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Notes to Fiscal Year 2020 Audited Financial Statements

During the period covered by the audited financial statements for Fiscal Year 2020 (July 1st 2019 to June 30th 2020), Village Enterprise continued to be the service provider on the first Development Impact Bond (DIB) in the poverty alleviation sector launched in November 2017. As part of our role in the DIB, we raised \$2.325 million in investment capital in FY18 to fund DIB project activities through the fall of 2020.

In FY18, we created a supporting vehicle to receive the DIB investor funds and incrementally issue working capital grants to Village Enterprise. This vehicle is composed of two entities: Village Enterprise Capital Connector (VECC) and Village Enterprise Impact Bond (VEIB). Although VECC and VEIB are separate legal entities from Village Enterprise, they are considered affiliates in the following audited financial statements due to their supporting organization status. The consolidated Statements of Financial Position, Activities, Functional Expenses and Cash Flows are inclusive of the supporting entities, VECC and VEIB, and can be found on pages three through seven of the audited financial statements. Pages seventeen through twenty contain the same statements with individual columns for each organization, Village Enterprise (VEF), VECC and VEIB. Separate tax returns are being filed for Village Enterprise and Village Enterprise Capital Connector.

If you should have any specific questions regarding the formatting or content of these financial statements please contact Chief Finance and Administration Officer, Kathy Perkes, at kathyp@villageenterprise.org.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Village Enterprise Fund, Inc. (a nonprofit organization) and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Village Enterprise Fund, Inc. and Affiliates as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As further discussed in Note 15 to the consolidated financial statements, a global pandemic has been declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The extent and ultimate impact of COVID-19 on Village Enterprise's operating and financial performance cannot be predicted at this time. Our opinion is not modified with respect to this matter.



Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 17-20 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. The 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.

MBAF CPAs, LLC

New York, NY
January 22, 2021

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
Cash and cash equivalents	\$ 3,407,371	\$ 2,847,455
Accounts receivable	239,051	195,674
Promises to give, net	1,298,451	615,370
Prepaid expenses	17,111	24,535
Property and equipment, net	43,781	29,518
TOTAL ASSETS	\$ 5,005,765	\$ 3,712,552
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 50,973	\$ 61,934
Refundable advance	7,662	-
Paycheck Protection Program loan payable	175,210	-
TOTAL LIABILITIES	233,845	61,934
NET ASSETS		
Without donor restrictions	2,962,352	3,261,596
With donor restrictions	1,809,568	389,022
TOTAL NET ASSETS	4,771,920	3,650,618
TOTAL LIABILITIES AND NET ASSETS	\$ 5,005,765	\$ 3,712,552

The accompanying notes are an integral part of these consolidated financial statements.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

**CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE:				
Contributions from individuals	\$ 1,737,753	-	\$ 1,737,753	\$ 2,187,757
Contributions from foundations	228,819	2,778,348	3,007,167	912,471
Development impact bond revenue	450,279	-	450,279	498,323
Interest and other income	35,184	-	35,184	1,039
Net assets released from restrictions	1,357,802	(1,357,802)	-	(1,373,582)
TOTAL SUPPORT AND REVENUE	3,809,837	1,420,546	5,230,383	4,464,062
EXPENSES:				
Program services	3,243,663	-	3,243,663	3,233,517
Supporting services:				
Management and general	435,413	-	435,413	265,094
Fundraising	379,286	-	379,286	487,747
TOTAL EXPENSES	4,058,362	-	4,058,362	3,986,358
OTHER EXPENSES:				
Currency exchange loss	50,719	-	50,719	36,171
CHANGE IN NET ASSETS	(299,244)	1,420,546	1,121,302	(864,472)
NET ASSETS - BEGINNING OF YEAR	3,261,596	389,022	3,650,618	2,820,063
NET ASSETS - END OF YEAR	\$ 2,962,352	\$ 1,809,568	\$ 4,771,920	\$ 3,261,596
				\$ 389,022
				\$ 3,650,618

