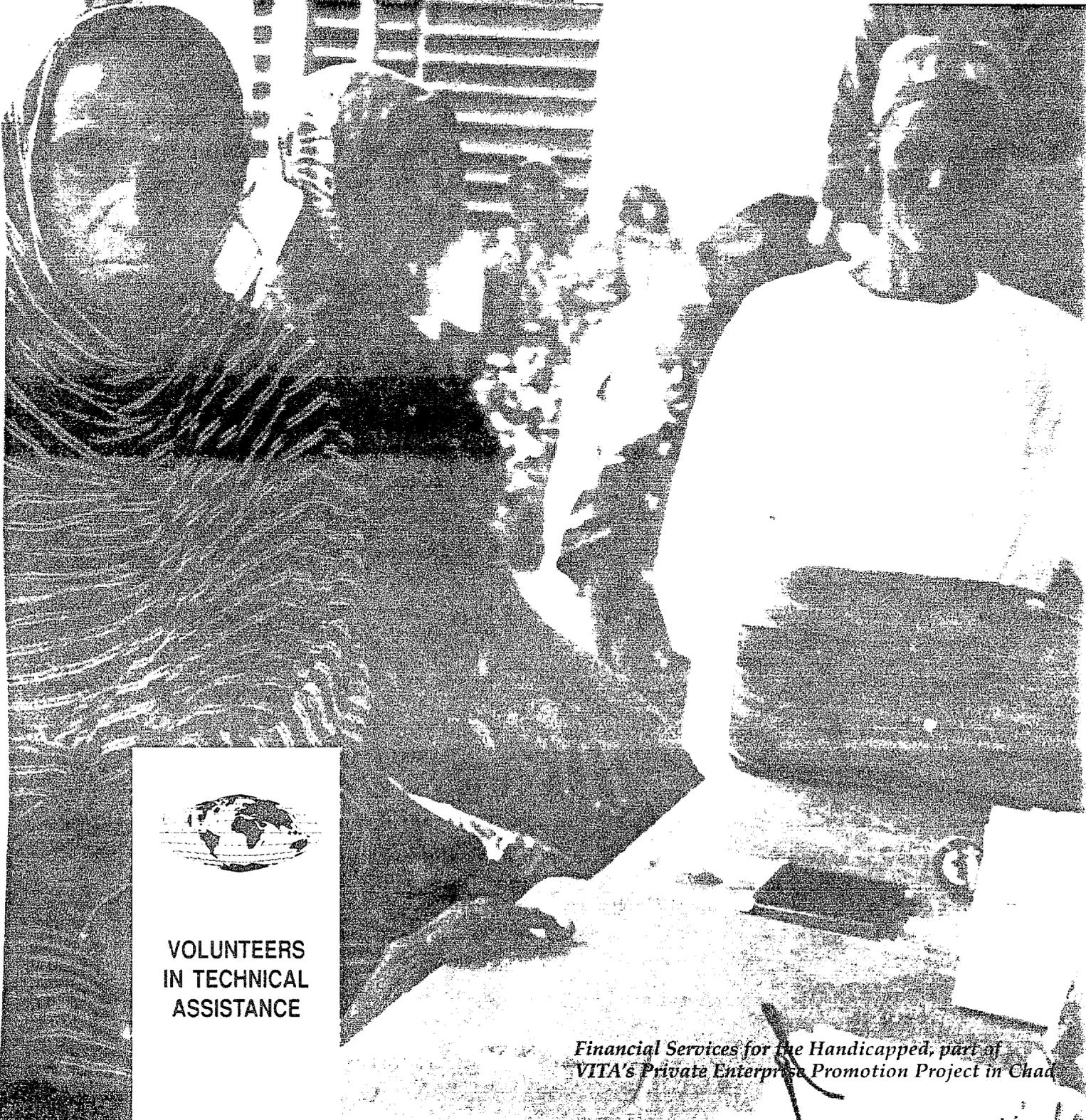


1995 Annual Report



**VOLUNTEERS
IN TECHNICAL
ASSISTANCE**

*Financial Services for the Handicapped, part of
VITA's Private Enterprise Promotion Project in Chad*



Message from the President

The cover picture on this report was taken in N'Djamena, Chad during a visit to the National Association of the Visually Handicapped. The occasion was the making of loans to ten blind women entrepreneurs by VITA's credit program in Chad. It was a happy and emotional experience for everyone involved.

The Chad program is one of four micro-enterprise programs VITA administers with our partners in francophone Africa. The Chad program is supported by U.S.A.I.D., the World Bank, and the United Nations Development Programme, and its director is Evariste Kebba, a Chadian banker. The other programs are located in Guinea, the Central African Republic, and Benin. Each of them has received the highest recognition in evaluations conducted on behalf of funders.

