

Village Enterprise Fund, Inc. and Affiliates

**Consolidated Financial Statements
and Supplementary Information**

June 30, 2022 and 2021

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 statement of financial position as of June 30, 2022, 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.

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, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2021 Consolidated Financial Statements Restated

The consolidated financial statements of Village Enterprise Fund, Inc. and Affiliates for the year ended June 30, 2021, before the restatement described in Note 3, were audited by another auditor whose report dated March 4, 2022, expressed an unmodified opinion on those statements. As part of our audit of the June 30, 2022 consolidated financial statements, we also audited the adjustments described in Note 3 that were applied to restate the 2021 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 consolidated financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 consolidated financial statements as a whole.

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 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, 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 audit was 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 audit 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.

CohnReznick LLP

Los Angeles, California
June 9, 2023

Village Enterprise Fund, Inc. and Affiliates
Consolidated Statements of Financial Position
June 30, 2022 and 2021

Assets

	2022	2021 (Restated)
Assets		
Cash and cash equivalents	\$ 7,867,904	\$ 4,136,928
Accounts receivable	290,266	46,447
Promises to give, net	408,261	864,858
Prepaid expenses	987,472	30,065
Property and equipment, net	37,365	53,360
Total assets	\$ 9,591,268	\$ 5,131,658

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 148,779	\$ 58,408
Refundable advance	484,143	203,914
Total liabilities	632,922	262,322
Commitments and contingencies	-	-
Net assets		
Net assets without donor restrictions	3,354,864	3,827,208
Net assets with donor restrictions	5,603,482	1,042,128
Total net assets	8,958,346	4,869,336
Total liabilities and net assets	\$ 9,591,268	\$ 5,131,658

Village Enterprise Fund, Inc. and Affiliates

**Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021**

	2022			2021 (Restated)		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Contributions from individuals	\$ 2,742,477	\$ -	\$ 2,742,477	\$ 2,740,987	\$ -	\$ 2,740,987
Contributions from institutions	2,542,210	6,472,803	9,015,013	696,423	1,107,689	1,804,112
Development impact bond revenue	2,493,964	-	2,493,964	710,770	-	710,770
Forgiveness of debt, Paycheck Protection Program	-	-	-	175,210	-	175,210
Recoverable grants	-	-	-	45,000	-	45,000
Interest and other income	1,440	-	1,440	4,021	-	4,021
Net assets released from restrictions	1,911,449	(1,911,449)	-	1,875,129	(1,875,129)	-
Total support and revenue	9,691,540	4,561,354	14,252,894	6,247,540	(767,440)	5,480,100
Expenses						
Program services	8,737,018	-	8,737,018	4,437,151	-	4,437,151
Supporting services						
Management and general	736,459	-	736,459	410,405	-	410,405
Fundraising	671,529	-	671,529	521,133	-	521,133
Total expenses	10,145,006	-	10,145,006	5,368,689	-	5,368,689
Change in net assets before other expenses	(453,466)	4,561,354	4,107,888	878,851	(767,440)	111,411
Other expenses						
Currency exchange loss	18,878	-	18,878	13,995	-	13,995
Total other expenses	18,878	-	18,878	13,995	-	13,995
Change in net assets	(472,344)	4,561,354	4,089,010	864,856	(767,440)	97,416
Net assets, beginning of year	3,827,208	1,042,128	4,869,336	2,962,352	1,809,568	4,771,920
Net assets, end of year	\$ 3,354,864	\$ 5,603,482	\$ 8,958,346	\$ 3,827,208	\$ 1,042,128	\$ 4,869,336

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

	2022							
	Program services				Total program services	Supporting services		Total
	Kenya	Uganda	Rwanda	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
Total expenses	\$ 2,759,368	\$ 1,777,872	\$ 440,336	\$ 3,759,442	\$ 8,737,018	\$ 736,459	\$ 671,529	\$ 10,145,006

Village Enterprise Fund, Inc. and Affiliates
Consolidated Statements of Functional Expenses
Year Ended June 30, 2021

