
VILLAGE ENTERPRISE FUND, INC.

FINANCIAL STATEMENTS

For the years ended June 30, 2009 and 2008

with Report of Independent Auditors

VILLAGE ENTERPRISE FUND, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Village Enterprise Fund
Palo Alto, California

We were engaged to audit the statements of financial position of Village Enterprise Fund, Inc. as of June 30, 2009 and 2008, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of Village Enterprise Fund, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Village Enterprise Fund, Inc.'s records in the United States were not sufficient to permit the application of auditing procedures in relation to micro-grants paid in East Africa during the year ended June 30, 2008. We were not engaged to audit the records in East Africa, nor to visit the local grant recipients and we were unable to obtain sufficient independent audit evidence or perform alternative procedures in relation to these micro grants. Therefore we are unable to express an opinion on the Statement of Activities, Statement of Cash Flows and Statement of Functional Expenses for the year ended June 30, 2008.

In our opinion, except for the effects of the matter described in the prior paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Village Enterprise Fund, Inc. as of June 30, 2009 and 2008, and the changes in its net assets, functional expenses and its cash flows for the year ended June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

PMB Helin Donovan, LLP

San Francisco, California
January 20, 2010

VILLAGE ENTERPRISE FUND, INC.

STATEMENTS OF FINANCIAL POSITION

as of June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 243,914	\$ 241,033
Accounts receivable	2,939	15,000
Total Current Assets	<u>246,853</u>	<u>256,033</u>
Long-Term Assets		
Property and equipment - net of accumulated depreciation	<u>27,710</u>	<u>18,073</u>
Total Long-Term Assets	<u>27,710</u>	<u>18,073</u>
 Total Assets	 <u>\$ 274,563</u>	 <u>\$ 274,106</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current portion of capital leases	\$ 2,355	\$ 2,828
Accounts payable	25,143	20,779
Grants payable	86,800	81,850
Total Current Liabilities	<u>114,298</u>	<u>105,457</u>
 Long term portion of capital leases	 -	 2,355
Total Liabilities	<u>114,298</u>	<u>107,812</u>
Net Assets:		
Unrestricted net assets	116,755	141,122
Temporarily restricted net assets	<u>43,510</u>	<u>25,172</u>
 Total Net Assets	 <u>160,265</u>	 <u>166,294</u>
 Total Liabilities and Net Assets	 <u>\$ 274,563</u>	 <u>\$ 274,106</u>

The accompanying notes are an integral part of these financial statements

VILLAGE ENTERPRISE FUND, INC.

STATEMENTS OF ACTIVITIES
for the years ended June 30, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Contributions from individuals	\$ 656,943	\$ -	\$ 656,943	\$ 835,531	\$ -	\$ 835,531
Contributions from foundations	99,504	66,623	166,127	103,002	21,198	124,200
Other contributions	65,871	-	65,871	47,533	-	47,533
Fundraising events, net of direct expenses of \$39,221, (2008: \$1,222)	127,579	-	127,579	(1,222)	-	(1,222)
Investment income	-	-	-	2,241	-	2,241
Net assets released from restrictions	48,285	(48,285)	-	26,626	(26,626)	-
Total Support and Revenue	998,182	18,338	1,016,520	1,013,711	(5,428)	1,008,283
Operating Expenses:						
Grants to small businesses	324,552	-	324,552	410,288	-	410,288
Program services	465,494	-	465,494	388,476	-	388,476
Total program expenses	790,046	-	790,046	798,764	-	798,764
Supporting services:						
Management and general	101,487	-	101,487	76,478	-	76,478
Fundraising	131,016	-	131,016	144,212	-	144,212
Total Operating Expenses	1,022,549	-	1,022,549	1,019,454	-	1,019,454
Changes in Net Assets	(24,367)	18,338	(6,029)	(5,743)	(5,428)	(11,171)
NET ASSETS:						
Beginning of year	141,122	25,172	166,294	146,865	30,600	177,465
End of year	\$ 116,755	\$ 43,510	\$ 160,265	\$ 141,122	\$ 25,172	\$ 166,294

The accompanying notes are an integral part of these financial statements

VILLAGE ENTERPRISE FUND, INC.

