
VILLAGE ENTERPRISE FUND, INC.

FINANCIAL STATEMENTS

For the years ended June 30, 2010 and 2009

with Report of Independent Auditors

VILLAGE ENTERPRISE FUND, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Village Enterprise Fund, Inc.
San Carlos, California

We were engaged to audit the statements of financial position of Village Enterprise Fund, Inc. as of June 30, 2010 and 2009, 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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Village Enterprise Fund, Inc. as of June 30, 2010 and 2009, and the changes in its net assets, functional expenses and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

PMB Helin Donovan, LLP



San Francisco, California
January 11, 2011

VILLAGE ENTERPRISE FUND, INC.

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 346,822	\$ 243,914
Accounts receivable	67,882	2,939
Prepaid expenses	17,948	-
Total Current Assets	<u>432,652</u>	<u>246,853</u>
Long-Term Assets:		
Property and equipment - net of accumulated depreciation	<u>39,070</u>	<u>27,710</u>
Total Long-Term Assets	<u>39,070</u>	<u>27,710</u>
 Total Assets	 <u>\$ 471,722</u>	 <u>\$ 274,563</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current portion of capital leases	\$ -	\$ 2,355
Accounts payable and accrued expenses	127,930	25,143
Grants payable	<u>84,328</u>	<u>86,800</u>
Total Current Liabilities	<u>212,258</u>	<u>114,298</u>
Net Assets:		
Unrestricted net assets	(47,320)	116,755
Temporarily restricted net assets	<u>306,784</u>	<u>43,510</u>
 Total Net Assets	 <u>259,464</u>	 <u>160,265</u>
 Total Liabilities and Net Assets	 <u>\$ 471,722</u>	 <u>\$ 274,563</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, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Contributions from individuals	\$ 490,707	\$ 172,250	\$ 662,957	\$ 656,943	\$ -	\$ 656,943
Contributions from foundations	220,000	298,291	518,291	99,504	66,623	166,127
Other contributions	37,966	-	37,966	65,871	-	65,871
Fundraising events, net of direct expenses of \$9,624, (2009: \$39,221)	4,556	-	4,556	127,579	-	127,579
Contributed Services	97,145	-	97,145	-	-	-
Net assets released from restrictions	207,267	(207,267)	-	48,285	(48,285)	-
	1,057,641	263,274	1,320,915	998,182	18,338	1,016,520
Total Support and Revenue						
Operating Expenses:						
Program services	740,466	-	740,466	790,046	-	790,046
Supporting services:						
Management and general	302,166	-	302,166	101,487	-	101,487
Fundraising	179,084	-	179,084	131,016	-	131,016
	1,221,716	-	1,221,716	1,022,549	-	1,022,549
Total Operating Expenses						
Changes in Net Assets	(164,075)	263,274	99,199	(24,367)	18,338	(6,029)
NET ASSETS:						
Beginning of year	116,755	43,510	160,265	141,122	25,172	166,294
End of year	\$ (47,320)	\$ 306,784	\$ 259,464	\$ 116,755	\$ 43,510	\$ 160,265

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATIONS:		
Changes in net assets	\$ 99,199	\$ (6,029)
Adjustments to reconcile increase/(decrease) in net assets to net cash provided by operating activities:		
Depreciation	17,129	12,396
(Increase)/decrease in operating assets:		
Accounts receivable	(64,943)	12,061
Prepaid expenses	(17,948)	-
Increase/(decrease) in operating liabilities:		
Accounts payable	102,787	4,364
Grants payable	(2,472)	4,950
Net cash provided by operating activities	<u>133,752</u>	<u>27,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(28,489)</u>	<u>(22,033)</u>
Net cash used in investing activities	<u>(28,489)</u>	<u>(22,033)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital leases	<u>(2,355)</u>	<u>(2,828)</u>
Net cash used in financing activities	<u>(2,355)</u>	<u>(2,828)</u>
Net increase in cash balances	102,908	2,881
CASH AND EQUIVALENTS:		
Beginning of year	<u>243,914</u>	<u>241,033</u>
End of year	<u>\$ 346,822</u>	<u>\$ 243,914</u>
SUPPLEMENTAL DATA:		
Interest paid	<u>\$ 337</u>	<u>\$ 723</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, 2010

