



**VILLAGE ENTERPRISE FUND, INC.
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
YEARS ENDED JUNE 30, 2021 AND 2020

**VILLAGE ENTERPRISE FUND, INC.
AND AFFILIATES**

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 – 2
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position as of June 30, 2021 and 2020	3
Consolidated Statements of Activities for the Years Ended June 30, 2021 and 2020	4
Consolidated Statement of Functional Expenses for the Year Ended June 30, 2021	5
Consolidated Statement of Functional Expenses for the Year Ended June 30, 2020	6
Consolidated Statements of Cash Flows for the Years Ended June 30, 2021 and 2020	7
Notes to the Consolidated Financial Statements	8 – 16
SUPPLEMENTARY INFORMATION:	
Consolidating Statements of Financial Position as of June 30, 2021 and 2020	17
Consolidating Statements of Activities for the Years Ended June 30, 2021 and 2020	18
Consolidating Statements of Functional Expenses for the Years Ended June 30, 2021 and 2020	19
Consolidating Statements of Cash Flows for the Years Ended June 30, 2021 and 2020	20



Tel: 212-576-1400
Fax: 212-576-1414
www.bdo.com

600 Third Avenue, 3rd Floor
New York, NY 10016

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, 2021, 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, 2021, and the changes in their net assets and its 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.

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 within one year after the date that the consolidated financial statements are issued or 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 17-20, as listed in the table of contents, 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.

Other Matter

The consolidated financial statements of Village Enterprise Fund, Inc. and Affiliates as of and for the year ended June 30, 2020 were audited by MBAF CPAs, LLC ("MBAF"), whose partners and professional staff joined BDO USA, LLP as of January 16, 2021, and has subsequently ceased operations. MBAF expressed an unmodified opinion on those statements in their report dated January 22, 2021.

BDO USA, LLP

New York, NY
March 4, 2022

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS	2021	2020
Cash and cash equivalents	\$ 4,136,928	\$ 3,407,371
Accounts receivable	46,447	239,051
Promises to give, net	1,345,850	1,298,451
Prepaid expenses	30,065	17,111
Property and equipment, net	<u>53,360</u>	<u>43,781</u>
TOTAL ASSETS	<u>\$ 5,612,650</u>	<u>\$ 5,005,765</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 58,408	\$ 50,973
Refundable advance	203,914	7,662
Paycheck Protection Program loan payable	<u>-</u>	<u>175,210</u>
TOTAL LIABILITIES	<u>262,322</u>	<u>233,845</u>
NET ASSETS		
Without donor restrictions	3,811,288	2,962,352
With donor restrictions	<u>1,539,040</u>	<u>1,809,568</u>
TOTAL NET ASSETS	<u>5,350,328</u>	<u>4,771,920</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,612,650</u>	<u>\$ 5,005,765</u>

See accompanying notes to the financial statements

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions from individuals	\$ 2,740,987	\$ -	\$ 2,740,987	\$ 1,737,753	\$ -	\$ 1,737,753
Contributions from foundations	680,503	1,604,601	2,285,104	228,819	2,778,348	3,007,167
Development impact bond revenue	710,770	-	710,770	450,279	-	450,279
Forgiveness of debt, Paycheck Protection Program	175,210	-	175,210	-	-	-
Recoverable grants	45,000	-	45,000	-	-	-
Interest and other income	4,021	-	4,021	35,184	-	35,184
Net assets released from restrictions	1,875,129	(1,875,129)	-	1,357,802	(1,357,802)	-
TOTAL SUPPORT AND REVENUE	6,231,620	(270,528)	5,961,092	3,809,837	1,420,546	5,230,383
EXPENSES:						
Program services	4,437,151	-	4,437,151	3,243,663	-	3,243,663
Supporting services:						
Management and general	410,405	-	410,405	435,413	-	435,413
Fundraising	521,133	-	521,133	379,286	-	379,286
TOTAL EXPENSES	5,368,689	-	5,368,689	4,058,362	-	4,058,362
OTHER EXPENSES:						
Currency exchange loss	13,995	-	13,995	50,719	-	50,719
CHANGE IN NET ASSETS	848,936	(270,528)	578,408	(299,244)	1,420,546	1,121,302
NET ASSETS - BEGINNING OF YEAR	2,962,352	1,809,568	4,771,920	3,261,596	389,022	3,650,618
NET ASSETS - END OF YEAR	\$ 3,811,288	\$ 1,539,040	\$ 5,350,328	\$ 2,962,352	\$ 1,809,568	\$ 4,771,920

