

**Village Enterprise Fund, Inc. and Affiliates**

**Consolidated Financial Statements  
(with Supplementary Information)  
and Independent Auditor's Report**

**June 30, 2023 and 2022**

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# Village Enterprise Fund, Inc. and Affiliates

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## Independent Auditor's Report

To the Board of Directors  
Village Enterprise Fund, Inc. and Affiliates

Report on the Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the consolidated financial statements of Village Enterprise Fund, Inc. and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information on pages 22 to 25 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*CohnReznick LLP*

Los Angeles, California  
February 8, 2024

**Village Enterprise Fund, Inc. and Affiliates**  
**Consolidated Statements of Financial Position**  
**June 30, 2023 and 2022**

	<u>Assets</u>	<u>2023</u>	<u>2022</u>
<b>Assets</b>			
Cash and cash equivalents	\$	15,227,901	\$ 7,867,904
Accounts receivable		802,034	290,266
Promises to give, net		233,580	408,261
Prepaid expenses		138,595	987,472
Property and equipment, net		63,468	37,365
Right-of-use asset, operating		60,067	-
		<u>16,525,645</u>	<u>9,591,268</u>
Total assets	\$	<u>16,525,645</u>	\$ <u>9,591,268</u>
 <u>Liabilities and Net Assets</u>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$	1,084,902	\$ 148,779
Refundable advance		470,794	484,143
Lease liability, operating		60,067	-
		<u>1,615,763</u>	<u>632,922</u>
Total liabilities		<u>1,615,763</u>	<u>632,922</u>
Commitments and contingencies		-	-
<b>Net assets</b>			
Without donor restrictions		11,130,587	3,354,864
With donor restrictions		3,779,295	5,603,482
		<u>14,909,882</u>	<u>8,958,346</u>
Total net assets		<u>14,909,882</u>	<u>8,958,346</u>
Total liabilities and net assets	\$	<u>16,525,645</u>	\$ <u>9,591,268</u>

See Notes to Consolidated Financial Statements.

**Village Enterprise Fund, Inc. and Affiliates**

**Consolidated Statements of Activities  
Years Ended June 30, 2023 and 2022**

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Contributions from individuals	\$ 2,878,843	\$ -	\$ 2,878,843	\$ 2,742,477	\$ -	\$ 2,742,477
Contributions from institutions	12,899,253	2,688,529	15,587,782	2,542,210	6,472,803	9,015,013
Development impact bond revenue	-	-	-	2,493,964	-	2,493,964
Interest and other income	96,279	-	96,279	1,440	-	1,440
Net assets released from restrictions	4,512,716	(4,512,716)	-	1,911,449	(1,911,449)	-
Total support and revenue	20,387,091	(1,824,187)	18,562,904	9,691,540	4,561,354	14,252,894
Expenses						
Program services	10,625,337	-	10,625,337	8,737,018	-	8,737,018
Supporting services						
Management and general	1,018,576	-	1,018,576	736,459	-	736,459
Fundraising	884,502	-	884,502	671,529	-	671,529
Total expenses	12,528,415	-	12,528,415	10,145,006	-	10,145,006
Change in net assets before other expenses	7,858,676	(1,824,187)	6,034,489	(453,466)	4,561,354	4,107,888
Other expenses						
Currency exchange loss	82,953	-	82,953	18,878	-	18,878
Total other expenses	82,953	-	82,953	18,878	-	18,878
Change in net assets	7,775,723	(1,824,187)	5,951,536	(472,344)	4,561,354	4,089,010
Net assets, beginning of year	3,354,864	5,603,482	8,958,346	3,827,208	1,042,128	4,869,336
Net assets, end of year	<u>\$ 11,130,587</u>	<u>\$ 3,779,295</u>	<u>\$ 14,909,882</u>	<u>\$ 3,354,864</u>	<u>\$ 5,603,482</u>	<u>\$ 8,958,346</u>

See Notes to Consolidated Financial Statements.

**Village Enterprise Fund, Inc. and Affiliates**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2023**

	2023								
	Program services					Supporting services			
	Kenya	Uganda	Rwanda	Ethiopia	United States	Total program services	Management and general	Fundraising	Total
Grants to small businesses	\$ 1,183,112	\$ 729,622	\$ 291,957	\$ -	\$ -	\$ 2,204,691	\$ -	\$ -	\$ 2,204,691
Program delivery	758,684	567,244	78,258	30,617	83,959	1,518,762	-	-	1,518,762
Subawards to other organizations	-	-	-	-	1,757,897	1,757,897	-	-	1,757,897
Outcome payment	-	-	-	-	-	-	-	-	-
Personnel	2,278,716	1,014,376	324,647	73,546	620,084	4,311,369	638,433	677,925	5,627,727
Professional services	25,307	11,836	835	13,148	-	51,126	185,971	22,436	259,533
Travel and meetings	96,222	103,005	24,511	6,102	90,487	320,327	34,305	64,814	419,446
Marketing and communications	-	-	-	-	1,550	1,550	-	89,310	90,860
Furniture, equipment and software	29,404	84,349	7,545	97,544	27,984	246,826	48,657	21,493	316,976
Office expense and utilities	64,339	65,657	28,198	2,135	628	160,957	54,730	795	216,482
Other	34,934	12,691	2,053	1,904	250	51,832	56,480	7,729	116,041
<b>Total expenses</b>	<b>\$ 4,470,718</b>	<b>\$ 2,588,780</b>	<b>\$ 758,004</b>	<b>\$ 224,996</b>	<b>\$ 2,582,839</b>	<b>\$ 10,625,337</b>	<b>\$ 1,018,576</b>	<b>\$ 884,502</b>	<b>\$ 12,528,415</b>

See Notes to Consolidated Financial Statements.



