

TRICKLE UP PROGRAM, INC.

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

AUGUST 31, 2007

TRICKLE UP PROGRAM, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Trickle Up Program, Inc.

We have audited the accompanying statement of financial position of Trickle Up Program, Inc. (a not-for-profit corporation) as of August 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trickle Up Program, Inc. as of August 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
December 20, 2007

TRICKLE UP PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2007

Assets

| | |
|---|----------------------------------|
| Cash and cash equivalents (Notes 1b and 14) | \$ 410,955 |
| Pledges receivable (Notes 1c and 3) | |
| Unrestricted | 71,547 |
| Restricted to future programs and periods | 219,913 |
| Receivables | 25,859 |
| Prepaid expenses and other current assets | 64,578 |
| Investments (Notes 1d and 4) | 2,131,010 |
| Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 5) | 178,289 |
| Security deposit | <u>25,105</u> |
| Total Assets | <u><u>\$3,127,256</u></u> |

Liabilities and Net Assets

| | |
|---------------------------------------|----------------|
| Liabilities | |
| Accounts payable and accrued expenses | \$ 176,399 |
| Grants payable (Note 1h) | 15,736 |
| Refundable advance (Note 7) | 61,000 |
| Deferred rent (Note 1f) | 65,724 |
| Gift annuity payables (Note 8) | 13,686 |
| Security deposits payable | 4,800 |
| Total Liabilities | <u>337,345</u> |

Commitments and Contingency (Notes 9, 10 and 11)

Net Assets

| | |
|---|-------------------------|
| Unrestricted (Note 2a) | |
| Board designated endowment | 744,420 |
| Restricted for future grant commitments | 84,230 |
| Undesignated | <u>401,910</u> |
| | <u>1,230,560</u> |
| Temporarily restricted (Note 2b) | |
| Restricted for future grant commitments | 263,915 |
| Restricted for future grants, programs and operations | <u>400,046</u> |
| | <u>663,961</u> |
| Permanently restricted endowment (Note 2c) | <u>895,390</u> |
| Total Net Assets | <u><u>2,789,911</u></u> |

Total Liabilities and Net Assets

\$3,127,256

See notes to financial statements.

TRICKLE UP PROGRAM, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2007

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------------|-----------------------------------|-----------------------------------|---------------------------|
| Changes in Unrestricted Net Assets | | | | |
| Operating Support and Revenue | | | | |
| Contributions | \$1,418,058 | \$696,541 | \$ 1,000 | \$2,115,599 |
| Government grants and contracts | 23,141 | 260,794 | - | 283,935 |
| Donated services (Note 6) | 139,650 | - | - | 139,650 |
| Fundraising event income, net of direct expenses of \$76,980 | 886,651 | 816,650 | - | 1,703,301 |
| Reversal of prior year restricted contributions | - | (92,740) | - | (92,740) |
| Net assets released from restriction | 2,540,020 | (2,540,020) | - | - |
| Interest income - operating accounts | 21,658 | - | - | 21,658 |
| Other income | 24,398 | - | - | 24,398 |
| Total Operating Support and Revenue | <u>5,053,576</u> | <u>(858,775)</u> | <u>1,000</u> | <u>4,195,801</u> |
| Expenses | | | | |
| Program Services | 4,175,684 | - | - | 4,175,684 |
| Supporting Services | | | | |
| Management and general | 223,996 | - | - | 223,996 |
| Fundraising | 590,831 | - | - | 590,831 |
| Total Supporting Services | <u>814,827</u> | <u>-</u> | <u>-</u> | <u>814,827</u> |
| Total Expenses | <u>4,990,511</u> | <u>-</u> | <u>-</u> | <u>4,990,511</u> |
| Change in Net Assets from Operating Activities | 63,065 | (858,775) | 1,000 | (794,710) |
| Non-Operating Investment Activity | | | | |
| Net investment income (Note 4) | 167,640 | 3,018 | - | 170,658 |
| Increase (decrease) in net assets | <u>230,705</u> | <u>(855,757)</u> | <u>1,000</u> | <u>(624,052)</u> |
| Net assets, beginning of year, as previously reported | 619,764 | 1,489,122 | 1,141,411 | 3,250,297 |
| Prior period adjustments (Note 15) | 380,091 | 30,596 | (247,021) | 163,666 |
| Net assets, beginning of year, as restated | <u>999,855</u> | <u>1,519,718</u> | <u>894,390</u> | <u>3,413,963</u> |
| Net Assets, End of Year | <u><u>\$1,230,560</u></u> | <u><u>\$ 663,961</u></u> | <u><u>\$ 895,390</u></u> | <u><u>\$2,789,911</u></u> |

See notes to financial statements.