	2021							
	Program services				Total program services	Supporting services		Total
	Kenya	Uganda	Rwanda	United States		Management and general	Fundraising	
Grants to small businesses	\$ 312,867	\$ 338,038	\$ 29,753	\$ -	\$ 680,658	\$ -	\$ -	\$ 680,658
Program delivery	223,525	178,475	18,838	53,427	474,265	-	-	474,265
Subawards to other organizations	-	-	-	38,000	38,000	-	-	38,000
Outcome payment	-	-	-	647,938	647,938	-	-	647,938
Personnel	739,029	512,326	33,489	745,025	2,029,869	255,138	429,060	2,714,067
Professional services	17,812	18,510	-	131,557	167,879	40,839	5,985	214,703
Travel and meetings	67,942	36,363	4,948	21,381	130,634	9,772	21,121	161,527
Marketing and communications	134	-	-	12,008	12,142	6,004	42,745	60,891
Furniture, equipment and software	23,770	15,164	5,977	46,478	91,389	18,622	13,977	123,988
Office expense and utilities	59,869	43,045	4,667	56,796	164,377	34,941	8,673	207,991
Other	-	-	-	-	-	45,089	(428)	44,661
Total expenses	\$ 1,444,948	\$ 1,141,921	\$ 97,672	\$ 1,752,610	\$ 4,437,151	\$ 410,405	\$ 521,133	\$ 5,368,689

See Notes to Consolidated Financial Statements.

Village Enterprise Fund, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021 (Restated)
Cash flows from operating activities		
Change in net assets	\$ 4,089,010	\$ 97,416
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Forgiveness of debt, Paycheck Protection Program	-	(175,210)
Depreciation and amortization	15,995	11,510
Discount on promises to give	15,920	(22,819)
Loss on disposal of property and equipment	-	10,237
(Increase) decrease in assets		
Accounts receivable	(243,819)	192,604
Promises to give	440,677	456,412
Prepaid expenses	(957,407)	(12,954)
Increase (decrease) in liabilities		
Refundable advance	280,229	196,252
Accounts payable and accrued expenses	90,371	7,435
Net cash provided by operating activities	3,730,976	760,883
Cash flows from investing activities		
Purchase of property and equipment	-	(31,326)
Net cash used in investing activities	-	(31,326)
Net increase in cash and cash equivalents	3,730,976	729,557
Cash and cash equivalents, beginning of year	4,136,928	3,407,371
Cash and cash equivalents, end of year	\$ 7,867,904	\$ 4,136,928

See Notes to Consolidated Financial Statements.

Village Enterprise Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements June 30, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021.

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, 2022 and 2021, the Organization received donated securities amounting to \$39,080 and \$104,927, respectively.

Property and equipment and depreciation

All acquisitions of property and equipment in excess of \$750 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, 2022 and 2021.

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, 2022 and 2021

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, 2022, the Organization had approximately \$9,284,000 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 statement 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.

As of June 30, 2022, the total amount of recoverable grants repaid was \$3,055,165.

Functional allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement 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, 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, 2022 and 2021

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.

Reclassifications

Prior period financial statement amounts have been reclassified to conform to the current period presentation.

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, 2022, 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, 2019 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 June 9, 2023, which is the date the consolidated financial statements were available to be issued.

Adoption of new accounting pronouncement

For the year ended June 30, 2022, the Organization adopted Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed

Village Enterprise Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements June 30, 2022 and 2021

nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the Organization and will not change existing recognition and measurement requirements. The Organization has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented.

Recent accounting pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*. This ASU increases transparency and comparability by recognizing a lessee's rights and obligations resulting from leases by recording them on the balance sheet as lease assets and lease liabilities. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. ASU 2016-02 will be effective for the Organization for the year beginning July 1, 2022. The Organization is currently evaluating the impact of this ASU and expects that certain leases will be recorded as lease assets and lease liabilities, but the full impact has not yet been determined.

Note 3 - Restatement

For the year ended June 30, 2021, the Organization determined that contributions from foundations and related promises to give were overstated due to a donor intent to give future amounts but for which amounts were not legally binding and were inappropriately recorded as a contribution. The Organization has recorded an adjustment to reduce the June 30, 2021 net assets balance and reduce the promises to give balance in the amount of \$480,992. Of the \$480,992 adjustment for the year ended June 30, 2021, \$124,228 is for promises to give due within one year and \$356,764 is for promises to give due in one to four years.