**Village Enterprise Fund, Inc. and Affiliates**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2022**

	2022								
	Program services					Total program services	Supporting services		Total
	Kenya	Uganda	Rwanda	Ethiopia	United States		Management and general	Fundraising	
Grants to small businesses	\$ 636,932	\$ 615,252	\$ 168,185	\$ -	\$ -	\$ 1,420,369	\$ -	\$ -	\$ 1,420,369
Program delivery	458,800	292,330	57,696	-	79,414	888,240	-	-	888,240
Subawards to other organizations	-	-	-	-	485,413	485,413	-	-	485,413
Outcome payment	-	-	-	-	2,407,227	2,407,227	-	-	2,407,227
Personnel	1,476,412	731,455	170,345	-	633,322	3,011,534	458,446	552,831	4,022,811
Professional services	17,422	23,377	1,380	-	76,338	118,517	130,021	6,390	254,928
Travel and meetings	56,903	45,785	15,653	-	47,893	166,234	18,192	33,667	218,093
Marketing and communications	-	-	-	-	-	-	16,226	27,872	44,098
Furniture, equipment and software	33,893	10,899	3,428	-	29,314	77,534	30,803	26,041	134,378
Office expense and utilities	63,519	48,493	23,649	-	436	136,097	51,228	1,708	189,033
Other	15,487	10,281	-	-	85	25,853	31,543	23,020	80,416
<b>Total expenses</b>	<b>\$ 2,759,368</b>	<b>\$ 1,777,872</b>	<b>\$ 440,336</b>	<b>\$ -</b>	<b>\$ 3,759,442</b>	<b>\$ 8,737,018</b>	<b>\$ 736,459</b>	<b>\$ 671,529</b>	<b>\$ 10,145,006</b>

See Notes to Consolidated Financial Statements.

**Village Enterprise Fund, Inc. and Affiliates**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 5,951,536	\$ 4,089,010
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	20,293	15,995
Discount on promises to give	-	15,920
(Increase) decrease in assets		
Accounts receivable	(511,768)	(243,819)
Promises to give	174,681	440,677
Prepaid expenses	848,877	(957,407)
Increase (decrease) in liabilities		
Refundable advance	(13,349)	280,229
Accounts payable and accrued expenses	936,123	90,371
	<u>7,406,393</u>	<u>3,730,976</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(46,396)	-
Net cash used in investing activities	(46,396)	-
Net increase in cash and cash equivalents	7,359,997	3,730,976
Cash and cash equivalents, beginning of year	7,867,904	4,136,928
Cash and cash equivalents, end of year	\$ 15,227,901	\$ 7,867,904
Supplementary information		
Noncash investing and financing activity		
Increase in right-of-use assets and operating lease liabilities	\$ 105,945	\$ -

See Notes to Consolidated Financial Statements.

## **Village Enterprise Fund, Inc. and Affiliates**

### **Notes to Consolidated Financial Statements June 30, 2023 and 2022**

#### **Note 1 - Nature of 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. Village Enterprise Fund, Inc. (dba Village Enterprise) ("VE") has a head office located in San Carlos, California, with key international offices in the East African countries of Kenya, Uganda and Rwanda.

Village Enterprise's mission is to end extreme poverty in rural Africa through entrepreneurship and innovation, based on the following model:

- Business training that empowers groups of three people to select, create and operate a small business.
- Seed capital grants of roughly \$150 are awarded to trained groups with approved grant applications. Typical businesses include: agriculture (beans, tomatoes, peanuts); animal husbandry (goats, chickens, pigs); skilled services and construction (tailoring, carpentry, welding, bicycle repair); and retail (vegetable kiosks, restaurants and cafes, household goods).
- On-going mentoring that provides personalized advice and encouragement for at least one year, and helps new entrepreneurs gain confidence, overcome the typical challenges of starting a new venture, become self-sufficient and grow their businesses.
- Business Savings Groups that allow groups of 10 businesses (30 people) to save their profits together and loan each other money as needed. The Savings Groups provide a source of capital to help business owners handle a drop in income or emergency expenses.

#### **Village Enterprise affiliates**

Village Enterprise has created a supporting organization, Village Enterprise Capital Connector Corp. ("VECC"), which is a Delaware corporation.