The accompanying notes are an integral part of these consolidated financial statements.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services			Total Program Services	Supporting Services		Total
	Kenya	Uganda	United States		Management and General	Fundraising	
Grants to small businesses	\$ 471,736	\$ 322,621	\$ -	\$ 794,357	\$ -	\$ -	\$ 794,357
Personnel	514,013	473,139	754,880	1,742,032	266,856	274,430	2,283,318
Depreciation and amortization	-	-	16,628	16,628	732	1,509	18,869
Field operations	105,694	130,587	-	236,281	-	-	236,281
Insurance	496	762	4,184	5,442	12,300	318	18,060
Software	654	1,860	41,674	44,188	29,466	15,044	88,698
Meetings, conferences and training	9,821	321	3,481	13,623	6,506	7,608	27,737
Occupancy	17,990	21,808	-	39,798	22,103	22,103	84,004
Office	17,659	12,789	-	30,448	3,979	3,173	37,600
Other	-	-	-	-	-	1,683	1,683
Postage and shipping	172	49	-	221	698	698	1,617
Printing and publications	1,124	803	-	1,927	198	198	2,323
Professional fees	13,442	11,936	63,685	89,063	66,281	6,250	161,594
Marketing and communications	459	1,119	-	1,578	-	33,671	35,249
Taxes and fees	12,685	3,146	91	15,922	6,146	1,457	23,525
Travel	26,353	25,595	25,432	77,380	12,573	5,575	95,528
Training	28,963	75,229	11,296	115,488	3,362	566	119,416
Utilities	8,423	10,075	-	18,498	3,424	3,424	25,346
Website	-	-	789	789	789	1,579	3,157
Total expenses	\$ 1,229,684	\$ 1,091,839	\$ 922,140	\$ 3,243,663	\$ 435,413	\$ 379,286	\$ 4,058,362

The accompanying notes are an integral part of these consolidated financial statements.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services			Total Program Services	Supporting Services		Total
	Kenya	Uganda	United States		Management and General	Fundraising	
Grants to small businesses	\$ 556,379	\$ 373,063	\$ -	\$ 929,442	\$ -	\$ -	\$ 929,442
Personnel	652,416	498,172	351,614	1,502,202	154,080	330,541	1,986,823
Depreciation and amortization	-	-	13,005	13,005	367	1,470	14,842
Field operations	118,627	185,832	1,038	305,497	-	-	305,497
Insurance	-	-	5,354	5,354	6,035	1,030	12,419
Software	10,476	14,111	10,415	35,002	-	-	35,002
Fellows and interns	-	175	-	175	-	-	175
Meetings, conferences and training	-	-	3,977	3,977	2,170	-	6,147
Occupancy	16,621	21,150	11,934	49,705	8,424	17,082	75,211
Office	526	200	941	1,667	5,077	9,665	16,409
Other	-	-	-	-	67	-	67
Postage and shipping	-	-	-	-	1,020	-	1,020
Professional fees	497	4,704	64,894	70,095	79,703	-	149,798
Marketing and communications	661	3,366	-	4,027	-	118,801	122,828
Taxes and fees	424	900	2,578	3,902	1,670	-	5,572
Travel	44,744	116,580	48,633	209,957	3,954	3,954	217,865
Training	32,697	41,906	1,466	76,069	-	-	76,069
Utilities	7,572	11,633	2,733	21,938	1,024	3,200	26,162
Website	-	-	1,503	1,503	1,503	2,004	5,010
Total expenses	\$ 1,441,640	\$ 1,271,792	\$ 520,085	\$ 3,233,517	\$ 265,094	\$ 487,747	\$ 3,986,358

The accompanying notes are an integral part of these consolidated financial statements.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,121,302	\$ (422,939)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	18,869	14,842
Discount on promises to give	33,004	-
Loss on disposal of property and equipment	317	699
Changes in operating assets and liabilities:		
Accounts receivable	(43,377)	(44,306)
Promises to give	(716,085)	498,246
Prepaid expenses	7,424	(9,357)
Refundable advance	7,662	-
Accounts payable and accrued expenses	(10,961)	(101,426)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	418,155	(64,241)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(33,449)	(2,661)
NET CASH USED IN INVESTING ACTIVITIES	(33,449)	(2,661)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan payable	175,210	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	175,210	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	559,916	(66,902)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,847,455	2,914,357
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,407,371	\$ 2,847,455

The accompanying notes are an integral part of these consolidated financial statements.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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. ("VEF"). VEF's head office is located in San Carlos, California, with key international offices in the East African countries of Kenya and Uganda.