The effects of the adjustment on the 2021 consolidated financial statements are as follows:

	June 30, 2021	Prior period adjustment	June 30, 2021 (Restated)
Promises to give, net	\$ 1,345,850	\$ (480,992)	\$ 864,858
Net assets without donor restrictions, end of year	3,811,288	15,920	3,827,208
Net assets with donor restrictions, end of year	1,539,040	(496,912)	1,042,128
Contributions from foundations without donor restrictions	680,503	15,920	696,423
Contributions from foundations with donor restrictions	1,604,601	(496,912)	1,107,689
Change in net assets without donor restrictions	848,936	15,920	864,856
Change in net assets with donor restrictions	(270,528)	(496,912)	(767,440)

Village Enterprise Fund, Inc. and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2022 and 2021**

Note 4 - 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:

	2022	2021 (Restated)
Cash and cash equivalents	\$ 7,867,904	\$ 4,136,928
Accounts receivable	290,266	46,447
Promises to give - due within one year	408,261	625,043
Total financial assets	8,566,431	4,808,418
Less amounts unavailable for general expenditures within one year due to donor	(5,603,482)	(792,128)
Total	\$ 2,962,949	\$ 4,016,290

Note 5 - Property and equipment

Property and equipment consist of the following at June 30:

	2022	2021
Vehicles	\$ 131,727	\$ 132,600
	131,727	132,600
Less accumulated depreciation	(94,362)	(79,240)
Total	\$ 37,365	\$ 53,360

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$15,122 and \$11,510, respectively.

Village Enterprise Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements June 30, 2022 and 2021

Note 6 - Promises to give

The Organization records unconditional promises to give from foundations at their net present value, as follows at June 30:

	2022	2021 (Restated)
Promises to give, receivable in one year or less	\$ 408,261	\$ 625,043
Promises to give, receivable in one to five years	-	250,000
	408,261	875,043
Less discount for present value	-	(10,185)
Total	<u>\$ 408,261</u>	<u>\$ 864,858</u>

Discount rates ranged from 1.25% to 2.63% for the year ended June 30, 2021.

Note 7 - 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, 2022 or 2021.

Note 8 - Paycheck Protection Program loan payable

In April 2020, the Organization received a loan in the amount of \$175,210 through the Paycheck Protection Program of the 2020 CARES Act ("PPP") administered by the Small Business Administration. The loan was due on April 27, 2022 and bears interest at 1%. Monthly payments of principal and interest commence in November 2020. The Organization may prepay the loan at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for certain purposes, including payroll, employee benefits, rent, and utilities. Under the terms of the PPP, all or a portion of the loan may be forgiven based on certain requirements being met. On November 27, 2020, the Organization received notice from the SBA that the PPP loan of \$175,210 and accrued interest of \$983 had been forgiven. The forgiveness was recorded as part of other income during the year ended June 30, 2021.

Village Enterprise Fund, Inc. and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2022 and 2021**

Note 9 - Refundable advance

The following table provides information about refundable advance activity by program for the years ended June 30, 2022 and 2021:

Program/refundable advance activity	Location	June 30, 2022	June 30, 2021
Poverty graduation program	Uganda		
Refundable advance, beginning balance		\$ -	\$ -
Increases due to cash received during the year		180,000	-
Revenue recognized upon satisfaction of performance obligations		<u>(180,000)</u>	<u>-</u>
Refundable advance, ending balance		<u>-</u>	<u>-</u>
Poverty Alleviation & Removal of Kibale Snare (PARKS)	Uganda		
Refundable advance, beginning balance		203,914	-
Increases due to cash received during the year		215,605	203,914
Revenue recognized upon satisfaction of performance obligations		<u>(140,131)</u>	<u>-</u>
Refundable advance, ending balance		<u>279,388</u>	<u>203,914</u>
New business support	Uganda		
Refundable advance, beginning balance		-	7,662
Increases due to cash received during the year		-	-
Revenue recognized upon satisfaction of performance obligations		<u>-</u>	<u>(7,662)</u>
Refundable advance, ending balance		<u>-</u>	<u>-</u>
Delivering Resilient Enterprises & Market Systems (DREAMS) - IKEA Foundation	Ethiopia		
Refundable advance, beginning balance		-	-
Increases due to cash received during the year		250,000	-
Revenue recognized upon satisfaction of performance obligations		<u>(45,245)</u>	<u>-</u>
Refundable advance, ending balance		<u>204,755</u>	<u>-</u>
Total		<u>\$ 484,143</u>	<u>\$ 203,914</u>

Note 10 - Related party

During the year ended June 30, 2022, Village Enterprise recognized \$37,000 of development impact bond revenue from VEIB. As of June 30, 2022, \$37,000 remains payable to Village Enterprise from VEIB. During the year ended June 30, 2021, VECC recognized \$45,000 of development impact bond revenue from VEIB. As of June 30, 2021, \$3,900 remains payable to VECC from VEIB.