See accompanying notes to the financial statements

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services				Supporting Services			Total
	Kenya	Uganda	Rwanda	United States	Total Program Services	Management and General	Fundraising	
Grants to small businesses	\$ 312,867	\$ 338,038	\$ 29,753	\$ -	\$ 680,658	\$ -	\$ -	\$ 680,658
Personnel	733,976	508,485	33,489	743,818	2,019,768	255,138	429,060	2,703,966
Depreciation and amortization	-	-	-	11,510	11,510	-	-	11,510
Field operations	207,840	172,035	18,602	29,486	427,963	-	-	427,963
Insurance	-	-	-	2,840	2,840	1,283	330	4,453
Software	2,678	1,723	-	61,083	65,484	12,737	7,989	86,210
Meetings, conferences and training	38,239	-	-	2,059	40,298	12,999	3,107	56,404
Occupancy	25,567	16,022	1,643	38,528	81,760	-	-	81,760
Office	48,697	31,817	8,459	2,632	91,605	8,705	9,828	110,138
Other	-	-	50	-	50	48,452	(428)	48,074
Outcome payment	-	-	-	647,938	647,938	-	-	647,938
Postage and shipping	686	75	-	26	787	1,690	1,067	3,544
Professional fees	17,812	18,510	-	131,557	167,879	40,839	5,985	214,703
Marketing and communications	134	-	-	-	134	9,239	46,816	56,189
Special projects	-	-	-	38,000	38,000	-	-	38,000
Taxes & Fees	4,723	6,619	377	1,260	12,979	5,369	1,664	20,012
Travel	29,703	36,363	4,948	18,186	89,200	7,064	1,936	98,200
Training	20,737	9,897	236	11,679	42,549	-	-	42,549
Utilities	1,288	2,337	116	-	3,741	886	1,771	6,398
Website	-	-	-	12,008	12,008	6,004	12,008	30,020
Total expenses	\$ 1,444,947	\$ 1,141,921	\$ 97,673	\$ 1,752,610	\$ 4,437,151	\$ 410,405	\$ 521,133	\$ 5,368,689

See accompanying notes to the 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

See accompanying notes to the financial statements

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 578,408	\$ 1,121,302
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	11,510	18,869
Discount on promises to give	(6,899)	33,004
Loss on disposal of property and equipment	10,237	317
Changes in operating assets and liabilities:		
Accounts receivable	192,604	(43,377)
Promises to give	(40,500)	(716,085)
Prepaid expenses	(12,954)	7,424
Refundable advance	196,252	7,662
Accounts payable and accrued expenses	7,435	(10,961)
NET CASH PROVIDED BY OPERATING ACTIVITIES	760,883	418,155
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(31,326)	(33,449)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan payable	-	175,210
NET INCREASE IN CASH AND CASH EQUIVALENTS	729,557	559,916
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,407,371	2,847,455
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,136,928	\$ 3,407,371

See accompanying notes to the financial statements

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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, Uganda and Rwanda.

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 used the escrow funds to make Type I payments to VEF throughout the life of the Project. Type II payments were paid 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.

Operating costs of the Project were 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. VEIB received Type II Outcome Payments, the grantors were refunded a calculated amount of Type II Outcome Payment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

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

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SUMMARY OF 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, 2021 AND 2020

2. SUMMARY OF 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, 2021 and 2020.

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, 2021 and 2020, Village Enterprise received donated securities amounting to \$104,927 and \$94,538, 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, 2021 and 2020.

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.

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

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization adopted Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) on July 1, 2020 using the modified retrospective method applied to all contracts not completed as of the date of adoption. The modified retrospective adoption method requires the Organization to record a transition adjustment for the new revenue standard, if any, as a cumulative effect adjustment to beginning net assets as of the date of adoption. Therefore, any comparative information has not been adjusted. The cumulative effect of applying Topic 606 was not material and, accordingly, there was no adjustment made to the Organization’s beginning net assets upon adoption of Topic 606.

The Organization applies Topic 606 to exchange transactions when applicable. Most of the Organization’s revenue for the years ended June 30, 2021 and 2020 were from non-exchange transaction revenue sources including contributions.

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.

As of June 30, 2021 and 2020, the total amount of recoverable grants committed and paid was \$2,750,000 and \$2,325,000, respectively.

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 expenses directly related to Kenya, Uganda, Rwanda and United States operations. These costs are allocated based on time and effort.

Management and General – This category represents expenses related to the overall administration and operation of the Organization that are not specific to any program services or development. These costs are allocated based on time and effort.

Fundraising – This category represents expenses directly associated with the Organization’s effort to raise funds to support the operations for the Organization. These costs are allocated based on time and effort.