STATEMENTS OF CASH FLOWS
for the years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATIONS:		
Changes in net assets	\$ (6,029)	\$ (11,171)
Adjustments to reconcile increase/(decrease) in net assets to net cash provided by operating activities:		
Depreciation	12,396	9,005
(Increase)/decrease in operating assets:		
Accounts receivable	12,061	(15,000)
Increase/(decrease) in operating liabilities:		
Accounts payable	4,364	903
Grants payable	4,950	32,750
Net cash provided by operating activities	<u>27,742</u>	<u>16,487</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(22,033)</u>	<u>(3,433)</u>
Total cash used by investing activities	<u>(22,033)</u>	<u>(3,433)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital leases	<u>(2,828)</u>	<u>(2,510)</u>
Net cash used by financing activities	<u>(2,828)</u>	<u>(2,510)</u>
Net increase in cash balances	2,881	10,544
CASH AND EQUIVALENTS:		
Beginning of year	<u>241,033</u>	<u>230,489</u>
End of year	\$ <u>243,914</u>	\$ <u>241,033</u>
SUPPLEMENTAL DATA:		
Interest paid	\$ <u>958</u>	\$ <u>958</u>

The accompanying notes are an integral part of these financial statements

VILLAGE ENTERPRISE FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2009

	Program Services					Total Program Services	Supporting Services		Total
	Kenya	Tanzania	Uganda	Region Office	United States		Management and General	Fundraising	
Grants to small businesses	\$ 119,779	\$ 46,636	\$ 158,137	\$ -	\$ -	\$ 324,552	\$ -	\$ -	\$ 324,552
Personnel expenses	23,681	9,990	23,600	9,672	150,831	217,774	64,858	97,666	380,298
Depreciation	-	-	-	-	11,156	11,156	620	620	12,396
Field operations expenses	17,129	11,335	29,138	27,136	-	84,738	-	-	84,738
Insurance	-	-	-	-	-	-	627	-	627
Interns	9,555	2,096	13,196	-	2,895	27,742	-	965	28,707
Meetings, conferences, and training	-	-	-	-	1,344	1,344	990	1,202	3,536
Occupancy	-	-	-	-	10,423	10,423	4,482	6,749	21,654
Office expenses	-	-	-	-	10,790	10,790	4,639	6,986	22,415
Other expenses	-	-	-	-	12,835	12,835	5,519	8,311	26,665
Postage and shipping	-	-	-	-	2,865	2,865	878	878	4,621
Printing and publications	-	-	-	-	263	263	264	2,108	2,635
Professional fees	-	-	-	-	-	-	15,280	-	15,280
Special projects	1,936	-	41,128	450	-	43,514	-	-	43,514
Telephone	-	-	-	-	2,569	2,569	1,104	1,663	5,336
Travel	11,056	10,571	6,834	7,125	1,112	36,698	819	995	38,512
Utilities	-	-	-	-	1,178	1,178	507	763	2,448
Website	-	-	-	-	1,605	1,605	900	2,110	4,615
Total Expenses	<u>63,357</u>	<u>33,992</u>	<u>113,896</u>	<u>44,383</u>	<u>209,866</u>	<u>465,494</u>	<u>101,487</u>	<u>131,016</u>	<u>697,997</u>
Total Grants and Expenses	<u>\$ 183,136</u>	<u>\$ 80,628</u>	<u>\$ 272,033</u>	<u>\$ 44,383</u>	<u>\$ 209,866</u>	<u>\$ 790,046</u>	<u>\$ 101,487</u>	<u>\$ 131,016</u>	<u>\$ 1,022,549</u>