VEIB entered into a grant agreement totaling \$425,000 with Village Enterprise on September 28, 2020 to provide working capital for activities under the Project as set forth in the OPA. The amount was paid to Village Enterprise during the fiscal year and no balance was outstanding as of June 30, 2021.

Village Enterprise Fund, Inc. and Affiliates

**Notes to Consolidated Financial Statements
June 30, 2022 and 2021**

Note 11 - Commitments

The Organization leases office space in San Carlos, California under an operating lease agreement that expires on December 31, 2023. Rental expense amounted to \$31,926 and \$36,360 for the years ended June 30, 2022 and 2021, respectively.

The Organization leases its Field Offices in Kitale (Kenya), Nairobi (Kenya), West Pokot (Kenya), Soroti (Uganda), Gulu (Uganda), Kampala (Uganda) and Rulindo (Rwanda) under lease agreements varying from one to five years. Total rent expense for the field offices in 2022 and 2021 amounted to \$56,837 and \$45,400, respectively.

Total future minimum lease payments amount to at June 30:

2023	\$	85,036
2024		55,109
2025		9,067
2026		2,055
2027		2,055
		2,055
	\$	153,322

Note 12 - Net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes:

Program	Location	June 30, 2021 (Restated)	Additions	Releases	June 30, 2022
Consolidate the activities of the Chimpanzee Health Monitoring Program	Uganda	\$ 14,022	\$ 15,000	\$ (29,022)	\$ -
Delivering Resilient Enterprises & Market Systems (DREAMS)	Ethiopia	-	2,000,000	(170,208)	1,829,792
Delivering Resilient Enterprises & Market Systems (DREAMS)	Uganda	-	3,850,000	(880,467)	2,969,533
Ending poverty through entrepreneurship	Kenya	9,009	-	(9,009)	-
General operations - time restricted	Various Democratic Republic of the	625,000	-	(375,000)	250,000
Lomako Project Expansion	Congo	54,235	-	(7,189)	47,046
Poverty graduation program	Kenya	-	350,000	(149,761)	200,239
Poverty graduation program	Uganda	-	257,803	-	257,803
Program start-up and digital technology	Rwanda	339,862	-	(290,793)	49,069
Total		\$ 1,042,128	\$ 6,472,803	\$ (1,911,449)	\$ 5,603,482

Village Enterprise Fund, Inc. and Affiliates

Notes to Consolidated Financial Statements June 30, 2022 and 2021

Program	Location	June 30, 2020	Additions	Releases	June 30, 2021	Restatement	June 30, 2021 (Restated)
Consolidate the activities of the Chimpanzee Health Monitoring Program	Uganda	\$ -	\$ 50,000	\$ (35,978)	\$ 14,022	\$ -	\$ 14,022
Covid-19 Adaptation Fund - Village Enterprise	Kenya	-	88,978	(88,978)	-	-	-
Ending poverty through entrepreneurship	Kenya	-	24,999	(15,990)	9,009	-	9,009
General operations - time restricted	Various	1,000,000	621,140	(499,228)	1,121,912	(496,912)	625,000
Implementing Park Action Plans	Uganda Democratic Republic of the	9,639	-	(9,639)	-	-	-
Lomako Project Expansion	Congo	-	57,821	(3,586)	54,235	-	54,235
New business support	Kenya	-	157,662	(157,662)	-	-	-
Poverty graduation program	Kenya	372,475	204,001	(576,476)	-	-	-
Poverty graduation program	Uganda	-	200,000	(200,000)	-	-	-
Program start-up and digital technology	Rwanda	348,719	200,000	(208,857)	339,862	-	339,862
Small business seed capital	Uganda	78,735	-	(78,735)	-	-	-
Total		<u>\$ 1,809,568</u>	<u>\$ 1,604,601</u>	<u>\$ (1,875,129)</u>	<u>\$ 1,539,040</u>	<u>\$ (496,912)</u>	<u>\$ 1,042,128</u>

Note 13 - 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, 2022 and 2021, employer contributions totaled \$101,327 and \$52,110, 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.