TRICKLE UP PROGRAM, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2007

Cash Flows From Operating Activities

| | |
|---|------------------|
| Decrease in net assets | \$(624,052) |
| Adjustments to reconcile decrease in net assets to net cash used by operating activities: | |
| Depreciation | 56,986 |
| Bad debt expense | 20,000 |
| Allowance for uncollectible pledges receivable | 11,000 |
| Loss on equipment taken out of use | 16,503 |
| Donated securities | (94,830) |
| Net realized and unrealized gain on investments | (119,159) |
| (Increase) decrease in: | |
| Pledges receivable | 87,197 |
| Receivables | 7,414 |
| Prepaid expenses and other current assets | 56,787 |
| Security deposit | (2,329) |
| Increase (decrease) in: | |
| Accounts payable and accrued expenses | 76,671 |
| Grants payable | 1,736 |
| Refundable advance | 61,000 |
| Deferred rent | 4,316 |
| Gift annuities payable | (3,387) |
| Net Cash Used By Operating Activities | <u>(444,147)</u> |

Cash Flows From Investing Activities

| | |
|---------------------------------------|------------------|
| Proceeds from sale of investments | 328,639 |
| Purchases of investments | (632,983) |
| Acquisition of property and equipment | (104,531) |
| Proceeds from sale of equipment | 2,870 |
| Net Cash Used By Investing Activities | <u>(406,005)</u> |

| | |
|--|------------------|
| Net decrease in cash and cash equivalents | (850,152) |
| Cash and cash equivalents, beginning of year | <u>1,261,107</u> |

Cash and Cash Equivalents, End of Year \$ 410,955

TRICKLE UP PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2007

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Trickle Up Program, Inc. (the "Organization") was founded in 1979 and incorporated in 1981 as not-for-profit corporation.

Trickle Up empowers people living on less than a dollar a day to take the first steps out of poverty, providing them with resources to build microenterprises for a better quality of life. In partnership with local agencies, the Organization provides business training and seed capital to launch or expand a microenterprise, and savings support to build assets.

Trickle Up believes in people and their capacity to make a difference. The Organization empowers the world's poorest people to develop their potential and strengthen their communities, and pursues this goal in a way that encourages innovation and leadership, maximizes resources and promotes communications and cooperation among all Trickle Up constituencies.

In addition to managing its global operations from its New York office, the Organization maintains branch offices in Mali, India and is in the process of formally registering its office in Uganda.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, excluding those held in its investment portfolio as part of its long-term investment strategies.

c - Contributions and Pledges Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible pledges receivable. Such allowance is based on prior years' experience and management's analysis of specific pledges made.

d - Investments

The Organization reflects investments at fair market value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

TRICKLE UP PROGRAM, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2007****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - Property and Equipment**

Property and equipment acquired are recorded at cost and are being depreciated using the straight-line method over the estimated useful life of the asset.

f - Deferred Rent

The aggregate of the total minimum lease payments is amortized on the straight-line basis over the term of the lease. The difference between the straight-line expense and amounts paid in accordance with the terms of its leases is recorded as deferred rent in the statement of financial position.

g - Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

h - Grants and Appropriations

Unconditional grants and appropriations are accrued at the time authorized. For grants which are conditional on the recipient fulfilling certain obligations prior to receiving funds, grants and appropriations are accrued at the time those conditions are satisfied.

i - Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

j - Tax Status

The Organization is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

Note 2 - Restrictions on Assets**a - Unrestricted net assets include amounts designated for the following:****Board Designated Endowment**

The Board of Directors has established a board designated endowment to supplement its permanently restricted endowment assets. As of August 31, 2007, the amount of board designated endowment funds totaled \$744,420.

Restricted for Future Grant Commitments

In order to fund the amount of the Organization's conditional grant commitments (Note 9) which is in excess of existing temporarily restricted amounts available for that purpose, unrestricted net assets totaling \$84,230 have been set aside for that purpose.

TRICKLE UP PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2007

Note 2 - Restrictions on Assets (continued)

b - Temporarily restricted Net Assets

Temporarily restricted net assets consist of amounts restricted for the following purposes:

| | |
|--|------------------|
| Conditional grant commitments (Note 9) | \$263,915 |
| Future grants, programs and operations | <u>400,046</u> |
| | <u>\$663,961</u> |

c - Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment contributions received from donors stipulating that the principal be retained in perpetuity and specifying that investment earnings be used for the Organization's general operations or specific programs as designated by the donor.

Note 3 - Pledges Receivable

Pledges receivable are due within one year. Uncollectible pledges are expected to be insignificant.