The accompanying notes are an integral part of these financial statements

VILLAGE ENTERPRISE FUND

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2008

	Program Services				Total Program Services	Supporting Services		
	<u>Kenya</u>	<u>Tanzania</u>	<u>Uganda</u>	<u>United States</u>		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants to small businesses	\$ 151,083	\$ 116,129	\$ 143,076	\$ -	\$ 410,288	\$ -	\$ -	\$ 410,288
Personal expenses	13,195	11,500	12,045	149,359	186,099	61,645	90,516	338,260
Depreciation	-	-	-	8,129	8,129	434	442	9,005
Field operations expenses	12,591	12,380	14,482	-	39,453	-	-	39,453
Insurance	-	-	-	5,137	5,137	1,575	1,574	8,286
Interns	2,183	3,265	3,233	250	8,931	-	202	9,133
Meetings, conferences, and training	2,156	2,156	2,156	2,452	8,920	752	2,060	11,732
Occupancy	-	-	-	10,939	10,939	3,352	3,352	17,643
Office expenses	-	-	-	9,728	9,728	2,981	2,981	15,690
Other expenses	-	-	-	7,503	7,503	2,299	8,831	18,633
Postage and shipping	-	-	-	2,007	2,007	615	615	3,237
Printing and publications	-	-	-	107	107	32	5,418	5,557
Professional fees	-	-	-	2,756	2,756	844	845	4,445
Special projects	6,500	-	10,550	-	17,050	-	-	17,050
Telephone	-	-	-	3,820	3,820	1,138	1,163	6,121
Training	16,777	15,435	13,547	-	45,759	-	-	45,759
Travel	9,415	6,866	11,610	2,475	30,366	268	25,670	56,304
Utilities	-	-	-	1,406	1,406	431	431	2,268
Website	-	-	-	366	366	112	112	590
Total Expenses	<u>62,817</u>	<u>51,602</u>	<u>67,623</u>	<u>206,434</u>	<u>388,476</u>	<u>76,478</u>	<u>144,212</u>	<u>609,166</u>
Total Grants and Expenses	<u>\$ 213,900</u>	<u>\$ 167,731</u>	<u>\$ 210,699</u>	<u>\$ 206,434</u>	<u>\$ 798,764</u>	<u>\$ 76,478</u>	<u>\$ 144,212</u>	<u>\$ 1,019,454</u>

The accompanying notes are an integral part of these financial statements

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements
June 30, 2009

1. Organization and Summary of Significant Accounting Policies:

Organization

Village Enterprise Fund, Inc. was incorporated in the State of California as Christian Self-Development Fund on June 3, 1987. On August 17, 1994 the name was changed to Village Enterprise Fund, Inc. (VEF). The VEF head office is located in San Carlos, California, with key international offices in the East African countries of Tanzania, Uganda, and Kenya.

VEF's mission is to break the cycle of poverty in rural East Africa through training, seed capital and mentoring for income-generating small businesses:

- Business training empowers groups of five people to select, create and operate a small business.
- Seed capital grants totaling \$150 go to trained groups with approved grant applications. Typical businesses include: Agriculture (maize, cassava, tomatoes, peanuts); Animal husbandry (goats, chickens, pigs); Skilled service and construction (tailoring, carpentry, welding, bicycle repair); and Retail (vegetable kiosks, restaurants and cafes, household goods).
- On-going mentoring provides personalized advice and encouragement for at least one year, and helps new entrepreneurs gain confidence, overcome the typical challenges of a new venture, become self-sufficient and grow their businesses.

A small number of Empowerment grants (\$300) go to the most successful entrepreneurs. These incremental investments facilitate addition of employees, branch office openings, acquisition of capital equipment and inventory expansion.

Basis of Accounting

The financial statements of VEF 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

The Organization has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows.

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements (continued)

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

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with a purchased maturity date of three months or less. The value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Prepaid Expenses

Prepaid expenses represent items which have been paid for but which are applicable to subsequent years.

Property and Equipment and Depreciation

All acquisitions of property and equipment in excess of \$500 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 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.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, through the passage of time or actions of VEF temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Larger donations are solicited by encouraging donors to make a four-year commitment. These commitments are not unconditional, are not written, and therefore are not recognized as receivables in the financial statements.

Permanently restricted net assets are contributions required to be maintained in perpetuity by the donor. VEF may use the earnings from these funds. VEF had no permanently restricted net assets at June 30, 2009 and 2008.

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements (continued)

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

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.

Tax-Exempt Status

VEF is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. In addition, VEF has received a ruling from the Internal Revenue Service that it is not classified as a private foundation under Section 509(a) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include the useful life of depreciable assets and estimates of uncollectible accounts receivable. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

On July 1, 2008, VEF adopted Financial Accounting Standards Board No.157 (SFAS 157), Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements.

In February 2008, the FASB issued Staff Position (FSP) No. FAS 157-2, Effective Date of FASB Statement No. 157, which delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, excluding those assets that are recognized or disclosed at fair value on a recurring basis for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years.