Note 14 - 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, 2022 and 2021, cash balances in African banks amounted to \$75,522 and \$95,199 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, 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, 2022 and 2021

	2022				2021 (Restated)	
	VE	VEIB	VECC	Eliminations	Total	Total
<u>Assets</u>						
Assets						
Cash and cash equivalents	\$ 7,793,571	\$ 73,426	\$ 907	\$ -	\$ 7,867,904	\$ 4,136,928
Accounts receivable	327,266	-	3,900	(40,900)	290,266	46,447
Promises to give, net	408,261	-	-	-	408,261	864,858
Prepaid expenses	987,472	-	-	-	987,472	30,065
Property and equipment, net	37,365	-	-	-	37,365	53,360
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 9,553,935</u>	<u>\$ 73,426</u>	<u>\$ 4,807</u>	<u>\$ (40,900)</u>	<u>\$ 9,591,268</u>	<u>\$ 5,131,658</u>
<u>Liabilities and Net Assets</u>						
Liabilities						
Accounts payable and accrued expenses	\$ 148,779	\$ 40,900	\$ -	\$ (40,900)	\$ 148,779	\$ 58,408
Refundable advance	484,143	-	-	-	484,143	203,914
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>632,922</u>	<u>40,900</u>	<u>-</u>	<u>(40,900)</u>	<u>632,922</u>	<u>262,322</u>
Net assets						
Net assets without donor restrictions	3,317,531	32,526	4,807	-	3,354,864	3,827,208
Net assets with donor restrictions	5,603,482	-	-	-	5,603,482	1,042,128
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u>8,921,013</u>	<u>32,526</u>	<u>4,807</u>	<u>-</u>	<u>8,958,346</u>	<u>4,869,336</u>
Total liabilities and net assets	<u>\$ 9,553,935</u>	<u>\$ 73,426</u>	<u>\$ 4,807</u>	<u>\$ (40,900)</u>	<u>\$ 9,591,268</u>	<u>\$ 5,131,658</u>

See Independent Auditor's Report.

Village Enterprise Fund, Inc. and Affiliates

**Consolidating Statements of Activities
June 30, 2022 and 2021**

	2022						2021 (Restated)	
	VE			VEIB	VECC	Eliminations	Total	Total
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	Without donor restrictions			
Support and revenue								
Contributions from individuals	\$ 2,742,477	\$ -	\$ 2,742,477	\$ -	\$ -	\$ -	\$ 2,742,477	\$ 2,740,987
Contributions from institutions	2,542,210	6,472,803	9,015,013	-	-	-	9,015,013	1,804,112
Development impact bond revenue	37,000	-	37,000	2,493,964	45,000	(82,000)	2,493,964	710,770
Forgiveness of debt, Paycheck Protection Program	-	-	-	-	-	-	-	175,210
Recoverable grants	-	-	-	-	-	-	-	45,000
Interest and other income	1,440	-	1,440	-	-	-	1,440	4,021
Net assets released from restrictions	1,911,449	(1,911,449)	-	-	-	-	-	-
Total support and revenue	7,234,576	4,561,354	11,795,930	2,493,964	45,000	(82,000)	14,252,894	5,480,100
Expenses								
Program services	6,329,791	-	6,329,791	2,489,227	-	(82,000)	8,737,018	4,437,151
Supporting services								
Management and general	719,790	-	719,790	13,882	2,787	-	736,459	410,405
Fundraising	671,529	-	671,529	-	-	-	671,529	521,133
Total expenses	7,721,110	-	7,721,110	2,503,109	2,787	(82,000)	10,145,006	5,368,689
Change in net assets before other expenses	(486,534)	4,561,354	4,074,820	(9,145)	42,213	-	4,107,888	111,411
Other expenses								
Currency exchange loss	18,878	-	18,878	-	-	-	18,878	13,995
Total other expenses	18,878	-	18,878	-	-	-	18,878	13,995
Change in net assets	(505,412)	4,561,354	4,055,942	(9,145)	42,213	-	4,089,010	97,416
Net assets, beginning of year	3,822,943	1,042,128	4,865,071	41,671	(37,406)	-	4,869,336	4,771,920
Net assets, end of year	\$ 3,317,531	\$ 5,603,482	\$ 8,921,013	\$ 32,526	\$ 4,807	\$ -	\$ 8,958,346	\$ 4,869,336

See Independent Auditor's Report.