VECC is the sole member of Village Enterprise Impact Bond LLC ("VEIB"), a Delaware nonprofit corporation formed on January 5, 2018, whose mission is to improve income levels of the extreme poor through funding the Village Enterprise micro-enterprise model, known as a Graduation program via the Project set forth in the Outcome Payment Agreement ("OPA") ("the Project").

On November 20, 2017, Village Enterprise entered into the OPA with The Global Development Incubator, Inc. ("GDI" or the "Trustee") to be part of a Pay-for-Success agreement in which Village Enterprise was the service provider. Pay-for-Success is an innovative model to fund social programs. As the service provider, Village Enterprise was aiming to reduce extreme poverty by providing grants and training to entrepreneurs to create small businesses. Three Outcome Payers committed to funding an escrow to be held with the Trustee. In accordance with the OPA, the Trustee was responsible for receiving funds from the Outcome Payers and holding them in an escrow account during the term of the Project. The Trustee used the escrow funds to make Type I payments to Village Enterprise throughout the life of the Project. Type II payments were paid in January 2022 by the Trustee to VEIB for the achievement of results as reported by the Outcomes Evaluator at the conclusion of the Project. It was the Outcomes Evaluator's responsibility to measure, verify, and report on those results to the Trustee. The Trustee disbursed payments to VEIB according to the level of results measured and verified by the Outcomes Evaluator for the program.

## **Village Enterprise Fund, Inc. and Affiliates**

### **Notes to Consolidated Financial Statements June 30, 2023 and 2022**

Operating costs of the Project were funded by grantors who have funded VEIB to fund Village Enterprise in carrying out its three-year intervention under the Project. There were two different types of outcome payments. Type I Outcome Payments were reimbursements of seed capital grants to Village Enterprise business owners. Type II Outcome Payments, as defined in the OPA, were based on an outcomes formula and other variables that must be met. Because of the delay in the outcomes evaluation due to COVID-19, a partial payment based on cost incurred was made to VEIB that then refunded investors in April 2021. VEIB received Type II Outcome Payments in January 2022, the grantors were refunded a calculated amount of Type II Outcome Payment in February 2022.

#### **Note 2 - Summary of significant accounting policies**

##### **Principles of consolidation**

The consolidated financial statements include the accounts of Village Enterprise, VECC, and VEIB. All material intercompany accounts and transactions between Village Enterprise, VECC, and VEIB (collectively, the "Organization") have been eliminated in consolidation.

##### **Basis of accounting**

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

##### **Financial statement presentation**

The consolidated financial statements are presented in accordance with GAAP, which require that consolidated financial statements are presented on the basis of net assets without donor restrictions and net assets with donor restrictions.

##### *Net assets without donor restrictions*

Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets may be designated for specific purposes by action of the officers or Board of Directors.

##### *Net assets with donor restrictions*

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose, or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

##### **Principles of foreign exchange**

The financial position and results of operations of the foreign offices are measured using each foreign offices' local currencies as the functional currency. Accordingly, assets and liabilities of the foreign offices have been translated into U.S. dollars at exchange rates in effect on the consolidated statement of financial position date. Differences in these exchange rates, which result in cumulative currency translation adjustments, have been recorded as currency exchange loss, which is on the consolidated statements of activities. The related revenues and expenses have been translated at average rates of exchange in effect during the year. Foreign currency transaction gains and losses, which are based on differences between transaction amounts settled in currencies other than the functional currency, are included in other expenses.

## **Village Enterprise Fund, Inc. and Affiliates**

### **Notes to Consolidated Financial Statements June 30, 2023 and 2022**

Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. The Organization does not engage in hedging activities to mitigate its exposure to fluctuations in foreign currency exchange rates.

#### **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.

#### **Accounts receivable and promises to give**

Substantially all of the Organization's accounts receivable and promises to give are grants from institutions that have been pledged or earned in the current year but have not yet been received. All unconditional promises to give, which are expected to be received beyond one year, are discounted to their net present value using the U.S. Treasury yield rate on the date on which the promises are received. Amortization of discounts are recognized in revenue.

The Organization uses the allowance method to determine uncollectible accounts. Such estimates are based on management's assessments of the creditworthiness of its donors, the aged basis of the receivable, as well as current economic conditions and historical information. No interest is charged on past due balances and balances greater than 90 days past due are reviewed by management. The Organization determined that no allowance for uncollectible accounts receivable was necessary at June 30, 2023 and 2022.

#### **Donated securities**

Donated securities are measured at fair value on the date of receipt. It is the intention of the Organization to sell all gifts of public securities upon receipt or as soon thereafter as possible. For the years ended June 30, 2023 and 2022, the Organization received donated securities amounting to \$56,641 and \$39,080, respectively.

#### **Property and equipment and depreciation**

All acquisitions of property and equipment in excess of \$5,000 and expenditures for 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.

#### **Impairment**

The Organization reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the Organization recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2023 and 2022.

#### **Contributions**

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions.

## Village Enterprise Fund, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2023 and 2022

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Organization fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances. At June 30, 2023, the Organization had approximately \$11,054,000 of undiscounted conditional contributions not recognized in the accompanying consolidated statements of activities because the condition(s) on which they depend has not yet been met.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets as to time or purpose restrictions.

Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in changes in net assets without donor restrictions in the consolidated statements of activities.

#### **Development impact bond revenue**

Development impact bond revenue represents reimbursements of grants from the Trustee in accordance with the OPA, and is recognized when earned and validated by an independent third party.

#### **Recoverable grant agreements**

VEIB entered into six recoverable grant agreements with various organizations and individuals with the intent to provide the Organization financial outlays that were directly used in the delivery of services for the Project in accordance with the OPA. When VEIB received outcome payments in 2021 and 2022, VEIB returned to the grantor a corresponding share of their respective payment. Given the positive results of the final outcomes evaluation, VEIB received the maximum amount by household impacted that was the amount of the grant, plus interest of 8.3% per annum on the outstanding amount, calculated on the basis of a 365-day year and compounded annually. Recoverable grants were fully repaid in 2022.

#### **Functional allocation of expenses**

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the respective programs and activities according to the functional categories, as follows:

##### *Program services*

This category represents programmatic expenses directly related to Kenya, Uganda, Rwanda, Ethiopia, and United States operations and costs allocated to programs based on time and effort or other applicable allocation bases.

##### *Management and general*

This category represents expenses related to the overall administration and operation of the Organization that are not specific to program or fundraising activities. Some shared costs are allocated to management and general based on time and effort or other applicable allocation bases.

## **Village Enterprise Fund, Inc. and Affiliates**

### **Notes to Consolidated Financial Statements June 30, 2023 and 2022**

#### *Fundraising*

This category represents expenses directly associated with the Organization's fundraising efforts to support the operations of the Organization. Some shared costs are allocated to fundraising based on time and effort or other applicable allocation bases.

#### **Compensated absences**

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

#### **Use of estimates**

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

#### **Income taxes**

Village Enterprise and VECC are not-for-profit organizations, exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code"), and contributions to them are tax deductible as prescribed by the Code. Village Enterprise and VECC are also exempt from California income taxes under Section 23701 d of the California Revenue and Taxation Code.

Village Enterprise and VECC have been classified as organizations that are not private foundations under Section 509(a)(1) and have been designated as "publicly supported" organizations under Section 170(b)(1)(A)(vi) of the Code.

VEIB is treated as a disregarded entity for federal tax purposes and is included in the tax filings of VECC.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has determined that as of June 30, 2023, there were no material uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements.

Generally, tax years from June 30, 2020 through the current year remain open to examination by the Internal Revenue Service. The Organization does not believe that the results from any examination of these open years would have a material adverse effect on the Organization.

#### **Subsequent events**

The Organization has evaluated subsequent events through February 8, 2024, which is the date the consolidated financial statements were available to be issued.

#### **Adoption of new accounting pronouncement**

The Organization adopted Accounting Standards Update ("ASU") 2016-02 (as amended), *Leases* ("Topic 842") on July 1, 2022 ("Adoption Date"). Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for virtually all leases.

## Village Enterprise Fund, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2023 and 2022

The Organization elected and applied the following transition practical expedients when initially adopting Topic 842:

- To apply the provisions of Topic 842 at the Adoption Date, instead of applying them to the earliest comparative period presented in the consolidated financial statements.
- Use a risk-free discount rate.
- The package of practical expedients permitting the Organization to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

The Organization made the following adjustments as of the Adoption Date in connection with transitioning to Topic 842:

Operating right-of-use asset	\$	105,945
Operating lease liability		105,945

The Organization recognized no change to opening net assets resulting from adoption of the new accounting standard. The adoption of Topic 842 did not have a material impact on the Organization's change in net assets for the year ended June 30, 2023.

#### Note 3 - Liquidity management and availability of resources

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization maintains cash in excess of monthly requirements in an interest-bearing savings account, which is highly liquid.

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 15,227,901	\$ 7,867,904
Accounts receivable	802,034	290,266
Promises to give - due within one year	<u>233,580</u>	<u>408,261</u>
Total financial assets	16,263,515	8,566,431
Less amounts unavailable for general expenditures within one year due to donor restrictions	<u>(3,779,295)</u>	<u>(5,603,482)</u>
Total	<u>\$ 12,484,220</u>	<u>\$ 2,962,949</u>



**Village Enterprise Fund, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2023 and 2022**

**Note 4 - Property and equipment**

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 156,111	\$ 131,727
Less accumulated depreciation	<u>156,111</u> <u>(92,643)</u>	<u>131,727</u> <u>(94,362)</u>
Total	<u>\$ 63,468</u>	<u>\$ 37,365</u>

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$20,293 and \$15,995, respectively.

**Note 5 - Promises to give**

	<u>2023</u>	<u>2022</u>
Promises to give, receivable in one year or less	\$ 233,580	\$ 408,261
Promises to give, receivable in one to five years	<u>-</u>	<u>-</u>
Less discount for present value	<u>233,580</u> <u>-</u>	<u>408,261</u> <u>-</u>
Total	<u>\$ 233,580</u>	<u>\$ 408,261</u>

**Note 6 - Grants to small business**

The Organization awards grants of roughly \$150 each to small startup businesses. The grant amounts are recorded as an expense at the time the grant is approved and awarded.