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements (continued)

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

On July 1, 2008, VEF adopted Financial Accounting Standards Board No.159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115. SFAS 159 permits an entity to measure financial instruments and certain other items at estimated fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities that own trading and available-for-sale securities. The fair value option created by SFAS No. 159 permits an entity to measure eligible items at fair value as of specified election dates. The fair value option (a) may generally be applied instrument by instrument, (b) is irrevocable unless a new election date occurs, and (c) must be applied to the entire instrument and not to only a portion of the instrument. The adoption of SFAS No. 159 did not have a significant impact on VEF's results of operations and financial condition.

VEF's financial instruments consist principally of cash and cash equivalents, prepaid expenses, other assets, accounts payable, and accrued expenses. VEF believes all of the financial instruments' recorded values approximate fair value.

2. Concentration of Credit Risk:

VEF maintains its cash balances at various banks and brokerage house. Bank balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2009, VEF had no uninsured bank balances. In addition, there was \$53,670 in money market funds at brokerage house.

3. Property and Equipment:

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

	<u>2009</u>	<u>2008</u>
Computer and equipment	\$ 22,546	\$ 11,138
Vehicles	35,500	16,600
Less: Accumulated depreciation	<u>(30,336)</u>	<u>(17,940)</u>
Property and equipment, net	<u>\$27,710</u>	<u>\$18,073</u>

Property and equipment includes capitalized leased equipment of \$8,275 and accumulated amortization of \$6,206. Depreciation expense, including amortization on capital leases, for 2009 and 2008 amounted to \$12,396 and \$9,005 respectively.

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements (continued)

4. Grants Payable:

VEF awards grants totaling \$150 to small startup businesses. The entire grant amount is recorded as an expense at the time the grant is awarded, although the business receives their grant in two stages:

- An initial payment \$100
- A second payment of \$50, upon delivery of a progress report (typically submitted 6 months after receipt of the initial payment).

The balance of the grant (the second \$50 payment) is recorded as a liability until disbursed. If no progress report is submitted within 1 year after the initial payment, the second \$50 payment is restored to the pool of funds available to new applicants. Grants are typically funded four times a year, on a quarterly basis.

5. Capital Lease Obligations:

VEF leases certain office equipment under financing lease agreements at an interest rate of approximately 12.0%. Future minimum lease payments of principal and interest under capitalized leases at June 30, 2009 are:

Year ended June 30,	
2010	\$2,474
Total capital lease payments	2,474
Less amount representing interest	119
Total capital lease obligations	<u>\$2,355</u>

6. Commitments:

VEF leases office space under an operating lease that expires on December 31, 2014. Future minimum lease payments under the lease at June 30, 2009 are:

Year Ended June 30:	
2010	\$ 22,302
2011	22,974
2012	23,664
2013	24,372
2014	25,104
Thereafter	<u>12,738</u>
	<u>\$131,154</u>

Rental expense for the year was \$21,654, (2008: \$17,643).

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements (continued)

7. Donations In Kind:

VEF has received donated services in the form of time donated by interns and volunteers. Activities for interns and volunteers include work both in the head office and in African field offices. Contributions of services are recognized if the services received (1) create or enhance non-financial assets or, (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During 2009 and 2008, interns and volunteers donated approximately 3,980 and 6,500 hours, respectively. As required under SFAS No. 116, no amounts have been recognized in the accompanying statement of activities for these services as they do not meet the criteria for recognition.

8. 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 June 30, temporarily restricted net assets consist of:

	<u>2009</u>	<u>2008</u>
Kenya	\$17,981	\$ -
Uganda	<u>25,529</u>	<u>25,172</u>
Total	<u>\$43,510</u>	<u>\$25,172</u>

9. Net Assets Released from Restrictions:

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

	<u>2009</u>	<u>2008</u>
Tanzania	\$ -	\$11,000
Uganda	<u>48,285</u>	<u>15,626</u>
Total	<u>\$48,285</u>	<u>\$26,626</u>

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements (continued)

10. Subsequent Events:

In accordance with Accounting Standards Codification 855, Subsequent Events, we have evaluated subsequent events through January 20, 2010, the date the financial statements were available to be issued.