VEF's mission is to 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.

VEF Affiliates

VEF 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, VEF 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 VEF is the service provider. Pay for Success is an innovative model to fund social programs. As the service provider, VEF is looking to reduce extreme poverty by providing grants and training to entrepreneurs who will create small businesses. Three Outcome Payers committed to funding an escrow to be held with the Trustee. In accordance with the OPA, the Trustee is responsible for receiving funds from the Outcome Payers and holding them in an escrow account during the term of the Project. The Trustee will use the escrow funds to make Type I payments to VEF throughout the life of the Project. Type II payments will be paid by the Trustee to VEIB for the achievement of results as reported by the Outcomes Evaluator at the conclusion of the Project. It is the Outcomes Evaluator's responsibility to measure, verify, and report on those results to the Trustee. The Trustee commits to disburse payments to VEF according to the level of results measured and verified by the Outcomes Evaluator for the program.

Operating costs of the Project will be funded by grantors who have funded VEIB to fund VEF in carrying out its three-year intervention under the Project. There are two different types of outcome payments. Type I Outcome Payments are reimbursements of seed capital grants to VEF. Type II Outcome Payments, as defined in the OPA, are based on an outcomes formula and other variables that must be met. If VEIB receives any Type II Outcome Payments, the grantors may be refunded a calculated amount of each Type II Outcome Payment.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

All significant intercompany accounts and transactions between VEF, VECC, and VEIB (collectively, "Village Enterprise") have been eliminated in consolidation.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Village Enterprise's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of Village Enterprise's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions.

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.

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. Village Enterprise 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 Village Enterprise's promises to give are foundation grants 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. Accounts receivable represent Type I Outcome Payments that have been earned in accordance with the OPA but have not yet been paid.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Promises to Give (continued)

Village Enterprise 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. Village Enterprise determined that no allowance for uncollectible accounts receivable was necessary at June 30, 2020 and 2019.

Donated Securities

Donated securities are measured at fair value on the date of receipt. It is the intention of Village Enterprise to sell all gifts of public securities upon receipt or as soon thereafter as possible. For the years ended June 30, 2020 and 2019, Village Enterprise received donated securities amounting to \$94,538 and \$37,687, 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

Village Enterprise 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, Village Enterprise recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2020 and 2019.

Revenue Recognition

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.

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 Village Enterprise fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets. Unconditional contributions are recognized as revenue when received or promised.

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 seven recoverable grant agreements with various organizations and individuals with the intent to provide Village Enterprise financial outlays that are directly used in the delivery of services for the Project in accordance with the OPA. When VEIB receives outcome payments in future years, VEIB shall return to the grantor a corresponding share of their respective payment. The maximum recoverable amount is the amount of the grant, plus interest of 9.9% per annum on the outstanding amount, calculated on the basis of a 365-day year and compounded annually.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recoverable Grant Agreements (continued)

As of June 30, 2020 and 2019, the total amount of recoverable grants committed and paid was \$2,325,000.

Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service with which they relate are charged accordingly. Other expenses that apply to more than one functional category have been allocated between program, management and general, and fundraising, based on the time spent on these functions by specific employees. Other costs are charged directly to the appropriate functional category.

Compensated Absences

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

In-Kind Contributions

Village Enterprise recognizes contributions of donated services when they create or enhance nonfinancial assets or require specialized skills that would typically need to be purchased if not provided by donation. Such services are recorded as in-kind contributions at an amount based on market values of services donated. Contributions are recorded in the period received. There were no in-kind contributions for the years ended June 30, 2020 and 2019.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

Village Enterprise maintains cash balances at various banks in the United States, Uganda and Kenya. Cash held at the banks in Africa is not insured by the Federal Deposit Insurance Corporation ("FDIC"). As of June 30, 2020 and 2019, cash balances in African banks amounted to \$35,530 and \$26,706, respectively. Cash balances held in U.S. banks are insured by the FDIC up to \$250,000 per bank.