VITA considers these loan programs to be one of the most effective means developed to encourage the poor to create wealth with which to improve their lives. We and others have demonstrated that the poor pay their debts and that entrepreneurship can be found everywhere. At a time when support for development is shrinking, these programs are still an excellent investment. In addition to getting resources into the hands of those who need them most and who have traditionally been denied access to them, we are confident that these programs encourage an understanding of the benefits of a free market at the grass roots.

Another advantage of loan programs is their potential to become self-sufficient financial institutions so that the benefits can continue for the indefinite future without dependency on outside funding. There is no question that achieving this status is no slam dunk. It is difficult and risky, but VITA is determined to make the effort. We see these programs as an investment, and few investments are without risk.

If anyone has any doubt about whether the risk is worth it, I wish the doubter could have attended the ceremony at the Association of the Visually Handicapped. These were not the first loans that have been made to its members. Every previous loan made has been faithfully repaid, and the women who repaid them not only enjoy the benefits of independent earnings, but they also feel the pride of paying back their loans.

Details on all four of VITA's enterprise development programs are presented on the following pages. Additionally, in this 1995 Annual Report, we highlight VITA's accomplishments in the program areas of integrated conservation and development, disaster resources, and information and communications.

Henry R. Norman
President

For nearly four decades, VITA has been helping people to improve the quality of their lives by advancing their economic and social well-being.



Enterprise Development Programs

Promotion of private enterprise offers significant opportunities for stimulating economic and social growth in the developing world. Private enterprises are the means by which people in impoverished areas can generate wealth, increase livelihood opportunities, and lessen dependence on government and donor resources.

Yet, especially in the case of small- and micro-scale enterprises, entrepreneurs often face constraints that limit their ability to operate and expand businesses efficiently and effectively. VITA has long been involved in activities aimed at lessening the most formidable of these barriers – lack of financial resources and technical assistance – in order to release the potential of the private sector.

Financial assistance is made available in the form of loans to entrepreneurs with a demonstrated need for credit who do not have access to existing formal banking institutions. Technical assistance is developed in accordance with individual circumstances and may involve guidance in obtaining credit and putting it to good use, conducting feasibility and marketing studies, and providing skills training and business management educational opportunities.

During 1995, VITA's enterprise assistance programs were concentrated in francophone Africa. VITA's program in Chad has been in operation since 1984, originating as a refugee resettlement program for those returning to N'Djamena following 20 years of civil strife and economic disaster. Today, while insecurity continues and many donors and program implementors are leaving the country, VITA's program continues to thrive and is in the process of becoming a self-sufficient financial institution.

VITA's project in the Central African Republic (CAR) incorporates three distinct assistance mechanisms: a small credit program for low-

risk, seasoned entrepreneurs; a micro credit program for higher-risk entrepreneurs and craftsmen desiring to start a new business; and a solidarity credit program for groups of entrepreneurs who lack collateral. The latter of these programs is the main focus of the project and has allowed it to reach impressive numbers of very poor people in CAR.

In Guinea, VITA operates a program steadily reaching national coverage with more than a dozen branch offices. In addition to its geographic coverage, one of the most noteworthy aspects of this VITA project is its training component which has shown impressive outreach and cost recovery ability.

VITA's youngest enterprise development project is located in Benin, one of the least developed nations in the world. The project was designed in large part to help public employees enter the private sector as necessitated by government restructuring.

Through these programs, VITA has lent nearly \$20 million and provided advisory services to tens of thousands of entrepreneurs. The programs enjoy near 100% repayment rates and service a high percentage of those most in need, especially women. And, perhaps most notably, each of VITA's enterprise promotion projects is focused on institutionalization. In particular, VITA aims to provide an indigenous management capacity and a broad financing base so that services can be offered to entrepreneurs on a sustainable basis well into the future.



Enterprise development programs increase the economic security of entrepreneurs and their employees so they can live fuller lives, participate more in society, and provide better care for their families.



Conservation & Development Programs

VITA's approach to social and economic development incorporates a recognition of the critical link between development activities and protection of the environment. In 1995, an outstanding program encompassing this notion was VITA's Integrated Conservation and Development Project (ICDP) in Madagascar.

Madagascar is home to a wide variety of endemic flora and fauna that are threatened by environmental degradation. As a result, specific protected areas have been mapped out to advance biodiversity conservation. In 1994, VITA was enlisted to implement the ICDP with a focus on one of the better-known protected areas: the Andasibe-Mantadia Protected Areas Complex (AMPAC). AMPAC is the protected area closest to the capital, Antananarivo, and is an established tourist site containing the most popular public reserve in Madagascar. As a result, AMPAC is slated to play a prominent and vital role in determining the country's future conservation policies.

