

Village Enterprise Fund

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

**for the Fiscal Years Ended:
June 30, 2007 and 2006**

TABLE OF CONTENTS

REPORTS

Independent Auditor's Report	1
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FINANCIAL STATEMENTS

Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-9
Supplemental Schedule of Functional Expenses FYE June 30, 2007	10
Supplemental Schedule of Functional Expenses FYE June 30, 2006	11

Patricia M. Hablutzel
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Village Enterprise Fund
(A California Nonprofit Corporation)
San Carlos, California

I have audited the accompanying statement of financial position of Village Enterprise Fund as of June 30, 2007 and 2006 and the related statements of activities, change in net assets, and statement of cash flows for the years then ended. These financial statements are the responsibility of Village Enterprise Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Village Enterprise Fund as of June 30, 2007 and 2006 and the results of their operations for the years then ended in conformity with generally accepted accounting principles in the United States of America.



Mountain View, California
April 30, 2008

**Village Enterprise Fund
Statement of Financial Position
As of June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Cash and Cash Equivalents	\$ 230,489	\$ 204,775
Fixed Assets at net book value	16,060	5,437
Prepaid Expenses	-	715
Total Assets	<u>\$ 246,549</u>	<u>\$ 210,927</u>
Accounts Payable	\$ 7,486	\$ 1,903
Grants Payable	49,100	57,950
Net Assets, Restricted	-	-
Net Assets, Unrestricted	189,963	151,074
Total Liabilities and Net Assets	<u>\$ 246,549</u>	<u>\$ 210,927</u>

The accompanying notes are an integral part of this statement.

**Village Enterprise Fund
Statement of Activities
for the Fiscal Years Ended June 30, 2007 and 2006**

	Unrestricted	Temporary Restricted	2007 Total	Unrestricted	Temporary Restricted	2006 Total
REVENUE:						
Contributions from Individuals	\$ 814,014	-	\$ 814,014	\$ 668,807	\$ 27,386	\$ 696,193
Contributions from Foundations	65,000	-	65,000	5,000	5,233	10,233
Other Contributions	97,043	11,000	108,043	16,655	-	16,655
Interest Income	7,236	-	7,236	2,008	-	2,008
Total Revenue	<u>983,294</u>	<u>11,000</u>	<u>994,294</u>	<u>692,470</u>	<u>32,619</u>	<u>725,089</u>
EXPENSE:						
Program Services	725,376	11,000	736,376	464,296	37,619	501,915
Support Services						
Fundraising Expense	165,601	-	165,601	120,329	-	120,329
General Administrative Expense	53,427	-	53,427	38,070	-	38,070
Total Support Service Expense	<u>219,028</u>	<u>-</u>	<u>219,028</u>	<u>158,399</u>	<u>-</u>	<u>158,399</u>
Total Expense	<u>944,405</u>	<u>11,000</u>	<u>955,405</u>	<u>622,695</u>	<u>37,619</u>	<u>660,314</u>
Change in Net Assets						
Beginning Net Assets	38,889	-	38,889	69,776	(5,000)	64,776
Ending Net Assets	<u>151,074</u>	<u>-</u>	<u>151,074</u>	<u>81,298</u>	<u>5,000</u>	<u>86,298</u>
	<u>\$ 189,963</u>	<u>\$ -</u>	<u>\$ 189,963</u>	<u>\$ 151,074</u>	<u>\$ -</u>	<u>\$ 151,074</u>

The accompanying notes are an integral part of this statement.

**Village Enterprise Fund
Statement of Cash Flows
As of June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 38,889	\$ 64,776
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
(Increase) Decrease in Prepaid Expense	715	(715)
Increase (Decrease) in Accounts Payable	5,583	(3,930)
Increase (Decrease) in Grants Payable	(8,850)	(6,217)
Depreciation Expense	4,836	1,798
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	41,173	55,712
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<hr/> (15,459)	<hr/> (2,878)
NET INCREASE (DECREASE) IN CASH	25,714	52,833
CASH AT BEGINNING OF YEAR	<hr/> 204,775	<hr/> 151,942
CASH AT END OF YEAR	<hr/> <u>\$ 230,489</u>	<hr/> <u>\$ 204,775</u>

The accompanying notes are an integral part of this statement.

Village Enterprise Fund
Notes to Financial Statements
Fiscal Years Ended June 30, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

Village Enterprise Fund (the Organization), is a nonprofit 501(c)(3) organization incorporated in California, USA. The Organization works to help break the cycle of poverty in East Africa. It provides seed capital, business training, and ongoing mentoring for income-generating small businesses. The U.S. office is located in San Carlos, California with key international locations in the East African countries of Kenya, Uganda and Tanzania.

The Organization provides its services to groups of five (5) qualified entrepreneurs in Kenya, Uganda and Tanzania. Each collectively owned business works with a village business mentor to prepare a simple business plan application. The Organization provides seed capital grants totalling \$100 or \$150. The amount depends on the capital costs associated with the particular business. The grant is paid in two(2) installments, the initial grant of \$50 or \$100 is given to trained groups upon approval of a grant application. The second installment of \$50 is given upon receipt of a progress report following six months of operation.