Village Enterprise Fund, Inc. and Affiliates

Consolidating Statements of Functional Expenses
Year Ended June 30, 2022 and 2021

	2022											2021			
	VE								VEIB			VECC		Total	Total
	Program services				Supporting services				Program services	Supporting services	Supporting services				
	Kenya	Uganda	Rwanda	United States	Total program services	Management and general	Fundraising	Total	Development impact bond	Management and general	Total	Management and general	Eliminations		
Grants to small businesses	\$ 636,932	\$ 615,252	\$ 168,185	\$ -	\$ 1,420,369	\$ -	\$ -	\$ 1,420,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,420,369	\$ 680,658
Program delivery	458,800	292,330	57,696	79,414	888,240	-	-	888,240	-	-	-	-	-	888,240	474,265
Subawards to other organizations	-	-	-	485,413	485,413	-	-	485,413	-	-	-	-	-	485,413	38,000
Outcome payment	-	-	-	-	-	-	-	-	2,489,227	-	2,489,227	-	(82,000)	2,407,227	647,938
Personnel	1,476,412	731,455	170,345	633,322	3,011,534	458,446	552,831	4,022,811	-	-	-	-	-	4,022,811	2,714,067
Professional services	17,422	23,377	1,380	76,338	118,517	118,528	6,390	243,435	-	11,247	11,247	246	-	254,928	214,703
Travel and meetings	56,903	45,785	15,653	47,893	166,234	18,192	33,667	218,093	-	-	-	-	-	218,093	161,527
Marketing and communications	-	-	-	-	-	16,226	27,872	44,098	-	-	-	-	-	44,098	60,891
Furniture, equipment and software	33,893	10,899	3,428	29,314	77,534	30,253	26,041	133,828	-	-	-	550	-	134,378	123,988
Office expense and utilities	63,519	48,493	23,649	436	136,097	51,228	1,708	189,033	-	-	-	-	-	189,033	207,991
Other	15,487	10,281	-	85	25,853	26,917	23,020	75,790	-	2,635	2,635	1,991	-	80,416	44,661
Total expenses	\$ 2,759,368	\$ 1,777,872	\$ 440,336	\$ 1,352,215	\$ 6,329,791	\$ 719,790	\$ 671,529	\$ 7,721,110	\$ 2,489,227	\$ 13,882	\$ 2,503,109	\$ 2,787	\$ (82,000)	\$ 10,145,006	\$ 5,368,689

See Independent Auditor's Report.

Village Enterprise Fund, Inc. and Affiliates

Consolidating Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022				2021 (Restated)	
	VE	VEIB	VECC	Eliminations	Total	Total
Cash flows from operating activities						
Change in net assets	\$ 4,055,942	\$ (9,145)	\$ 42,213	\$ -	\$ 4,089,010	\$ 97,416
Adjustments to reconcile change in net assets to net cash provided by operating activities						
Forgiveness of debt, Paycheck Protection Program	-	-	-	-	-	(175,210)
Depreciation and amortization	15,995	-	-	-	15,995	11,510
Discount on promises to give	15,920	-	-	-	15,920	(22,819)
Loss on disposal of property and equipment	-	-	-	-	-	10,237
(Increase) decrease in assets						
Accounts receivable	(280,819)	40,000	(3,900)	900	(243,819)	192,604
Promises to give	440,677	-	-	-	440,677	456,412
Prepaid expenses	(957,407)	-	-	-	(957,407)	(12,954)
Increase (decrease) in liabilities						
Refundable advance	280,229	-	-	-	280,229	196,252
Accounts payable and accrued expenses	90,371	40,900	(40,000)	(900)	90,371	7,435
Net cash provided by (used in) operating activities	<u>3,660,908</u>	<u>71,755</u>	<u>(1,687)</u>	<u>-</u>	<u>3,730,976</u>	<u>760,883</u>
Cash flows from investing activities						
Purchase of property and equipment	-	-	-	-	-	(31,326)
Net cash used in investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,326)</u>
Net increase (decrease) in cash and cash equivalents	3,660,908	71,755	(1,687)	-	3,730,976	729,557
Cash and cash equivalents, beginning of year	<u>4,132,663</u>	<u>1,671</u>	<u>2,594</u>	<u>-</u>	<u>4,136,928</u>	<u>3,407,371</u>
Cash and cash equivalents, end 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>

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