Subsequent Events

Village Enterprise has evaluated subsequent events through January 22, 2021, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain accounts in the June 30, 2019 consolidated financial statements have been reclassified to conform to the June 30, 2020 presentation. The reclassifications had no effect on net assets.

Adopted Accounting Pronouncement

During the year ended June 30, 2020, Village Enterprise adopted Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional or not. The adoption of this update had no effect on Village Enterprise's financial position and change in net assets.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity.

The update is to be applied to the beginning of the year of implementation or retrospectively. In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the update for annual reporting periods beginning after December 15, 2019, and for interim reporting periods beginning after December 15, 2020, with early application permitted. Village Enterprise has elected the deferral and is currently evaluating the effect the update will have on its consolidated financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, Village Enterprise’s presentation of comparative periods in the consolidated financial statements will continue to be in accordance with current lease accounting. Village Enterprise is evaluating the method of adoption it will elect.

In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the guidance for annual reporting periods beginning after December 15, 2021, and for interim reporting periods beginning after December 15, 2022, with early application permitted. Village Enterprise has elected the deferral and is currently evaluating the effect the update will have on its consolidated financial statements but expects upon adoption that the update will not have a material effect on Village Enterprise’s financial condition despite the recognition of a right-of-use asset and related lease liability. Village Enterprise does not anticipate the update having a material effect on its results of operations or cash flows, though such an effect is possible.

Contributed Nonfinancial Assets

In September 2020, the FASB issued an accounting standards update which amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. Village Enterprise is currently evaluating the effect the update will have on its consolidated financial statements.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

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

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES (CONTINUED)

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

June 30,	2020	2019
Cash and cash equivalents	\$ 3,407,371	\$ 2,847,455
Accounts receivable	239,051	195,674
Promises to give - due within one year	706,455	548,782
Total financial assets	<u>4,352,877</u>	<u>3,591,911</u>
Less amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	<u>(809,568)</u>	<u>(314,022)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 3,543,309</u>	<u>\$ 3,277,889</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Life</u>
Computers and equipment	\$ 23,200	\$ 20,977	5 years
Vehicles	101,271	75,593	5 years
	124,471	96,570	
Less accumulated depreciation	<u>(80,690)</u>	<u>(67,052)</u>	
	<u>\$ 43,781</u>	<u>\$ 29,518</u>	

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$18,869 and \$14,842, respectively.

5. PROMISES TO GIVE

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

	<u>2020</u>	<u>2019</u>
Unconditional promises to give	\$ 1,331,455	\$ 615,370
Less: discount to present value	<u>(33,004)</u>	<u>-</u>
	<u>\$ 1,298,451</u>	<u>\$ 615,370</u>
Amounts due in:		
	<u>2020</u>	<u>2019</u>
Less than one year	\$ 706,455	\$ 548,782
One to five years	625,000	66,588
	<u>\$ 1,331,455</u>	<u>\$ 615,370</u>

Discount rates ranged from 1.6% to 2.6% for the year ended June 30, 2020.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

6. GRANTS TO SMALL BUSINESSES

Village Enterprise 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 Village Enterprise'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, 2020 or 2019.

7. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

In April 2020, Village Enterprise 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 is due on April 27, 2022 and bears interest at 1 percent. Monthly payments of principal and interest commence in November 2020. Village Enterprise 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. Village Enterprise tracked the qualifying expenditures during the qualifying period and applied for loan forgiveness under the program subsequent to June 30, 2020. On November 27, 2020, Village Enterprise received notice from the SBA that the PPP loan of \$175,210 and accrued interest of \$983 had been forgiven. The loan forgiveness will be recorded during the year ended June 30, 2021.

8. RELATED PARTY

VEIB entered into a grant agreement with VEF on June 27, 2019 to provide working capital totaling \$900,000 for activities under the Project as set forth in the OPA. This amount was due to VEF during the year ended June 30, 2019 and has been eliminated in consolidation. No grant to VEF was made during the year ended June 30, 2020.