Founded in 1987, the Organization had funded 13,600 businesses as of June 30, 2007.

Vision Trips:

Village Enterprise Fund began a new program for donors and potential donors called Vision Trips, which started during the summer of 2007. Those interested can take a trip to Kenya, Tanzania, or Uganda to visit many of the recipients of the Organization's grants. These include farmers, tailors, and bike-repair workers, who are also trained and mentored by VEF. These tours are "luxury-type" tours and are organized through two different companies, Exquisite Safaris and Travel Connections.

Basis of Accounting:

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting, in accordance with generally accepted accounting principles.

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
Notes to Financial Statements (continued)
Fiscal Years Ended June 30, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. 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 years subsequent to the fiscal year.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Expenditures for maintenance and repairs are charged to expense, and renewals and betterments are capitalized. Upon sale or retirement, the cost of the assets and the related accumulated depreciation are removed from the accounts, and resulting gain or loss is included in the results of operations

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. For details see the Supplemental Schedules of Functional Expense.

Village Enterprise Fund
Notes to Financial Statements (continued)
Fiscal Years Ended June 30, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Commitments:

Larger donations are solicited by encouraging donors to make a four-year commitment. These commitments are not unconditional, are not written, and are not recognized as receivables in the financial statements. Based on these commitments we estimate them to provide VEF with minimum contributions for the following years, with no commitments beyond years listed:

FYE 2008	\$ 180,670
FYE 2009	\$ 27,500

Donated Services:

Village Enterprise Fund has received contributed services in the form of time donated by interns and volunteers. Activities for interns and volunteers include work both in the US office and in Africa. The estimated value of time donated during the two years audited is approximately:

FYE 2007	\$ 75,000
FYE 2006	\$ 60,000

Agent for Collection:

The Organization has acted as an agent for the collection of contributions to other organizations that have applied for but not yet received their tax-exempt status from the Internal Revenue Service, beginning in the Fiscal Year Ended June 30, 2006. This has been done on a limited basis. VEF has concentrated only on those organizations that have a similar mission, seeking to facilitate growth in organizations that help the needy in poor nations.

Income Taxes:

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701d.

Village Enterprise Fund, Inc.
Notes to Financial Statements (continued)
Fiscal Years Ended June 30, 2007 and 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Revenue Recognition:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 restriction.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$103,446	\$ 64,139
Broker Money markets	<u>127,043</u>	<u>140,636</u>
	<u>\$230,489</u>	<u>\$204,775</u>

NOTE 2. FIXED ASSETS:

Fixed assets consists of the following:

	<u>2007</u>	<u>2006</u>
Computers and Equipment	\$ 5,484	\$ 3,846
Less: Accumulated depreciation	<u>-2,090</u>	<u>-1,076</u>
NET BOOK VALUE	<u>3,394</u>	<u>2,770</u>
Vehicles	16,600	5,000
Less: Accumulated depreciation	<u>-5,933</u>	<u>-2,333</u>
NET BOOK VALUE	<u>10,667</u>	<u>2,667</u>
TOTAL NET BOOK VALUE	<u>\$ 14,061</u>	<u>\$ 5,437</u>

Village Enterprise Fund, Inc.
Notes to Financial Statements (continued)
Fiscal Years Ended June 30, 2007 and 2006

NOTE 3. GRANTS PAYABLE

The Organization awards \$100 or \$150 grants to small startup businesses as approved. The entire grant amount is recorded as an expense at the time the grant is awarded, although the business receives US\$50 or US\$100 to get started. The remaining US\$50 is recorded as a liability until disbursed. Once the business goals are met for the first six months, the additional US\$50 is disbursed and the liability account is reduced by the disbursed amount. If the business does not meet its goals, the second half of the grant award is withheld. This amount is returned to the pool for new applicants. Grants are funded on a quarterly basis.

NOTE 4. FACILITY LEASE COMMITMENT

On January, 2007, the Organization entered into a three-year lease for its office facility. Also, beginning April 2008 the rent was increased by \$383 per month for increased office space. Rent for subsequent years is already known, although the new agreement will not be signed until January 1, 2010.

In February 2007, the Organization entered into a three-year lease agreement for a new telephone system. The terms are payments of \$274.85 per month for 36 months, the last payment being due 02/12/2010. The equipment may be purchased at fair market value at the end of the lease.

The amounts due on both leases are as follows:

<u>Fiscal Year</u>	<u>Per Lease</u>	<u>Estimated</u>	<u>Total Office</u>	<u>Telephone</u>	<u>Total Leases</u>
2008	\$ 17,643	\$ -	\$ 17,643	\$ 3,298	\$ 20,941
2009	19,358	-	19,358	3,298	22,656
2010	10,988	11,316	22,304	1,924	24,228
2011	-	22,974	22,974	-	22,974
2012	-	23,664	23,664	-	23,664
TOTALS	\$ 47,989	\$ 57,954	\$105,943	\$ 8,520	\$114,463

NOTE 5. RESTATEMENT OF ALLOCATIONS

Effective July 1, 2005, Village Enterprise Fund has recalculated allocation of common costs to Program, Fund Raising and General and Administrative Services. This is reflected in the Supplemental Schedules of Functional Expenses. The new method is based Full-Time Equivalentents which is calculated using time worked by employees, interns and other volunteers. The allocations for Fiscal Year ended June 30, 2006 have been restated, so is different than the original statement issued. The total amount of expense, however is still the same.