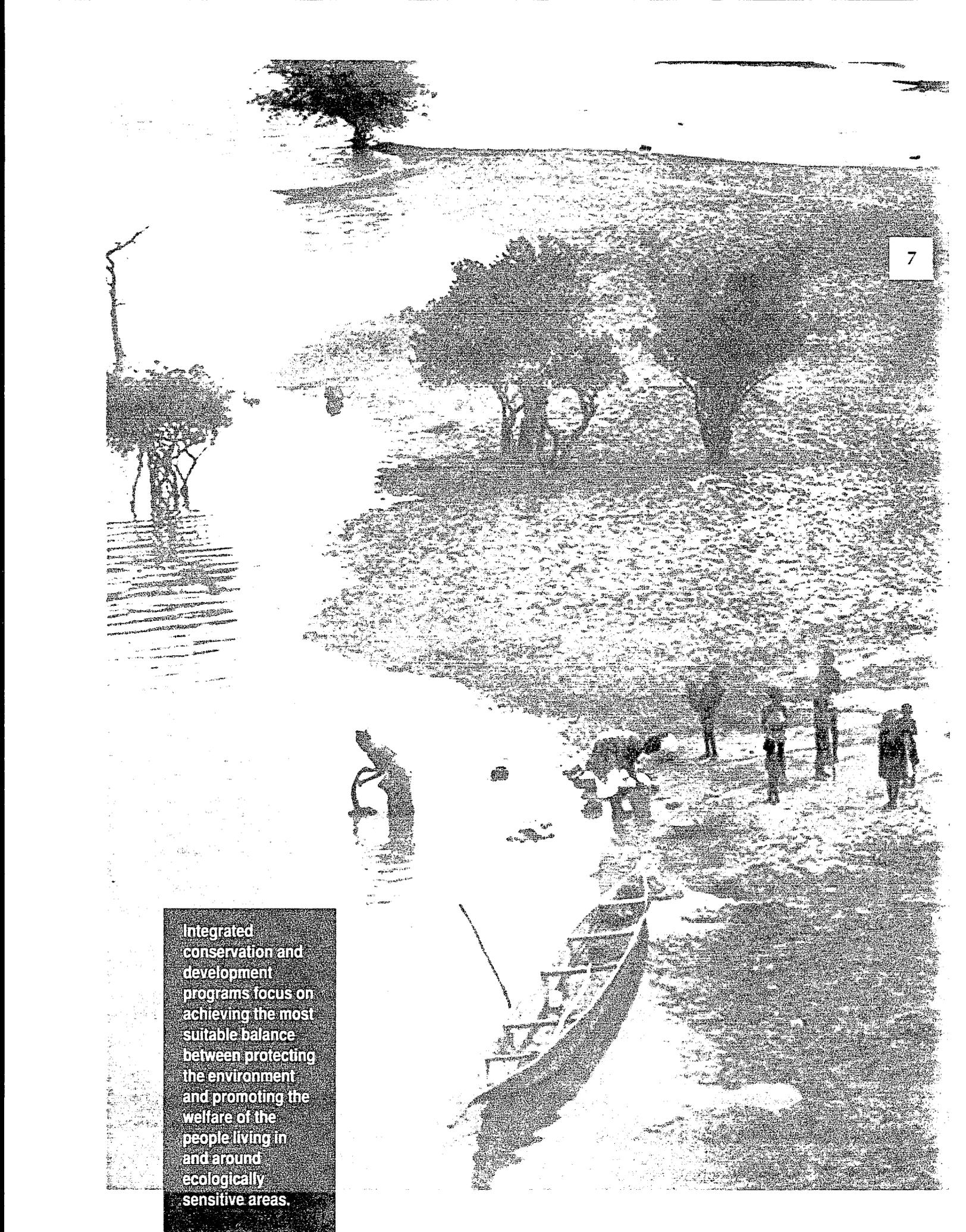
One of the major problems faced by the ICDP is the clearing of land for cultivation and cutting of trees for firewood by the people living in AMPAC's peripheral areas. Several large extractive industries had already been established before project start-up, and mining, logging, poaching, and slash-and-burn agriculture have long been practiced by local residents.

Thus, a premise of the ICDP is that livelihood options that successfully compete financially and culturally with destructive practices must be developed. The project, therefore, offers a number of services aimed at promoting alternative income-generating activities, introducing sustainable agriculture and forestry techniques, and educating communities and businesses about the importance of reducing their demands on the area's finite natural resources.

Already, even with its broad scope and short operating period to date, the ICDP is enjoying a number of successes. AMPAC is becoming a revenue-producing point of sale for locally-produced handicraft. Periphery communities are enhancing facilities and promoting ecotourism. Existing businesses are being assisted with product diversification both as a means of reducing their dependence on the area's natural resource base, as well as a means of enlisting their support for the project and its activities. Further, the project is exploring the income and employment generation potential of establishing new enterprises in areas such as silk worm production, apiculture, pisciculture, medicinal herb production, and animal husbandry.