9. COMMITMENTS

Village Enterprise leases office space in San Carlos, California under an operating lease agreement that expires on December 31, 2021. Rental expense amounted to \$42,210 and \$37,440 for the years ended June 30, 2020 and 2019, respectively.

Village Enterprise leases its Field Offices in Kitale (Kenya), Nairobi (Kenya), Soroti (Uganda), Gulu (Uganda) and Kampala (Uganda) under lease agreements varying from one to two years. Village Enterprise entered into a new month-to-month lease in West Pokot (Kenya) in fiscal year 2020. Total rent expense for the field offices in 2020 and 2019 amounted to \$41,794 and \$37,771, respectively.

Total future minimum lease payments amount to at June 30:

2021	\$	81,955
2022		42,209
2023		2,511
	\$	<u>126,675</u>

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

10. NET ASSETS WITH DONOR RESTRICTIONS

Contributions that are restricted by a grantor agency or a donor are reported as an increase in net assets with donor restrictions. When a restriction expires or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. As of June 30, net assets with donor restrictions consist of:

	2020	2019
Uganda seed capital	\$ 78,735	\$ 142,610
Uganda program expenses	-	92,935
Rwanda expansion and digital technology	348,719	-
Uganda illegal wildlife trade	9,639	47,705
Kenya program expenses	372,475	-
Time restricted	1,000,000	75,000
Extend DRC program	-	30,772
Total	\$ 1,809,568	\$ 389,022

11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during the year by incurring expenses satisfying the restricted purposes were as follows:

	2020	2019
Uganda program expenses	\$ 315,062	\$ 505,505
Uganda seed capital	63,876	53,928
Safeguarding	-	40,398
Consulting	-	100,000
Dynamic Uganda youth	-	87,871
Uganda illegal wildlife trade	38,066	35,994
Uganda refugee feasibility	-	68,366
Kenya program expenses	298,745	231,802
Accelerator	-	122,289
Time restricted	550,000	25,000
Rwanda expansion and digital technology	51,281	-
Extend DRC program	30,772	102,429
Professional development	10,000	-
Total	\$ 1,357,802	\$ 1,373,582

12. TAX EXEMPT STATUS

VEF 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. VEF and VECC are also exempt from California income taxes under Section 23701d of the California Revenue and Taxation Code. VEF and VECC are generally no longer subject to tax examinations relating to federal and state tax returns for years prior to 2017.

VEF 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.

VEF and VECC follow the accounting standard for uncertainty in income taxes and prescribe a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in their tax returns. Management believes that their not-for-profit statuses would be sustained upon examination.

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

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

13. RETIREMENT PLAN

Village Enterprise maintains a Simple IRA retirement plan for employees who have earned more than \$5,000 in the prior or current fiscal year. Village Enterprise will make matching contributions to employee pre-tax deferrals on a dollar-for-dollar basis of up to 1%, increasing to 3% during fiscal year 2019, of the employee's total annual compensation. Village Enterprise 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, 2020 and 2019, employer contributions totaled \$34,498 and \$21,146, respectively.

Village Enterprise team members (Class A only), who are located in Kenya and Uganda 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, Village Enterprise will match the employee's contribution up to 5% of their gross salary. The employee contribution, together with the matching Village Enterprise contribution, will be sent to the IPP designated by the employee.

14. CONCENTRATIONS

Approximately 94% and 69% of Village Enterprise's promises to give were due from four grantors at June 30, 2020 and 2019, respectively.

Approximately 57% of Village Enterprise's contributions from foundations were from three foundations for the year ended June 30, 2020. Approximately 80% of Village Enterprise's contributions from foundations were from four foundations for the year ended June 30, 2019.

15. RISK MANAGEMENT

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The impact of the outbreak of the COVID-19 coronavirus continues to rapidly evolve. Village Enterprise cannot reasonably estimate the duration and severity of this pandemic; however, economic uncertainties have arisen which could have a material adverse impact on Village Enterprise's activities, its financial position and its cash flows. Village Enterprise believes they are taking appropriate actions to mitigate the negative impact.