Village Enterprise Fund
Supplemental Schedule of Functional Expenses
for the Fiscal Year Ended June 30, 2007

	PROGRAM SERVICES				Total	SUPPORT SERVICES			Total Expenses
	Kenya	Tanzania	Uganda	US		G & A	Fundraising	Total	
Salaries	\$ 29,550	\$ 23,843	\$ 33,745	\$ 111,462	\$ 198,600	\$ 29,431	\$ 90,452	\$ 119,883	\$ 318,483
Payroll taxes and fringe benefits	-	-	-	16,912	16,912	10,536	14,090	24,626	41,538
Grants to small businesses	117,145	86,297	110,078	-	313,519	-	-	-	313,519
Training	14,368	14,302	15,365	-	44,034	-	-	-	44,034
Special Projects	-	10,000	5,720	60,580	76,300	-	-	-	76,300
Interns	-	-	-	6,858	6,858	-	-	-	6,858
Professional fees	-	-	-	7,348	7,348	2,245	2,276	4,521	11,869
Rent	-	-	-	7,484	7,484	2,287	2,318	4,605	12,089
Utilities	-	-	-	974	974	298	302	599	1,573
Office Expenses	-	-	-	20,021	20,021	6,118	6,200	12,318	32,340
Insurance	-	-	-	1,003	1,003	306	311	617	1,620
Postage	-	-	-	1,530	1,530	467	474	941	2,471
Telephone and internet	-	-	-	3,526	3,526	1,078	1,092	2,170	5,696
Meetings, conferences and training	-	-	-	1,695	1,695	426	432	858	2,554
Travel	-	-	-	30,988	30,988	-	-	-	30,988
Printing and publications	-	-	-	-	-	-	133	133	133
Fundraising Campaign	-	-	-	-	-	-	47,286	47,286	47,286
Website	-	-	-	1,220	1,220	-	-	-	1,220
Depreciation	1,933	1,167	500	765	4,365	234	237	471	4,836
	\$ 162,995	\$ 135,608	\$ 165,407	\$ 272,366	\$ 736,376	\$ 53,427	\$ 165,601	\$ 219,028	\$ 955,405

The accompanying notes are an integral part of this statement.

Village Enterprise Fund
Supplemental Schedule of Functional Expenses
for the Fiscal Year Ended June 30, 2006

	PROGRAM SERVICES				SUPPORT SERVICES			Total Expenses	
	Kenya	Tanzania	Uganda	US	Total	G & A	Fundraising		Total
Salaries	\$ 26,557	\$ 18,162	\$ 26,304	\$ 43,300	\$ 114,323	\$ -	\$ 67,037	\$ 89,942	\$ 204,265
Payroll taxes and fringe benefits	-	-	-	7,855	7,855	-	15,277	19,159	27,014
Grants to small businesses	83,340	79,973	86,492	-	249,805	-	-	-	249,805
Training	20,563	8,500	6,373	15,033	50,468	-	-	-	50,468
Special Projects	5,233	-	4,500	10,000	19,733	-	-	-	19,733
Conference Sponsor	-	-	-	1,750	1,750	-	-	-	1,750
Interns	-	-	-	1,719	1,719	-	-	-	1,719
Professional fees	-	-	-	1,618	1,618	768	1,402	2,169	3,787
Rent	-	-	-	3,467	3,467	1,645	3,003	4,648	8,115
Utilities	-	-	-	495	495	235	429	664	1,159
Office Expenses	-	-	-	6,426	6,426	3,048	5,566	8,614	15,040
Insurance	-	-	-	374	374	178	324	502	876
Postage	-	-	-	541	541	257	469	725	1,266
Telephone and internet	-	-	-	1,457	1,457	691	1,262	1,953	3,409
Subcontract labor	-	-	-	6,583	6,583	3,123	5,702	8,824	15,408
Meetings, conferences and training	-	-	-	941	941	447	815	1,262	2,203
Travel	-	-	-	32,106	32,106	-	-	-	32,106
Printing and publications	-	-	-	1,085	1,085	515	6,397	6,912	7,997
Fundraising Campaign	-	-	-	-	0	-	11,914	11,914	11,914
Website	-	-	-	-	0	-	480	480	480
Depreciation	-	1,167	-	-	1,167	379	253	631	1,798
	\$ 135,693	\$ 107,801	\$ 123,669	\$ 134,752	\$ 501,915	\$ 38,070	\$ 120,329	\$ 158,399	\$ 660,314

The accompanying notes are an integral part of this statement.