VITA's communications expertise (see page 10) has added significant value to the project. Eight packet radio systems have been installed in protected areas throughout the country which has poor telecommunications. The advanced communications capabilities offer significant opportunities for community involvement and educational programs.

Another unique and valuable element of the ICDP is its information center. In the city of Moramanga, a short distance from AMPAC, the municipal authorities have provided a building in the market place rent-free to the ICDP for three years. The building is used to house an information center supported by the hotel and restaurant association as well as other businesses in the area. The information center makes available a variety of promotional and educational materials about AMPAC and the other protected areas in Madagascar. It is hoped that the center will play an important role in making Moramanga a regional commercial hub.



Integrated conservation and development programs focus on achieving the most suitable balance between protecting the environment and promoting the welfare of the people living in and around ecologically sensitive areas.



Disaster Information Resources

The desperate plight of victims of natural and man-made disasters generates massive outpourings of sympathy and assistance from the American public. This humanitarianism is evidenced by the religious and civic groups, schools, businesses, and individuals that contribute literally millions of dollars to international and non-governmental relief agencies.

While most contributions are put to effective use and are highly welcomed, some well-intended efforts are wasteful, if not counterproductive. VITA, working through a grant from the Agency for International Development's Office of U.S. Foreign Disaster Assistance (OFDA), is managing an effort to maximize the utility of private sector contributions to international disaster relief efforts. In particular, VITA:

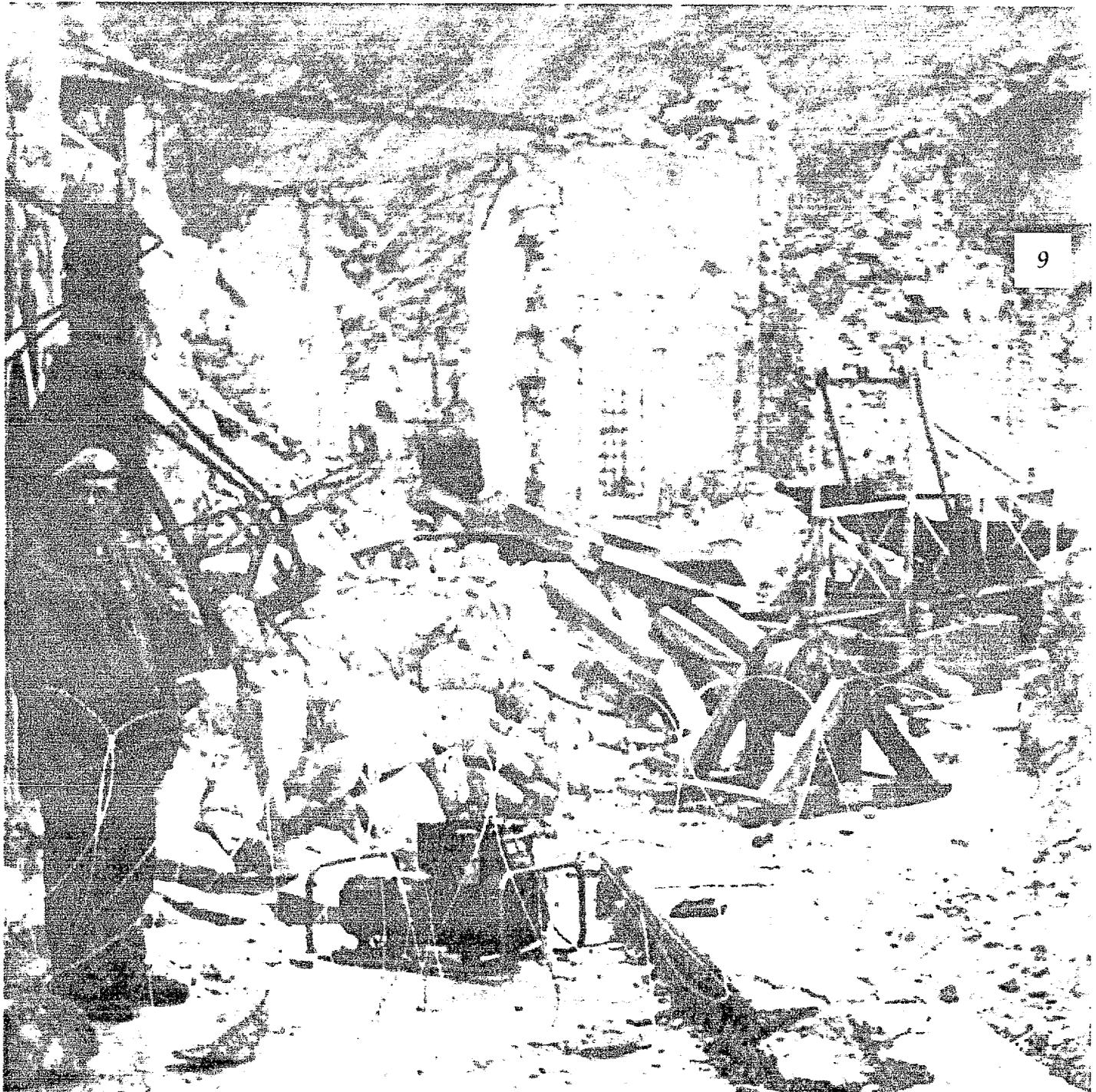
- ❑ manages a disaster hotline designed to match useful in-kind contributions with appropriate relief agencies requesting specific services or commodities;
- ❑ collects and disseminates disaster situation reports compiled by OFDA, the United Nations Department of Humanitarian Affairs, the International Federation of the Red Cross and Red Crescent Societies, and others; and
- ❑ provides guidance on making donations to relief agencies collecting contributions from the public.