To qualify for the grant, businesses must submit a Small Business Application Form and other baseline surveys, attend training sessions, attend savings group meetings and begin saving on an individual level. Groups of three can apply for a second grant to either continue their businesses or start a new business. Grant applications and approvals go through the same process and approval before being awarded as the first grant. The businesses must submit a Progress Report form and additional survey data, as well as attend required training sessions. They must be functioning as a business group after being assessed by the Organization's spot-checking team and have invested the first grant appropriately.

All grants were disbursed prior to year-end and there were no grants payable at June 30, 2023 or 2022.

**Village Enterprise Fund, Inc. and Affiliates**

**Notes to Consolidated Financial Statements  
June 30, 2023 and 2022**

**Note 7 - Refundable advance**

The following table provides information about refundable advance activity by program for the years ended June 30:

Program/refundable advance activity	Location	2023	2022
Poverty graduation program	Uganda		
Refundable advance, beginning balance		\$ -	\$ -
Increases due to cash received during the year		20,000	180,000
Revenue recognized upon satisfaction of performance obligations		<u>(20,000)</u>	<u>(180,000)</u>
Refundable advance, ending balance		<u>-</u>	<u>-</u>
Poverty Alleviation & Removal of Kibale Snares (PARKS)	Uganda		
Refundable advance, beginning balance		279,388	203,914
Increases due to cash received during the year		234,039	215,605
Revenue recognized upon satisfaction of performance obligations		<u>(219,763)</u>	<u>(140,131)</u>
Refundable advance, ending balance		<u>293,664</u>	<u>279,388</u>
Delivering Resilient Enterprises & Market Systems (DREAMS) - IKEA Foundation	Ethiopia		
Refundable advance, beginning balance		204,755	-
Increases due to cash received during the year		448,537	250,000
Revenue recognized upon satisfaction of performance obligations		<u>(476,162)</u>	<u>(45,245)</u>
Refundable advance, ending balance		<u>177,130</u>	<u>204,755</u>
Total		<u>\$ 470,794</u>	<u>\$ 484,143</u>

**Note 8 - Leases**

The Organization is the lessee under various operating leases for office spaces which expire through January 2025. The Organization leases office space in San Carlos, California under an operating lease agreement that expires on December 31, 2024. Rental expense for the San Carlos office amounted to \$29,970 and \$31,926 for the years ended June 30, 2023 and 2022, respectively. The Organization leases its Field Offices in Kitale (Kenya), Nairobi (Kenya), West Pokot (Kenya), Soroti (Uganda), Gulu (Uganda), Kampala (Uganda), Yumbe (Uganda), Kigali (Rwanda), Rulindo (Rwanda), and Addis Ababa (Ethiopia) under lease agreements varying from one to three years. Total rent expense for the field offices in 2023 and 2022 amounted to \$64,351 and \$56,837, respectively.

Total lease expense for the years ended June 30, 2023 and 2022 was \$94,321 and \$88,763, respectively. Lease costs are included in office expense and utilities on the consolidated statements of functional expenses.

## Village Enterprise Fund, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2023 and 2022

Weighted average remaining lease term and weighted average incremental borrowing rate for the Organization's leases as of June 30, 2023:

Weighted average remaining term (in years)	1.17
Risk-free rate	2.8%

#### Lease payments

Lease payments included in the measurement of the lease liability at June 30, 2023 include \$61,096, and include the fixed payments.

#### Lease liability

The lease liability at June 30, 2023 of \$60,067 is the present value of remaining scheduled lease payments discounted using the risk-free rate of 2.8%. Future remaining scheduled lease payments during the lease terms are shown in the table below. The annual payment amounts are presented on an undiscounted basis along with a reconciliation to the lease liability on June 30, 2023, which is recorded on a present value basis, as described above.

2024	\$	47,437
2025		<u>13,659</u>
		61,096
Less effects of discounting		<u>(1,029)</u>
Lease liability	\$	<u><u>60,067</u></u>

#### Cash and noncash activity

During the year ended June 30, 2023, the Organization paid \$45,878 for amounts included in the measurement of lease liabilities, which are included in operating cash flows. Non-cash investing and financing activities included increases in leased assets of \$105,945, which were obtained from lease liabilities.

#### Note 9 - Related party

During the years ended June 30, 2023 and 2022, Village Enterprise recognized development impact bond revenue from VEIB of \$0 and \$37,000, respectively. As of June 30, 2023 and 2022, \$7,875 and \$37,000, respectively, remains payable to Village Enterprise from VEIB. As of June 30, 2023 and 2022, \$2,800 and \$0, respectively, remains payable to Village Enterprise from VECC.

During the years ended June 30, 2023 and 2022, VECC recognized development impact bond revenue from VEIB of \$0 and \$45,000, respectively. As of June 30, 2023 and 2022, \$0 and \$3,900, respectively, remains payable to VECC from VEIB. During the years ended June 30, 2023 and 2022, VECC recognized affiliate contribution revenue from VEIB of \$5,000 and \$0, respectively. As of June 30, 2023 and 2022, \$5,000 and \$0, respectively, remains payable to VECC from VEIB.