Compensated Absences

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

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.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain accounts in the June 30, 2020 financial statements have been reclassified to conform to the June 30, 2021 presentation. These reclassifications had no effect on net income or net assets.

Concentrations of Credit Risk

Village Enterprise maintains cash balances at various banks 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, 2021 and 2020, cash balances in African banks amounted to \$95,199 and \$35,530 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 March 4, 2022, which is the date the consolidated financial statements were available to be issued.

Adopted Accounting Pronouncement

Revenue from Contracts with Customers (Topic 606)

During the year ended June 30, 2021, the Organization adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), as of July 1, 2020 using the modified-retrospective approach. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. The Organization's revenue is derived primarily from grants and donations from individuals and foundations. Revenues are recognized over the course of the fiscal year or program for which it is earned. The adoption of ASU 2014-09 did not result in a material change to the timing of when revenue is recognized.

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of the adoption of ASU 2016-02.

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The update requires not-for-profits to present contributed nonfinancial assets as a separate line item on the statement of activities, and to disclose information regarding each type of contributed nonfinancial assets. The update is effective for financial statements issued for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022, with early application permitted. The Organization is currently evaluating the impact of the adoption of ASU 2020-07.

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, 2021 AND 2020

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,	2021	2020
Cash and cash equivalents	\$ 4,136,928	\$ 3,407,371
Accounts receivable	46,447	239,051
Promises to give - due within one year	749,271	706,455
Total financial assets	<u>4,932,646</u>	<u>4,352,877</u>
Less amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(417,128)	(809,568)
Restricted by donors with time restrictions	(499,228)	-
	<u>(916,356)</u>	<u>(809,568)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 4,016,290</u>	<u>\$ 3,543,309</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2021	2020	Estimated Useful Life
Computers and equipment	\$ -	\$ 23,200	5 years
Vehicles	132,600	101,271	5 years
	<u>132,600</u>	<u>124,471</u>	
Less: accumulated depreciation	(79,240)	(80,690)	
	<u>\$ 53,360</u>	<u>\$ 43,781</u>	

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$11,510 and \$18,869, respectively.

5. PROMISES TO GIVE

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

	2021	2020
Unconditional promises to give	\$ 1,371,955	\$ 1,331,455
Less: discount to present value	(26,105)	(33,004)
	<u>\$ 1,345,850</u>	<u>\$ 1,298,451</u>
Amounts due in:	2021	2020
Less than one year	\$ 749,271	\$ 706,455
One to five years	622,684	625,000
	<u>\$ 1,371,955</u>	<u>\$ 1,331,455</u>

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

5. PROMISES TO GIVE (CONTINUED)

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

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, 2021 or 2020.

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 was 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. 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 forgiveness was recorded as part of other income during the year ended June 30, 2021.

8. RELATED PARTY

VEIB entered into a grant agreement totaling \$425,000 with VEF on September 28, 2020 to provide working capital for activities under the Project as set forth in the OPA. The amount was paid to VEF during the fiscal year and no balance was outstanding as of June 30, 2021. 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, 2022. Rental expense amounted to \$36,360 and \$42,210 for the years ended June 30, 2021 and 2020, respectively.

Village Enterprise 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 three years. Total rent expense for the field offices in 2021 and 2020 amounted to \$45,400 and \$41,794, respectively.

Total future minimum lease payments amount to at June 30:

2022	\$	65,981
2023		12,591
2024		10,080
	\$	<u>88,652</u>

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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:

	2021	2020
Rwanda expansion and digital technology	\$ 339,862	\$ 348,719
Kenya program expenses	9,009	372,475
Extend DRC program	54,235	-
Uganda program expenses	14,022	-
Uganda seed capital	-	78,735
Uganda illegal wildlife trade	-	9,639
Time restricted	1,121,912	1,000,000
Total	\$ 1,539,040	\$ 1,809,568

11. NET ASSETS RELEASED FROM RESTRICTIONS

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

	2021	2020
Kenya program expenses	\$ 750,128	\$ 298,745
Time restricted	499,228	550,000
Uganda program expenses	324,352	315,062
Rwanda expansion and digital technology	208,857	51,281
Covid adaptation strategies	88,978	-
Extend DRC program	3,586	30,772
Uganda seed capital	-	63,876
Uganda illegal wildlife trade	-	38,066
Professional development	-	10,000
Total	\$ 1,875,129	\$ 1,357,802

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 2018.

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 for federal tax purposes and is included in the tax filings of VECC.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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 3% 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, 2021 and 2020, employer contributions totaled \$52,110 and \$34,498, respectively.

