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INDEPENDENT AUDITORS' 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, 2003 and 2002 and the related statements of activities and change in net assets, and statement of cash flows for the years then ended June 30, 2003 and 2002. 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, 2003 and 2002 and the results of their operations for the years then ended in conformity with generally accepted accounting principles in the United States of America.



Hayward, California
August 3, 2004

**Village Enterprise Fund
Statement of Financial Position
As of June 30, 2003 and 2002**

	ASSETS	<u>2003</u>	<u>2002</u>
Cash & Cash Equivalent		\$ 63,232	\$ 83,977
Computer and Equipment, net		-	-
Total Assets		<u>\$ 63,232</u>	<u>\$ 83,977</u>
LIABILITIES & NET ASSETS			
Accounts Payable		2,721	904
Grant Payable		40,940	54,960
Net Assets, Unrestricted		19,571	28,113
Total Liabilities and Net Assets		<u>\$ 63,232</u>	<u>\$ 83,977</u>

See independent accountant's reports and accompanying notes to financial statements.

Village Enterprise Fund
Statement of Activities
For Twelve Months Ended June 30, 2003 and 2002

	REVENUE		2003	2002
	Unrestricted	Temporary Restricted	Total	Total
Contributions Foundations	\$ 239,275	\$ -	\$ 239,275	\$ 227,535
Interest Income	5,000	55,000	60,000	73,178
Net assets released form restrictions:	141	-	141	605
Satisfaction of program restrictions	55,000	(55,000)	-	-
Other Income	682	-	682	7
Total Revenue	<u>300,098</u>	<u>-</u>	<u>300,098</u>	<u>301,325</u>
	EXPENSES			
Program Expenses	\$ 186,398	\$ -	\$ 186,398	\$ 173,450
General Administrative Expenses	24,159	-	24,159	29,718
Salaries and Benefits	98,083	-	98,083	115,676
Total Expenses	<u>308,640</u>	<u>-</u>	<u>308,640</u>	<u>318,844</u>
Current Net Assets	(8,542)	-	(8,542)	(17,519)
Beginning Net Assets	28,113	-	\$ 28,113	45,632
Ending Net Assets	<u>\$ 19,571</u>	<u>\$ -</u>	<u>\$ 19,571</u>	<u>\$ 28,113</u>

See independent accountant's reports and accompanying notes to financial statements.

**Village Enterprise Fund
Statement of Cash Flows
As of June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (8,542)	\$ (17,519)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Increase (decrease) in:		
Decrease in Accounts Payable	3,799	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(4,743)	(17,519)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment securities	(16,002)	-
CASH FLOW FROM INVESTING ACTIVITIES	(16,002)	-
NET INCREASE (DECREASE) IN CASH	(20,745)	(17,519)
CASH AT BEGINNING OF YEAR	83,977	101,496
CASH AT END OF YEAR	<u>\$ 63,232</u>	<u>\$ 83,977</u>

See independent accountant's reports and accompanying notes to financial statements.

**Village Enterprise Fund
Statement of Functional Expense**

For Year Ended June 30, 2003

	<u>Grants & Programs</u>	<u>Fund Raising</u>	<u>General & Administration</u>	<u>Total</u>
Advisory Board	452	-	452	905
Annual Report	-	-	-	-
Banking Fees	1,701	0	299	2,000
Banquet	2,535	2,535	-	5,069
Consulting	3,320	-	-	3,320
Entertainment	-	-	631	631
Grants & Awards	167,849	-	-	167,849
Legal	1,227	-	-	1,227
Misc	489	978	489	1,957
Misc.	-	-	-	-
Newsletter	1,109	1,109	-	2,217
Office Supplies	799	1,599	799	3,198
Postage	-	1,680	560	2,240
Processing Fees	374	62	62	499
Rent	1,800	1,800	-	3,600
Reproduction	205	103	103	410
Salaries and Benefits	41,170	49,784	7,129	98,083
Taxes & Licenses	10	-	-	10
Telephone	1,768	884	884	3,536
Training & Education	63	63	-	125
Travel	10,907	-	-	10,907
Utilities	151	151	-	303
Website	178	178	-	356
	<u>\$ 236,106</u>	<u>\$ 60,925</u>	<u>\$ 11,409</u>	<u>\$ 308,439</u>

For Year Ended June 30, 2002

	<u>Grants & Programs</u>	<u>Fund Raising</u>	<u>General & Administration</u>	<u>Total</u>
Advisory Board	\$ 350	\$ -	\$ 350	\$ 699
Annual Report	1,122	-	1,122	2,245
Banking Fees	1,695.46	0.00	371.82	2,067
Consulting	1,710	-	-	1,710
Entertainment	583	-	-	583
Grants & Awards	155,712	-	-	155,712
Legal	1,355	-	-	1,355
Misc	496	991	496	1,983
Newsletter	2,169	2,169	-	4,338
Office Supplies	511	1,023	511	2,045
Postage	-	1,557	519	2,076
Processing Fees	112	19	19	149
Rent	6,210	6,210	-	12,420
Repair & Maintenance	633	-	633	1,266
Reproduction	8	-	-	8
Salaries and Benefits	66,751	42,057	6,866	115,675
Taxes & Licenses	20	-	-	20
Telephone	1,180	590	590	2,359
Training & Education	222	-	222	444
Travel	11,369	-	-	11,369
Website	160	160	-	320
	<u>\$ 252,369</u>	<u>\$ 54,776</u>	<u>\$ 11,699</u>	<u>\$ 318,843</u>

See independent accountant's reports and accompanying notes to financial statements.

Village Enterprise Fund
(a California Nonprofit Corporation)
Notes to the Financial Statements
June 30, 2003 and 2002

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 funds micro business enterprises in developing countries, but primarily in Africa. The U.S. office is located in San Carlos, California with key international locations in Kenya, Uganda and Tanzania.

The Organization provides seed money, training and mentoring to groups of five (5) or more qualified entrepreneurs in Kenya, Uganda and Tanzania. Each collectively owned business works with a volunteer field coordinator to prepare a mini-business application. If approved, the business receives a US\$50 grant to get started. Upon meeting certain goals, each concern can receive another US\$50 after six months of operations. Since its inception, the Organization has funded over 8,600 businesses.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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.

Fixed Assets:

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.

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.

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.

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.

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. There was no restricted revenue contribution during the period.

Contributions

The Organization receives substantial amount of its funding from individual donors and private foundations. Board members also make annual contributions to the organization. No amounts have been reflected in the financial statements for contributions, which does not meet the criteria for recognition under SFAS 116, *Accounting for Contributions Received and Contributions Made*.

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.

NOTE 2. EQUIPMENT

Equipment consist of the following:

<u>Descriptions</u>	<u>2003</u>	<u>2002</u>
Computers and Furniture	4,330	4,330
Accumulated Depreciation	<u>(4,330)</u>	<u>(4,330)</u>
Net Book Value	-0-	-0-

NOTE 3. GRANTS PAYABLE

The Organization awards \$100 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 only 50% of the grant (US\$50) to get started. The remaining US\$50 is recorded as a liability until disbursed. Once the business goals are met, 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, with approximately 250 new businesses each quarter.