## Village Enterprise Fund, Inc. and Affiliates

### Notes to Consolidated Financial Statements June 30, 2023 and 2022

#### Note 10 - Net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes as of June 30:

Program	Location	2022	Additions	Releases	2023
Building Resilience for Woman Entrepreneurs	Uganda	\$ -	\$ 40,000	\$ (24,205)	\$ 15,795
Building Resilience for Woman Entrepreneurs	Kenya	-	75,000	(75,000)	-
Delivering Resilient Enterprises & Market Systems (DREAMS)	Ethiopia	1,829,792	-	(1,047,654)	782,138
Delivering Resilient Enterprises & Market Systems (DREAMS)	Uganda	2,969,533	1,600,000	(2,233,936)	2,335,597
General operations - time restricted	Various	250,000	-	(250,000)	-
	Democratic Republic of the Congo				
Lomako Project Expansion	of the Congo	47,046	-	(25,038)	22,008
Poverty graduation program	Kenya	200,239	300,000	(454,555)	45,684
Poverty graduation program	Uganda	257,803	223,529	(305,970)	175,362
Program start-up and digital technology	Rwanda	49,069	-	(49,069)	-
Rural Microenterprise Development	Kenya & Uganda	-	450,000	(47,289)	402,711
Total		<u>\$ 5,603,482</u>	<u>\$ 2,688,529</u>	<u>\$ (4,512,716)</u>	<u>\$ 3,779,295</u>

Program	Location	2021 (Restated)	Additions	Releases	2022
Consolidate the activities of the Chimpanzee Health Monitoring Program	Uganda	\$ 14,022	\$ 15,000	\$ (29,022)	\$ -
Delivering Resilient Enterprises & Market Systems (DREAMS)	Kenya	-	2,000,000	(170,208)	1,829,792
Delivering Resilient Enterprises & Market Systems (DREAMS)	Kenya	-	3,850,000	(880,467)	2,969,533
Ending poverty through entrepreneurship	Various	9,009	-	(9,009)	-
General operations - time restricted	Uganda	625,000	-	(375,000)	250,000
	Democratic Republic of the Congo				
Lomako Project Expansion	of the Congo	54,235	-	(7,189)	47,046
Poverty graduation program	Kenya	-	350,000	(149,761)	200,239
Poverty graduation program	Kenya	-	257,803	-	257,803
Program start-up and digital technology	Uganda	339,862	-	(290,793)	49,069
Total		<u>\$ 1,042,128</u>	<u>\$ 6,472,803</u>	<u>\$ (1,911,449)</u>	<u>\$ 5,603,482</u>

#### Note 11 - Retirement plan

The Organization maintains a Simple IRA retirement plan for employees who have earned more than \$5,000 in the prior or current fiscal year. The Organization will make matching contributions to employee pre-tax deferrals on a dollar-for-dollar basis of up to 3% of the employee's total annual compensation. The Organization may contribute less than a 3% match (but not less than 1%) in no more than two out of every five years. During the years ended June 30, 2023 and 2022, employer contributions totaled \$161,390 and \$101,327, respectively.

The Organization team members (Class A only), who are located in Kenya, Uganda and Rwanda and are employed under fixed contracts of at least one year, shall be enrolled in an Independent Pension Plan ("IPP") of their choice. Each quarter, the Organization will match the employee's contribution up to 5% of their gross salary. The employee contribution, together with the matching the Organization contribution, will be sent to the IPP designated by the employee.

## **Village Enterprise Fund, Inc. and Affiliates**

### **Notes to Consolidated Financial Statements June 30, 2023 and 2022**

#### **Note 12 - Concentrations**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and promises to give. The Organization maintains its cash and cash equivalents with high-credit quality financial institutions in the United States, Kenya, Uganda, and Rwanda. Cash held at the banks in Africa is not insured by the Federal Deposit Insurance Corporation ("FDIC"). As of June 30, 2023 and 2022, cash balances in African banks amounted to \$235,377 and \$75,522, respectively. Cash balances held in U.S. banks are insured by the FDIC up to \$250,000 per bank. At times, such amounts may exceed federally insured limits.

At June 30, 2023, one donor accounted for approximately 98% of the Organization's total promises to give. For the year ended June 30, 2023, two donors accounted for approximately 55% of the Organization's total contributions from institutions.

At June 30, 2022, two donors accounted for approximately 94% of the Organization's total promises to give. For the year ended June 30, 2022, three donors accounted for approximately 62% of the Organization's total contributions from institutions.