During 1995, VITA's Disaster Information Resources Program responded to a variety of disaster situations including the following:

- ❑ civil strife in Afghanistan, Angola, Azerbaijan, Burundi, Chechnya, Iraq, Rwanda, Somalia, Sudan, and the former Yugoslavia;

- ❑ earthquakes in Chile, China, Columbia, Indonesia, Japan, Montserrat, Papua New Guinea, the Philippines, Russia, and Turkey;
- ❑ environmental disasters in Guyana and the Ukraine;
- ❑ floods in Azerbaijan, Bangladesh, Benin, Botswana, China, Costa Rica, Ethiopia, Georgia, Ghana, India, Indonesia, Korea, Laos, Morocco, Myanmar, Nepal, Paraguay, the Philippines, Somalia, Sri Lanka, Tanzania, Togo, Turkey, and Viet Nam;
- ❑ landslides in Afghanistan and Nepal;
- ❑ severe storms in Antigua, the Bahamas, Bangladesh, Cuba, the Dominican Republic, Pakistan, the Philippines, St. Maarten, and Viet Nam; and
- ❑ volcanic eruptions in Cape Verde and Montserrat.

In addition to facilitating relief efforts overseas, VITA is involved in disaster response activities in the U.S. During a crisis, VITA operates a telephone hotlines donations service for the Federal Emergency Management Agency. Most recently, this service was activated in association with the Federal Building bombing in Oklahoma and Hurricane Opal.



VITA's disaster information program helps coordinate relief activities for areas in need of assistance due to natural disasters or man-made crises, such as war-torn Bosnia and Croatia.

(photo courtesy of OFDA)

Information & Communication Services

Information delivery is the common denominator of all VITA activities. Information is the tool that empowers people to build better lives. It is the basis on which crucial decisions are made: what income-generation avenues, health-related practices, societal goals, or environmentally-sound activities to pursue.

VITA's original development service, initiated in 1959, was its Technical Inquiry Service. Enlisting a roster of volunteers from the scientific and professional communities, VITA responded to individuals, institutions, and government agencies around the world posing questions about a variety of development issues. To better respond to the most frequently asked questions, VITA developed over 200 publications and a variety of skills transference training programs. Topics include agriculture, community development, crafts, information management, communications, energy, food processing, and business.

VITA continues this important exchange of inquiries and information – though on a much broader scale. Whereas in 1959, the Inquiry Service was dependent on the mail, by 1995, VITA was utilizing a variety of state-of-the-art technologies and field programs to collect and disseminate information. Today, VITA is able to link thousands of inquirers to information resources worldwide. During 1995, the Inquiry Service alone responded to nearly 20,000 requests for information, and Inquiry Service publications were made available on CD-ROM.

The most notable trends in VITA's information service delivery have been the inclusion of satellite, packet radio, and Internet capabilities. VITA realized the potential of satellite technology to facilitate development efforts over a decade ago. VITA was licensed by the Federal Communications Commission (FCC) to experimentally use its low earth orbiting (LEO) satel-

lite system in 1984. Pleased with the proof of concept, the FCC gave VITA the first Pioneers Preference Award and, in 1995, granted VITA an operational license. Using packet radio networks for data and voice transmission within a region and its satellite network for communications between individual ground stations and linkage to the Internet, VITA is able to connect people in isolated areas that will not see telephone services for years to come to others around the world.

In 1995, VITA's use of the Internet as a means of information dissemination grew significantly. VITA utilizes this connectivity for a wide variety of purposes including the following:

- ❑ to distribute VITA's electronic newsletter, *DevelopNet News*, which includes articles, reviews, and announcements relevant to development;
- ❑ to host VITA's on-line discussion forum, *DEVEL-L*, which allows the exchange of ideas and information on a wide range of issues related to technology transfer in international development;
- ❑ to manage the Inquiry Service and distribute electronic versions of VITA publications;
- ❑ to facilitate the development of "knowledge networks" which bring together international expertise to examine issues such as renewable energy, sustainable agriculture, distance education, and more; and
- ❑ to link VITA field project personnel with headquarters staff and information resources worldwide.