	Program Services					Supporting Services			Total
	Kenya	Tanzania	Uganda	Region Office	United States	Total Program Services	Management and General	Fundraising	
Grants to small businesses	\$ 147,650	\$ (16,200)	\$ 117,750	\$ -	\$ -	\$ 249,200	\$ -	\$ -	\$ 249,200
Personnel expenses	24,255	2,980	29,480	9,951	115,874	182,540	47,180	123,922	353,642
Depreciation	-	-	-	-	15,417	15,417	856	856	17,129
Field operations expenses	59,612	7,658	60,291	18,209	-	145,770	-	-	145,770
Insurance	-	-	-	-	-	-	3,414	-	3,414
Interns	34,295	-	4,786	-	-	39,081	-	-	39,081
Meetings, conferences and training	-	-	-	-	396	396	148	445	989
Occupancy	-	-	-	-	7,843	7,843	2,941	8,824	19,608
Office expenses	-	-	-	-	4,876	4,876	1,829	5,486	12,191
Other expenses	-	-	-	-	27,382	27,382	10,268	30,805	68,455
Postage and shipping	-	-	-	-	1,170	1,170	438	1,316	2,924
Printing and publications	-	-	-	-	377	377	377	3,015	3,769
Professional fees	-	-	-	-	-	-	21,242	-	21,242
Severance and related contributed services	-	-	-	-	-	-	212,401	-	212,401
Special projects	18,806	-	18,763	-	-	37,569	-	-	37,569
Telephone	-	-	-	-	1,811	1,811	679	2,038	4,528
Travel	13,459	-	12,667	-	-	26,126	-	1,304	27,430
Utilities	-	-	-	-	908	908	340	1,021	2,269
Website	-	-	-	-	-	-	53	52	105
Total Expenses	\$ 298,077	\$ (5,562)	\$ 243,737	\$ 28,160	\$ 176,054	\$ 740,466	\$ 302,166	\$ 179,084	\$ 1,221,716

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	\$ 183,136	\$ 80,628	\$ 272,033	\$ 44,383	\$ 209,866	\$ 790,046	\$ 101,487	\$ 131,016	\$ 1,022,549

The accompanying notes are an integral part of these financial statements

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements

June 30, 2010

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 Kenya and Uganda.

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 of up to \$150 are awarded 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

VEF has adopted the provisions of Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. ASC 958 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 between three and five years for equipment and vehicles.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions 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 contributions 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, 2010 and 2009.

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.

Compensated Absences

VEF accrues vacation expense as incurred and payable to employees at current rates.

Allowance for Doubtful Accounts

VEF considers all of its receivables to be collectible and, accordingly, has not recorded an allowance for uncollectible amounts.

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 is classified as other than a private foundation under Internal Revenue Code Section 509(a).

In June 2006, FASB issued ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 addresses the accounting for uncertainties in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. ASC 740 also provides related guidance on measurement, classification, interest and penalties, and disclosure. There was no material impact to VEF's financial statements as a result of the adoption of ASC 740.

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.

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements (continued)

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

Fair Value of Financial Instruments

On July 1, 2008, VEF adopted Accounting Standards Codification (ASC) 820, *Fair Value Measurements*. This Codification 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 Staff Position (FSP) delayed the effective date of ASC 820 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.

On July 1, 2008, VEF adopted Accounting Standards Codification (ASC) 825, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of Accounting Standards Codification (ASC) 320*. A provision of ASC 825 permits an entity to measure financial instruments and certain other items at estimated fair value. Most of the provisions of ASC 825 are elective; however, the amendment to ASC 320, *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 ASC 825 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 ASC 825 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. Cash balances held in banks are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. At June 30, 2010, VEF had \$14,243 of uninsured bank balances. At June 30, 2009, VEF had no uninsured bank balances.

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements (continued)

3. Property and Equipment:

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

	2010	2009
Computers and equipment	\$ 25,035	\$ 22,546
Vehicles	61,500	35,500
Less: Accumulated depreciation	(47,465)	(30,336)
Property and equipment, net	\$ <u>39,070</u>	\$ <u>27,710</u>

Property and equipment at June 30, 2010 includes capitalized leased equipment of \$8,275 which has been fully amortized. Depreciation expense, including amortization on capital leases, for 2010 and 2009 amounted to \$17,129 and \$12,396, respectively.

4. Grants Payable:

VEF awards grants of \$150 each 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 of \$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. As of June 30, 2010 and 2009 VEF had grants payable of \$84,328 and \$86,800, respectively.

5. Commitments:

VEF leases office space under an operating lease agreement that expired on July 31, 2006 and is currently on a month-to-month basis. Rental expense for 2010 was \$19,608, (2009: \$21,654).

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements (continued)

6. Severance and Related Contributed Services:

Severance and related contributed services consists of non-recurring expenses related to the transition of leadership. Severance and related contributed services amounted to \$212,401 for the year ended June 30, 2010 (2009: \$0) and includes severance of \$115,256 and related donated legal services of \$97,145 (see Note 7).

7. In-Kind Donations:

Donated goods and services for the years ended June 30, 2010 and 2009 consisted of the following:

	2010	2009
Legal services	\$ 97,145	\$ -
Total	\$ 97,145	\$ -

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. For years ended June 30, 2010 and 2009, interns and volunteers donated approximately 2,250 and 3,900 hours, respectively. 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:

	2010	2009
Kenya program expenses	\$ 38,183	\$ 17,981
Uganda program expenses	158,686	25,529
Future management expenses	109,915	-
Total	\$ 306,784	\$ 43,510

VILLAGE ENTERPRISE FUND, INC.

Notes to Financial Statements (continued)

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>2010</u>	<u>2009</u>
Kenya program expenses	\$ 80,617	\$ -
Uganda program expenses	76,565	48,285
Future management expenses	<u>50,085</u>	<u>-</u>
Total	<u>\$ 207,267</u>	<u>\$ 48,285</u>

10. Subsequent Events:

In accordance with Accounting Standards Codification (ASC) 855, *Subsequent Events*, VEF has evaluated subsequent events through January 11, 2011, the date the financial statements were available to be issued. VEF notes that there were no material subsequent events.