Village Enterprise 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, 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 88% and 94% of Village Enterprise's promises to give were due from three and four grantors at June 30, 2021 and 2020, respectively.

Approximately 65% and 84% of Village Enterprise's contributions from foundations were from three and four foundations for the year ended June 30, 2021 and 2020, respectively.

SUPPLEMENTARY INFORMATION

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS	VEF	VEIB	VECC	Eliminations	2021 Total	2020 Total
Cash and cash equivalents	\$ 4,132,663	\$ 1,671	\$ 2,594	\$ -	\$ 4,136,928	\$ 3,407,371
Accounts receivable	46,447	40,000	-	(40,000)	46,447	239,051
Promises to give, net	1,345,850	-	-	-	1,345,850	1,298,451
Prepaid expenses	30,065	-	-	-	30,065	17,111
Property and equipment, net	53,360	-	-	-	53,360	43,781
TOTAL ASSETS	\$ 5,608,385	\$ 41,671	\$ 2,594	\$ (40,000)	\$ 5,612,650	\$ 5,005,765
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable and accrued expenses	\$ 58,408	\$ -	\$ 40,000	\$ (40,000)	\$ 58,408	\$ 50,973
Refundable advance	203,914	-	-	-	203,914	7,662
Paycheck protection program loan payable	-	-	-	-	-	175,210
TOTAL LIABILITIES	262,322	-	40,000	(40,000)	262,322	233,845
NET ASSETS						
Without donor restrictions	3,807,023	41,671	(37,406)	-	3,811,288	2,962,352
With donor restrictions	1,539,040	-	-	-	1,539,040	1,809,568
TOTAL NET ASSETS	5,346,063	41,671	(37,406)	-	5,350,328	4,771,920
TOTAL LIABILITIES AND NET ASSETS	\$ 5,608,385	\$ 41,671	\$ 2,594	\$ (40,000)	\$ 5,612,650	\$ 5,005,765

See independent auditor's report.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	VEF			VEIB	VECC	Eliminations	2021	2020
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	Without donor restrictions		Total	Total
SUPPORT AND REVENUE:								
Contributions from individuals	\$ 2,740,987	\$ -	\$ 2,740,987	\$ -	\$ -	\$ -	\$ 2,740,987	\$ 1,737,753
Contributions from foundations	680,503	1,604,601	2,285,104	-	-	-	2,285,104	3,007,167
Recoverable grants	-	-	-	45,000	-	-	45,000	-
Development impact bond revenue	487,832	-	487,832	647,938	-	(425,000)	710,770	450,279
Forgiveness of debt, Paycheck Protection Program	175,210	-	175,210	-	-	-	175,210	-
Interest and other income	4,021	-	4,021	-	-	-	4,021	35,184
Net assets released from restrictions	1,875,129	(1,875,129)	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUE	5,963,682	(270,528)	5,693,154	692,938	-	(425,000)	5,961,092	5,230,383
EXPENSES:								
Program services:	3,789,213	-	3,789,213	1,072,938	-	(425,000)	4,437,151	3,243,663
Supporting services:								
Management and general	398,619	-	398,619	1,079	10,707	-	410,405	435,413
Fundraising	521,133	-	521,133	-	-	-	521,133	379,286
TOTAL EXPENSES	4,708,965	-	4,708,965	1,074,017	10,707	(425,000)	5,368,689	4,058,362
OTHER EXPENSES:								
Currency exchange loss	13,995	-	13,995	-	-	-	13,995	50,719
CHANGE IN NET ASSETS	1,240,722	(270,528)	970,194	(381,079)	(10,707)	-	578,408	1,121,302
NET ASSETS - BEGINNING OF YEAR	2,566,301	1,809,568	4,375,869	422,750	(26,699)	-	4,771,920	3,650,618
NET ASSETS - END OF YEAR	\$ 3,807,023	\$ 1,539,040	\$ 5,346,063	\$ 41,671	\$ (37,406)	\$ -	\$ 5,350,328	\$ 4,771,920