## **Supplementary Information**

**Village Enterprise Fund, Inc. and Affiliates**  
**Consolidating Statements of Financial Position**  
**June 30, 2023 and 2022**

	2023				2022	
	VE	VEIB	VECC	Eliminations	Total	Total
<u>Assets</u>						
Assets						
Cash and cash equivalents	\$ 15,195,713	\$ 31,185	\$ 1,003	\$ -	\$ 15,227,901	\$ 7,867,904
Accounts receivable	811,873	-	5,836	(15,675)	802,034	290,266
Promises to give, net	233,580	-	-	-	233,580	408,261
Prepaid expenses	138,595	-	-	-	138,595	987,472
Property and equipment, net	63,468	-	-	-	63,468	37,365
Operating right-of-use asset	60,067	-	-	-	60,067	-
<b>Total assets</b>	<b>\$ 16,503,296</b>	<b>\$ 31,185</b>	<b>\$ 6,839</b>	<b>\$ (15,675)</b>	<b>\$ 16,525,645</b>	<b>\$ 9,591,268</b>
<u>Liabilities and Net Assets</u>						
Liabilities						
Accounts payable and accrued expenses	\$ 1,084,902	\$ 12,875	\$ 2,800	\$ (15,675)	\$ 1,084,902	\$ 148,779
Refundable advance	470,794	-	-	-	470,794	484,143
Operating lease liability	60,067	-	-	-	60,067	-
<b>Total liabilities</b>	<b>1,615,763</b>	<b>12,875</b>	<b>2,800</b>	<b>(15,675)</b>	<b>1,615,763</b>	<b>632,922</b>
Net assets						
Net assets without donor restrictions	11,108,238	18,310	4,039	-	11,130,587	3,354,864
Net assets with donor restrictions	3,779,295	-	-	-	3,779,295	5,603,482
<b>Total net assets</b>	<b>14,887,533</b>	<b>18,310</b>	<b>4,039</b>	<b>-</b>	<b>14,909,882</b>	<b>8,958,346</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,503,296</b>	<b>\$ 31,185</b>	<b>\$ 6,839</b>	<b>\$ (15,675)</b>	<b>\$ 16,525,645</b>	<b>\$ 9,591,268</b>

See Independent Auditor's Report.

**Village Enterprise Fund, Inc. and Affiliates**

**Consolidating Statements of Activities  
Years Ended June 30, 2023 and 2022**

	2023						2022	
	VE			VEIB		VECC	Total	
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	Without donor restrictions	Eliminations		
Support and revenue								
Contributions from individuals	\$ 2,878,843	\$ -	\$ 2,878,843	\$ -	\$ -	\$ -	\$ 2,878,843	\$ 2,742,477
Contributions from institutions	12,898,417	2,688,529	15,586,946	-	836	-	15,587,782	9,015,013
Development impact bond revenue	-	-	-	-	5,000	(5,000)	-	2,493,964
Forgiveness of debt, Paycheck Protection Program	-	-	-	-	-	-	-	-
Recoverable grants	-	-	-	-	-	-	-	-
Interest and other income	96,279	-	96,279	-	-	-	96,279	1,440
Net assets released from restrictions	4,512,716	(4,512,716)	-	-	-	-	-	-
<b>Total support and revenue</b>	<b>20,386,255</b>	<b>(1,824,187)</b>	<b>18,562,068</b>	<b>-</b>	<b>5,836</b>	<b>(5,000)</b>	<b>18,562,904</b>	<b>14,252,894</b>
Expenses								
Program services	10,625,337	-	10,625,337	5,000	-	(5,000)	10,625,337	8,737,018
Supporting services								
Management and general	1,002,756	-	1,002,756	9,216	6,604	-	1,018,576	736,459
Fundraising	884,502	-	884,502	-	-	-	884,502	671,529
<b>Total expenses</b>	<b>12,512,595</b>	<b>-</b>	<b>12,512,595</b>	<b>14,216</b>	<b>6,604</b>	<b>(5,000)</b>	<b>12,528,415</b>	<b>10,145,006</b>
Change in net assets before other expenses	7,873,660	(1,824,187)	6,049,473	(14,216)	(768)	-	6,034,489	4,107,888
Other expenses								
Currency exchange loss	82,953	-	82,953	-	-	-	82,953	18,878
<b>Total other expenses</b>	<b>82,953</b>	<b>-</b>	<b>82,953</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,953</b>	<b>18,878</b>
Change in net assets	7,790,707	(1,824,187)	5,966,520	(14,216)	(768)	-	5,951,536	4,089,010
Net assets, beginning of year	3,317,531	5,603,482	8,921,013	32,526	4,807	-	8,958,346	4,869,336
Net assets, end of year	<u>\$ 11,108,238</u>	<u>\$ 3,779,295</u>	<u>\$ 14,887,533</u>	<u>\$ 18,310</u>	<u>\$ 4,039</u>	<u>\$ -</u>	<u>\$ 14,909,882</u>	<u>\$ 8,958,346</u>

See Independent Auditor's Report.