Behind all of VITA's activities is a commitment to using state-of-the-art technologies to link people in even the most remote areas of the world to crucial resources which enable them to enter the mainstream of development.



Sponsors

During 1995, VITA received the generous support of a great many individual donors and the following contributors:

- Aga Khan Foundation
- American University
- Anonymous
- Apple Computer, Inc.
- Combined Federal Campaign
- CPC International
- Exxon Corporation
- Final Analysis Incorporated
- Federal Emergency Management Agency
- Goldberg, Godles, Wiener & Wright
- IBM Corporation
- Internet Society
- John Hancock Matching Gifts Program
- Lockheed-Martin
- Margaret W. and Herbert Hoover, Jr. Foundation
- Morgan Guaranty Trust Company of New York
- Office of Foreign Disaster Assistance
- C. B. Ramsay Foundation, Inc.
- United Nations Capital Development Fund
- United Nations Development Programme
- United States Agency for International Development
- United States Export Council for Renewable Energy
- UUNET Technologies
- Winrock International
- The World Bank

We are grateful also for the continuing assistance and cooperation of the host country governments in the areas where we have projects. In 1995, VITA managed projects in Benin, the Central African Republic, Chad, Guinea, Haiti, Honduras, Indonesia, Jamaica, Madagascar, and the Philippines.

How you can become a part of VITA:

Professionals can register their skills with VITA to become volunteer consultants. Corporations can work with VITA by supporting development projects and by encouraging their employees to become involved as volunteers. Foundations, government agencies, and international organizations can collaborate with VITA to develop and implement programs with solid potential for lasting impact. Private individuals can provide tax-free donations. VITA is a 501(c)(3) non-profit organization; contributions are deductible for U.S. taxpayers.

Participants in the Combined Federal Campaign (CFC) can designate VITA as a recipient of their donations. VITA is a member agency of the World Service Organizations of America (WSOA) Federation; VITA's code number is 1427.





VITA's many donors and volunteers allow the organization to grow and provide valuable services worldwide.

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Through a variety of long- and short-term programs and services, VITA helps people obtain the knowledge and financial means necessary to take charge of their lives.



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SAN DIEGO, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT

MEMBERS OF THE
AMERICAN INSTITUTE
OF CPAS

The Board of Directors
Volunteers in Technical Assistance, Inc.

We have audited the accompanying statement of financial position of Volunteers in Technical Assistance, Inc. (VITA) as of December 31, 1995, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of VITA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the requirements of the Office of Management and Budget Circular A-133. 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 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 Volunteers in Technical Assistance, Inc. as of December 31, 1995, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in 1995 Volunteers in Technical Assistance, Inc. changed its method of accounting for contributions and method of financial reporting and financial statement presentation.

Alexandria, Virginia
March 27, 1996

STATEMENT OF FINANCIAL POSITION
December 31, 1995

ASSETS

CURRENT ASSETS

Cash	333,305
Cash - overseas accounts (note 1f)	99,490
Accounts receivable - billed (note 1e)	348,293
Accounts receivable - unbilled (note 1e)	320,076
Accounts receivable - other	78,018
Advances to subcontractors	25,804
Publications inventory (note 1c)	51,283
Prepaid expenses	<u>36,173</u>

Total current assets 1,292,442

PROPERTY AND EQUIPMENT (note 1d)

Furniture & equipment	226,545
Equipment under capital lease (note 3)	<u>99,500</u>
	326,045

Less accumulated depreciation (note 4) (229,529)

Total fixed assets 96,516

OTHER ASSETS

Deposits	<u>15,414</u>
----------	---------------

Total assets 1,404,372

STATEMENT OF FINANCIAL POSITION
December 31, 1995

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	48,233
Unexpended contract & grant funds (note 2)	205,337
Accrued salaries	43,447
Accrued vacation	79,357
Other accrued liabilities	344,475
Current maturity of capital lease obligation (note 3)	17,783
Deferred rent - current (note 5)	3,168
Billings in excess of costs (note 1e)	<u>122,819</u>

Total current liabilities 864,619

OBLIGATION UNDER CAPITAL LEASE (note 3) 27,464

DEFERRED RENT (note 5) 109,842

COMMITMENTS (note 5) ---

Total liabilities 1,001,925

NET ASSETS

Unrestricted	402,447
Temporarily restricted	---

Total net assets 402,447

Total liabilities and net assets 1,404,372

STATEMENT OF CASH FLOWS
December 31, 1995

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets 16,261

Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:

Depreciation	47,507
(Gain)/loss on disposal of assets	(2,010)

Additions (subtractions) for changes in assets and liabilities:

Deferred rent	8,450
Advances to subcontractors	46,445
Accounts receivable - billed	(164,336)
Accounts receivable - unbilled	207,197
Accounts receivable - other	(50,558)
Publications inventory	7,336
Prepaid expenses	(12,267)
Deposits	100
Accounts payable	(23,890)
Unexpended contract & grant funds	(37,787)
Accrued salaries	(10,825)
Accrued vacation	4,284
Other accrued liabilities	113,284
Billings in excess of costs	<u>42,581</u>

Total adjustments 175,511

Net cash provided by operating activities 191,772

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of computer equipment (23,822)

Purchases of furniture & equipment (1,163)

Sale of office furniture & equipment 2,400

Net cash (used) by investing activities (22,585)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on capital lease obligation (16,560)

NET INCREASE IN CASH 152,627

CASH AT BEGINNING OF YEAR 280,168

CASH AT END OF YEAR 432,795

STATEMENT OF ACTIVITIES
Year ended December 31, 1995

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
EARNED REVENUE			
Sales of publications	29,322	---	29,322
Interest income	3,870	---	3,870
Other earned revenue	<u>7,753</u>	<u>---</u>	<u>7,753</u>
TOTAL EARNED REVENUE	<u>39,945</u>		<u>39,945</u>
CONTRIBUTED SUPPORT			
U.S. Federal Government	---	3,694,016	3,694,016
Organizations & foundations	---	1,539,833	1,539,833
Individuals & corporations	80,819	---	80,819
In kind support	<u>55,264</u>	<u>---</u>	<u>55,264</u>
TOTAL CONTRIBUTED SUPPORT	<u>136,083</u>	<u>5,233,349</u>	<u>5,369,932</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	<u>5,233,349</u>	<u>(5,233,349)</u>	---
TOTAL EARNED REVENUE AND CONTRIBUTED SUPPORT	<u>5,409,877</u>	<u>---</u>	<u>5,409,877</u>
EXPENSES			
Program Services:			
Information & communications	687,850	---	687,850
Disaster resources	147,798	---	147,798
Enterprise development	2,583,034	---	2,583,034
Integrated conservation & development	587,440	---	587,440
Management & general:			
Overhead	1,382,242	---	1,382,242
Unallowable	<u>5,252</u>	<u>---</u>	<u>5,252</u>
TOTAL EXPENSES	<u>5,393,616</u>	<u>---</u>	<u>5,393,616</u>
INCREASE IN NET ASSETS			
	<u>16,261</u>	<u>---</u>	<u>16,261</u>
Net assets at beginning of year	<u>386,186</u>	<u>---</u>	<u>386,186</u>
Net assets at end of year	<u>402,447</u>	<u>---</u>	<u>402,447</u>

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED DATA

Organization: Volunteers in Technical Assistance, Inc. (VITA) is a non profit organization which was formed in 1959 for the purpose of making available to individuals and groups in developing countries a variety of information and technical resources aimed at fostering self-sufficiency.

Significant accounting policies followed by VITA, as summarized below, are in conformity with generally accepted accounting principles.

a. **Basis of Presentation:** The financial statements have been prepared on the accrual basis of accounting.

b. **Display of Net Assets by Class:** In 1995, VITA adopted Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-For-Profit Organizations". Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restrictive Net Assets - Net assets subject to donor imposed stipulations that will be met either by actions of VITA and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that will be maintained permanently.

c. **Publications Inventory:** Publications inventory, consisting of publications

held for sale, are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

d. **Property and Equipment:** Furniture and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

Equipment held under capital lease is stated at the present value of minimum lease payments at the inception of the lease. Depreciation is provided over the lesser of the useful life of the asset or the term of the lease.

e. **Revenue Recognition:** In 1995, VITA adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made".

VITA 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.

VITA reports gifts of cash and other assets that are received without donor stipulations as unrestricted support.

VITA recognizes contract and grant revenue in amounts equal to allowable direct and indirect costs incurred, up to limits specified in each agreement. VITA typically does not receive fees above the costs incurred under the agreements. Contracts and grants are reviewed periodically and projected losses, if any, are provided for in their entirety when known.

f. **Foreign Currency Translation:** VITA's primary functional currency is the U.S. Dollar. Expenditures in foreign currencies for project and field costs are translated at the average rates of exchange during the month the transactions

occur. Cash held in overseas accounts and any other assets and liabilities denominated in foreign currencies are translated based on the exchange rate in effect at the balance sheet date.

g. Income Tax Status: VITA is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

h. Statement of Cash Flows: For purposes of the Statement of Cash Flows, VITA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

i. Management's Use of Estimates: The preparation of financial statements requires VITA to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the related disclosures, as of the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

j. Grant and Contract Costs: VITA's costs under grants and contracts from agencies of the U.S. Government are subject to audit. VITA's indirect cost rates through December 31, 1993 have been accepted by the Procurement Support Division, Agency for International Development. In the opinion of management, any adjustments resulting from subsequent audits are not expected to have an adverse effect of the accompanying financial statements.

k. In Kind Support: VITA records in kind support of professional services and materials. Donated services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated services are recorded based on time reports submitted by volunteers and are valued at varying rates depending on the technical expertise and experience of the volunteer. Volunteers provided assistance to VITA for its information and communications program.