See independent auditor's report.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	VEF								VEIB			VECC		2021 Total	2020 Total	
	Program Services				Supporting Services				Program Services	Supporting Services	Supporting Services	Eliminations				
	Kenya	Uganda	Rwanda	United States	Total Program Services	Management and General	Fundraising	Total	Development Impact Bond	Management and General	Management and General					
Grants to small businesses	\$ 312,867	\$ 338,038	\$ 29,753	\$ -	\$ 680,658	\$ -	\$ -	\$ 680,658	\$ 425,000	\$ -	\$ 425,000	\$ -	\$ (425,000)	\$ 680,658	\$ 794,357	
Personnel	733,976	508,485	33,489	743,818	2,019,768	255,138	429,060	2,703,966	-	-	-	-	-	2,703,966	2,283,318	
Depreciation and amortization	-	-	-	11,510	11,510	-	-	11,510	-	-	-	-	-	-	11,510	18,869
Field operations	207,840	172,035	18,602	29,486	427,963	-	-	427,963	-	-	-	-	-	427,963	236,281	
Insurance	-	-	-	2,840	2,840	1,283	330	4,453	-	-	-	-	-	-	4,453	18,060
Software	2,678	1,723	-	61,083	65,484	12,737	7,989	86,210	-	-	-	-	-	-	86,210	89,698
Meetings, conferences and training	38,239	-	-	2,059	40,298	12,999	3,107	56,404	-	-	-	-	-	-	56,404	27,737
Occupancy	25,567	16,022	1,643	38,528	81,760	-	-	81,760	-	-	-	-	-	-	81,760	84,004
Office	48,697	31,817	8,459	2,632	91,605	8,705	9,828	110,138	-	-	-	-	-	-	110,138	37,600
Other	-	-	50	-	50	46,145	(428)	45,767	-	-	600	1,707	-	-	48,074	1,683
Outcome payment	-	-	-	-	-	-	-	-	647,938	-	647,938	-	-	-	647,938	-
Postage and shipping	686	75	-	26	787	1,450	1,067	3,304	-	240	240	-	-	3,544	1,617	
Printing and publications	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,323	
Professional fees	17,812	18,510	-	131,557	167,879	40,839	5,985	214,703	-	-	-	-	-	214,703	161,594	
Marketing and communications	134	-	-	-	134	-	46,816	46,950	-	239	239	9,000	-	56,189	35,249	
Special projects	-	-	-	38,000	38,000	-	-	38,000	-	-	-	-	-	38,000	-	
Taxes & Fees	4,723	6,619	377	1,260	12,979	5,369	1,664	20,012	-	-	-	-	-	20,012	23,525	
Travel	29,703	36,363	4,948	18,186	89,200	7,064	1,936	98,200	-	-	-	-	-	98,200	95,528	
Training	20,737	9,897	236	11,679	42,549	-	-	42,549	-	-	-	-	-	42,549	119,416	
Utilities	1,288	2,337	116	-	3,741	886	1,771	6,398	-	-	-	-	-	6,398	25,346	
Website	-	-	-	12,008	12,008	6,004	12,008	30,020	-	-	-	-	-	30,020	3,157	
Total expenses	\$ 1,444,947	\$ 1,141,921	\$ 97,673	\$ 1,104,672	\$ 3,789,213	\$ 398,619	\$ 521,133	\$ 4,708,965	\$ 1,072,938	\$ 1,079	\$ 1,074,017	\$ 10,707	\$ (425,000)	\$ 5,368,689	\$ 4,058,362	

See independent auditor's report.

VILLAGE ENTERPRISE FUND, INC. AND AFFILIATES

CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	VEF	VEIB	VECC	Eliminations	2021 Total	2020 Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Change in net assets	\$ 970,194	\$ (381,079)	\$ (10,707)	\$ -	\$ 578,408	\$ 1,121,302
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Forgiveness of debt, Paycheck Protection Program	(175,210)	-	-	-	(175,210)	-
Depreciation and amortization	11,510	-	-	-	11,510	18,869
Discount on promises to give	(6,899)	-	-	-	(6,899)	33,004
Loss on disposal of property and equipment	10,237	-	-	-	10,237	317
Changes in operating assets and liabilities:						
Accounts receivable	192,604	(10,000)	-	10,000	192,604	(43,377)
Promises to give	(40,500)	-	-	-	(40,500)	(716,085)
Prepaid expenses	(12,954)	-	-	-	(12,954)	7,424
Refundable advance	196,252	-	-	-	196,252	7,662
Accounts payable and accrued expenses	7,435	-	10,000	(10,000)	7,435	(10,961)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,152,669	(391,079)	(707)	-	760,883	418,155
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property and equipment	(31,326)	-	-	-	(31,326)	(33,449)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from Paycheck Protection Program loan payable	-	-	-	-	-	175,210
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,121,343	(391,079)	(707)	-	729,557	559,916
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,011,320	392,750	3,301	-	3,407,371	2,847,455
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,132,663	\$ 1,671	\$ 2,594	\$ -	\$ 4,136,928	\$ 3,407,371

See independent auditor's report.