SUPPLEMENTARY INFORMATION

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	VEF	VEIB	VECC	Eliminations	2020 Total	2019 Total
Cash and cash equivalents	\$ 3,011,320	\$ 392,750	\$ 3,301	\$ -	\$ 3,407,371	\$ 2,847,455
Accounts receivable	239,051	30,000	-	(30,000)	239,051	195,674
Promises to give, net	1,298,451	-	-	-	1,298,451	615,370
Prepaid expenses	17,111	-	-	-	17,111	24,535
Property and equipment, net	43,781	-	-	-	43,781	29,518
TOTAL ASSETS	\$ 4,609,714	\$ 422,750	\$ 3,301	\$ (30,000)	\$ 5,005,765	\$ 3,712,552
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable and accrued expenses	\$ 50,973	-	\$ 30,000	\$ (30,000)	\$ 50,973	\$ 61,934
Refundable advance	7,662	-	-	-	7,662	-
Paycheck Protection Program loan payable	175,210	-	-	-	175,210	-
TOTAL LIABILITIES	233,845	-	30,000	(30,000)	233,845	61,934
NET ASSETS						
Without donor restrictions	2,566,301	422,750	(26,699)	-	2,962,352	3,261,596
With donor restrictions	1,809,568	-	-	-	1,809,568	389,022
TOTAL NET ASSETS	4,375,869	422,750	(26,699)	-	4,771,920	3,650,618
TOTAL LIABILITIES AND NET ASSETS	\$ 4,609,714	\$ 422,750	\$ 3,301	\$ (30,000)	\$ 5,005,765	\$ 3,712,552

See independent auditor's report.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	VEF		VEIB		VECC		Eliminations	2020 Total	2019 Total
	Without donor restrictions	With donor restrictions	Without donor restrictions	Total	Without donor restrictions	Total			
SUPPORT AND REVENUE:									
Contributions from individuals	\$ 1,737,753	\$ -	\$ -	\$ 1,737,753	\$ -	\$ -	\$ -	\$ 1,737,753	\$ 2,187,757
Contributions from foundations	228,819	2,778,348	-	3,007,167	-	-	-	3,007,167	912,471
Development impact bond revenue	450,279	-	-	450,279	-	-	-	450,279	498,323
Interest and other income	35,184	-	-	35,184	-	-	-	35,184	1,039
Net assets released from restrictions	1,357,802	(1,357,802)	-	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUE	3,809,837	1,420,546	-	5,230,383	-	-	-	5,230,383	3,599,590
EXPENSES:									
Program services:	3,243,663	-	-	3,243,663	-	-	-	3,243,663	3,233,517
Supporting services:									
Management and general	421,487	-	-	421,487	846	13,080	-	435,413	265,094
Fundraising	379,286	-	-	379,286	-	-	-	379,286	487,747
TOTAL EXPENSES	4,044,436	-	-	4,044,436	846	13,080	-	4,058,362	3,986,358
OTHER EXPENSES:									
Currency exchange loss	50,719	-	-	50,719	-	-	-	50,719	36,171
CHANGE IN NET ASSETS	(285,318)	1,420,546	(846)	1,135,228	(846)	(13,080)	-	1,121,302	(422,939)
NET ASSETS - BEGINNING OF YEAR	2,851,619	389,022	423,596	3,240,641	-	(13,619)	-	3,650,618	4,073,557
NET ASSETS - END OF YEAR	\$ 2,566,301	\$ 1,809,568	\$ 422,750	\$ 4,375,869	\$ -	\$ (26,699)	\$ -	\$ 4,771,920	\$ 3,650,618