Donated materials are recorded at their estimated fair market value at the time of receipt.

The amounts reflected in the accompanying financial statements for donated services and materials are offset by like amounts included in expenses.

l. Risk and Uncertainties: VITA's business could be impacted by continuing price pressure on new and renewal business, VITA's ability to effectively control costs, additional competitors entering VITA's markets and reduced federal spending. Changes in these areas could adversely impact VITA's operations in the future.

2. UNEXPENDED CONTRACT AND GRANT AWARDS

At December 31, 1995, VITA had unexpended contract and grant awards of \$205,337. VITA's unexpended accounts represent advances from contract and grant awards. Unexpended funds are reduced as allowable expenses are incurred.

3. OBLIGATION UNDER CAPITAL LEASE

VITA is obligated under a capital lease for equipment that will expire during 1998. The present value of future minimum lease payments as of December 31, 1995 are as follows:

<u>Year ending December 31,</u>	
1996	20,443
1997	20,443
1998	8,517
Thereafter	-
Total minimum lease payments	49,403
Less interest	(4,156)
Present value of minimum lease payments due under capital lease	45,247
Less current portion	(17,783)
Noncurrent obligation under capital lease	<u>\$27,464</u>

4. DEPRECIATION

Depreciation and accumulated depreciation for the year ended December 31, 1995, are as follows:

<u>Assets Category</u>	<u>Esti- mated Useful Lives</u>	<u>Depre- ciation Expense</u>	<u>Accu- mulated Depre- ciation</u>
Office furniture & equipment	5 years	11,480	69,550
Computer equipment	5 years	18,117	96,299
Equipment under capital lease		<u>17,910</u>	<u>63,680</u>
		<u>\$47,507</u>	<u>\$229,529</u>

5. OBLIGATIONS UNDER OPERATING LEASE

VITA leases office space, storage space, and office equipment under non-cancelable operating leases. In addition, VITA subleases a portion of its office space. All subleases will expire by the end of fiscal year 1996 unless renewed.

VITA's principal office facility, located at 1600 Wilson Boulevard, Suite 500, Arlington, Virginia, is leased under an agreement which will expire during 2002. The lease has a base rent of \$22,180 per month and is subject to scheduled rent increases through 2002. The landlord has abated \$380,220 over the life of the lease. The lease payments are being evenly amortized, producing a normalized monthly rental expense over the lease term. This normalized rent expense has been recognized, along with the related deferred rent liability, in the financial statements.

Future minimum lease payments under the noncancelable operating leases, net of sublease rentals, (with initial or remaining lease terms in excess of one year), are as follows:

<u>Year ending December 31,</u>	
1996	255,780
1997	306,673
1998	319,347
1999	332,021
2000	340,599
Thereafter	<u>471,943</u>
	<u>\$2,026,363</u>

Total office rental expense for 1995 was \$156,405, net of sublease payments of \$104,861.

6. LINE OF CREDIT

In April 1995, VITA obtained a \$100,000 line of credit with a local bank for a period of one year under which advances may be borrowed up to 80 percent of accounts receivable aged less than ninety days. The line of credit is collateralized by a blanket lien on all assets of VITA. The interest rate is the prime rate plus 1.5 percent. VITA did not have an outstanding balance on the line of credit at December 31, 1995.

7. EMPLOYEE BENEFIT PLAN

VITA has a tax deferred annuity plan available to all full-time employees who have completed three months of service. Participating employees defer a minimum of 2.5 percent up to a maximum of 16 percent of their gross salary up to statutory limitations. VITA contributes an amount equal to 7.5 percent of each participant's gross salary. The expense incurred by VITA for such contributions was \$88,437 for 1995.

8. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

During 1995, VITA paid interest of \$3,884.

In 1995, VITA performed a detailed analysis of the fixed asset accounts and determined that assets remained on the books in which VITA no longer has possession. As a result, these assets were removed from the records as summarized below. The net book value of these assets amounted to \$390 as most of the cost had been depreciated in prior years.

Office furniture & equipment	191,084
Computer equipment	<u>34,034</u>
Subtotal	<u>225,118</u>
Accumulated depreciation - furniture & equipment	(190,449)
Accumulated depreciation - computer equipment	<u>(34,279)</u>
Subtotal	<u>(224,728)</u>
Loss on disposal of fixed assets	<u>390</u>

9. CONCENTRATION IN THE VOLUME OF BUSINESS

The U.S. Federal government is a main contributor of VITA. In 1995, the Federal government contributed 68 percent of VITA's total revenue and support.