## Village Enterprise Fund, Inc. and Affiliates

### Consolidating Statements of Functional Expenses Years Ended June 30, 2023 and 2022

	2023										2022					
	VE										VEIB			VECC		
	Program services					Supporting services					Program services	Supporting services		Supporting services		
	Kenya	Uganda	Rwanda	Ethiopia	United States	Total program services	Management and general	Fundraising	Total	Development impact bond	Management and general	Total	Management and general	Eliminations	Total	Total
Grants to small businesses	\$ 1,183,112	\$ 729,622	\$ 291,957	\$ -	\$ -	\$ 2,204,691	\$ -	\$ -	\$ 2,204,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,204,691	\$ 1,420,369
Program delivery	758,684	567,244	78,258	30,617	83,959	1,518,762	-	-	1,518,762	-	-	-	-	-	1,518,762	888,240
Subawards to other organizations	-	-	-	-	1,757,897	1,757,897	-	-	1,757,897	-	-	-	-	-	1,757,897	485,413
Outcome payment	-	-	-	-	-	-	-	-	5,000	-	5,000	-	(5,000)	-	-	2,407,227
Personnel	2,278,716	1,014,376	324,647	73,546	620,084	4,311,369	637,597	677,925	5,626,891	-	-	-	836	-	5,627,727	4,022,811
Professional services	25,307	11,836	835	13,148	-	51,126	177,582	22,436	251,144	-	8,132	8,132	257	-	259,533	254,928
Travel and meetings	96,222	103,005	24,511	6,102	90,487	320,327	34,305	64,814	419,446	-	-	-	-	-	419,446	218,093
Marketing and communications	-	-	-	-	1,550	1,550	-	89,310	90,860	-	-	-	-	-	90,860	44,098
Furniture, equipment and software	29,404	84,349	7,545	97,544	27,984	246,826	47,337	21,493	315,656	-	660	660	660	-	316,976	134,378
Office expense and utilities	64,339	65,657	28,198	2,135	628	160,957	52,827	795	214,579	-	124	124	1,779	-	216,482	189,033
Other	34,934	12,691	2,053	1,904	250	51,832	53,108	7,729	112,669	-	300	300	3,072	-	116,041	80,416
<b>Total expenses</b>	<b>\$ 4,470,718</b>	<b>\$ 2,588,780</b>	<b>\$ 758,004</b>	<b>\$ 224,996</b>	<b>\$ 2,582,839</b>	<b>\$ 10,625,337</b>	<b>\$ 1,002,756</b>	<b>\$ 884,502</b>	<b>\$ 12,512,595</b>	<b>\$ 5,000</b>	<b>\$ 9,216</b>	<b>\$ 14,216</b>	<b>\$ 6,604</b>	<b>\$ (5,000)</b>	<b>\$ 12,528,415</b>	<b>\$ 10,145,006</b>

See Independent Auditor's Report.

Village Enterprise Fund, Inc. and Affiliates

Consolidating Statements of Cash Flows  
Years Ended June 30, 2023 and 2022

	2023					2022
	VE	VEIB	VECC	Eliminations	Total	Total
Cash flows from operating activities						
Change in net assets	\$ 5,966,520	\$ (14,216)	\$ (768)	\$ -	\$ 5,951,536	\$ 4,089,010
Adjustments to reconcile change in net assets to net cash provided by operating activities						
Depreciation and amortization	20,293	-	-	-	20,293	15,995
Discount on promises to give	-	-	-	-	-	15,920
(Increase) decrease in assets						
Accounts receivable	(484,607)	-	(1,936)	(25,225)	(511,768)	(243,819)
Promises to give	174,681	-	-	-	174,681	440,677
Prepaid expenses	848,877	-	-	-	848,877	(957,407)
Increase (decrease) in liabilities						
Refundable advance	(13,349)	-	-	-	(13,349)	280,229
Accounts payable and accrued expenses	936,123	(28,025)	2,800	25,225	936,123	90,371
Net cash provided by (used in) operating activities	<u>7,448,538</u>	<u>(42,241)</u>	<u>96</u>	<u>-</u>	<u>7,406,393</u>	<u>3,730,976</u>
Cash flows from investing activities						
Purchase of property and equipment	(46,396)	-	-	-	(46,396)	-
Net cash used in investing activities	<u>(46,396)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,396)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	7,402,142	(42,241)	96	-	7,359,997	3,730,976
Cash and cash equivalents, beginning of year	<u>7,793,571</u>	<u>73,426</u>	<u>907</u>	<u>-</u>	<u>7,867,904</u>	<u>4,136,928</u>
Cash and cash equivalents, end of year	<u>\$ 15,195,713</u>	<u>\$ 31,185</u>	<u>\$ 1,003</u>	<u>\$ -</u>	<u>\$ 15,227,901</u>	<u>\$ 7,867,904</u>
Supplementary information						
Noncash investing and financing activity						
Increase in right-of-use assets and operating lease liabilities	<u>\$ 105,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,945</u>	<u>\$ -</u>

See Independent Auditor's Report.

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors  
Village Enterprise Fund, Inc. and Affiliates

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Village Enterprise Fund, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 8, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Village Enterprise Fund, Inc. and Affiliates' internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village Enterprise Fund, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Village Enterprise Fund, Inc. and Affiliates' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village Enterprise Fund, Inc. and Affiliates' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

Los Angeles, California  
February 8, 2024



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