See independent auditor's report.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	VEF										VEIB			VECC		
	Program Services					Supporting Services					Program Services			Supporting Services		
	Kenya	Uganda	United States	Total Program Services	Management and General	Fundraising	Total	Development Impact Bond	Management and General	Eliminations	Total	2020 Total	2019 Total			
Grants to small businesses	\$ 471,736	\$ 322,621	\$ 754,880	\$ 794,357	\$ 266,856	\$ -	\$ 794,357	\$ -	\$ -	\$ -	\$ -	\$ 794,357	\$ 929,442			
Personnel	514,013	473,139	16,628	1,742,032	732	274,430	2,283,318	-	-	-	2,283,318	2,283,318	1,886,823			
Depreciation and amortization	-	-	16,628	16,628	-	1,509	18,669	-	-	-	18,669	18,669	14,842			
Field operations	105,694	130,587	4,184	236,281	-	-	236,281	-	-	-	236,281	236,281	305,497			
Insurance	468	762	1,860	5,442	10,989	318	16,759	-	-	-	16,759	18,060	12,419			
Software	654	1,860	41,674	44,188	29,466	15,044	88,698	-	-	-	88,698	88,698	35,002			
Fellowships and interns	-	-	3,461	13,623	6,506	7,608	27,737	-	-	-	27,737	27,737	6,147			
Meetings, conferences and training	9,821	321	-	39,796	22,103	22,103	84,004	-	-	-	84,004	84,004	75,211			
Occupancy	17,990	21,808	-	30,448	3,173	36,794	576	-	-	230	37,600	37,600	16,409			
Office	17,659	12,789	-	30,448	3,173	36,794	576	-	-	-	37,600	37,600	16,409			
Other	-	-	-	-	-	1,683	1,683	-	-	-	1,683	1,683	67			
Postage and shipping	172	49	-	221	698	698	1,617	-	-	-	1,617	1,617	1,020			
Printing and publications	1,124	803	-	1,927	198	198	2,323	-	-	-	2,323	2,323	-			
Professional fees	13,442	11,636	63,685	89,063	55,062	6,250	150,375	-	-	10,884	161,584	149,798				
Marketing and communications	459	1,119	-	1,578	-	33,671	35,249	-	-	235	35,249	35,249	122,828			
Taxes and fees	12,685	3,146	91	15,922	5,546	1,457	22,925	-	-	35	23,525	23,525	5,572			
Travel	26,353	25,695	25,432	77,380	12,573	5,575	95,528	-	-	-	95,528	95,528	217,865			
Training	28,963	75,229	11,296	115,488	3,362	566	119,416	-	-	-	119,416	119,416	76,069			
Utilities	8,423	10,075	-	18,498	3,424	3,424	25,346	-	-	-	25,346	25,346	26,162			
Website	-	-	789	789	789	1,579	3,157	-	-	-	3,157	3,157	5,010			
Total expenses	\$ 1,229,684	\$ 1,091,839	\$ 922,140	\$ 3,243,663	\$ 421,487	\$ 379,286	\$ 4,044,436	\$ -	\$ 846	\$ 846	\$ 4,058,362	\$ 3,986,358				

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	VEF	VEIB	VECC	Eliminations	2020 Total	2019 Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Change in net assets	\$ 1,135,228	\$ (846)	\$ (13,080)	\$ -	\$ 1,121,302	\$ (422,939)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation and amortization	18,869	-	-	-	18,869	14,842
Discount on promises to give	33,004	-	-	-	33,004	-
Loss on disposal of property and equipment	317	-	-	-	317	699
Changes in operating assets and liabilities:						
Accounts receivable	(43,377)	(15,000)	-	15,000	(43,377)	(44,306)
Promises to give	183,915	-	-	(900,000)	(716,085)	498,246
Prepaid expenses	7,424	-	-	-	7,424	(9,357)
Refundable advance	7,662	-	-	-	7,662	-
Accounts payable and accrued expenses	(10,961)	(900,000)	15,000	885,000	(10,961)	(101,426)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,332,081	(915,846)	1,920	-	418,155	(64,241)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment	(33,449)	-	-	-	(33,449)	(2,661)
NET CASH USED IN INVESTING ACTIVITIES	(33,449)	-	-	-	(33,449)	(2,661)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from Paycheck Protection Program loan payable	175,210	-	-	-	175,210	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	175,210	-	-	-	175,210	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,473,842	(915,846)	1,920	-	559,916	(66,902)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,537,478	1,308,596	1,381	-	2,847,455	2,914,357
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,011,320	\$ 392,750	\$ 3,301	\$ -	\$ 3,407,371	\$ 2,847,455

See independent auditor's report.