Note 4 - Investments

Investments at August 31, 2007 consist of the following:

| | <u>Cost Basis</u> | <u>Fair Market Value</u> |
|--|--------------------|--------------------------|
| Money market funds and cash held for investments | \$ 578,968 | \$ 578,968 |
| Mutual funds - equities | 617,442 | 779,090 |
| Fixed income securities | 698,875 | 700,000 |
| Preferred stocks | <u>80,000</u> | <u>72,952</u> |
| | <u>\$1,975,285</u> | <u>\$2,131,010</u> |

Investment income for the year ended August, 31, 2007 is summarized as follows:

| | |
|--|------------------|
| Interest and dividends | \$ 51,499 |
| Net realized loss on sale of investments | (1,286) |
| Net unrealized gain on investments | <u>120,445</u> |
| Net Investment Income | <u>\$170,658</u> |

TRICKLE UP PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2007

Note 5 - Property and Equipment

Property and equipment at August 31, 2007 consisted of the following

| | <u>Life</u> | <u>Amount</u> |
|--|-------------|-------------------|
| New York office - Property, equipment and website | 3-10 years | \$ 199,507 |
| Field offices - Computers and equipment | 3-10 years | <u>123,115</u> |
| | | 322,622 |
| Less: Accumulated depreciation | | <u>(144,333)</u> |
| | | <u>\$ 178,289</u> |

Depreciation expense for year ended August 31, 2007 was \$56,986.

Note 6 - Donated Services

The Organization received donated services in connection with its program and supporting services as follows:

| | |
|-------------|------------------|
| Legal | \$ 95,715 |
| Advertising | 36,843 |
| Other | <u>7,092</u> |
| | <u>\$139,650</u> |

The Organization also receives donated services from a variety of unpaid volunteers assisting in its operations. The accompanying financial statements do not reflect these contributed services as they do not meet the requirements for recognition.

Note 7 - Refundable Advance

As of August 31, 2007, the Organization has a \$61,000 contingent liability to a donor representing unexpended restricted grant funds which may or may not be redirected to other programs within the Organization.

TRICKLE UP PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2007

Note 8 - Gift Annuity Agreements

The Organization receives contributions under charitable gift annuity agreements, which provide for the payment of distributions to each donor over the donor's lifetime. At the end of the term of each annuity, the remaining assets are available for the Organization's general purposes or endowment as specified by each donor. The portion of the assets received under each agreement attributable to the present value of the future benefits to be received by the Organization is recorded in the statement of activities as a contribution in the period the agreement is established. The Organization's liability to each annuitant is determined by an actuarial valuation using applicable rates in accordance with Internal Revenue Service requirements. At August 31, 2007, the Organization's liability under these agreements totaled \$13,686.

Note 9 - Conditional Grant Commitments

The Organization provides grants to entrepreneurs to assist them in starting or expanding a business or/income generating activity. Each of these grants is approximately \$100 outside the USA and \$700 within the USA, except for the Delta/Gulf Coast area where the grant is \$1,000. An initial conditional grant of approximately \$50 outside the USA and \$500 in the USA is provided to entrepreneurs when a business plan is approved. The final payment is subject to certain conditions and is payable upon the receipt of a business report indicating that the entrepreneur has complied with the terms of the grant. Since the disbursement of grants is contingent on the grantee satisfying certain conditions, the balance of the Organization's grant commitments has accordingly not been recorded as a liability in the accompanying financial statements. As of August 31, 2007, those conditional grant commitments totaled approximately \$348,145, of which \$263,915 can be funded with temporarily restricted contributions and of which \$84,230 will be funded by unrestricted funds.

Note 10 - Commitments and Contingency

a - The Organization occupies office space in New York under a lease through July 31, 2011 and also occupies office space for its branch offices. The leases provide for minimum annual rentals as follows:

| <u>Year Ending August 31,</u> | |
|-------------------------------|-----------|
| 2008 | \$150,764 |
| 2009 | 156,687 |
| 2010 | 160,514 |
| 2011 | 166,453 |
| Through July 31, 2012 | 158,158 |

TRICKLE UP PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2007

Note 10 - Commitments and Contingency (continued)

a - (continued)

Rent expense for the year ended August 31, 2007 was \$157,302.

b - Government supported programs are subject to audit by the applicable granting agencies.

Note 11 - Pension Plan

The Organization has a simplified employee pension plan funded by contributions to annuity accounts covering all eligible employees. Pension expense amounted to \$15,267 for the year ended August 31, 2007.

Note 12 - Related Party Transaction

The Organization leases computer hardware from a company of which two board members are investors. Total expense for the year ended August 31, 2007 totaled \$36,669.

Note 13 - Functional Allocation of Expenses

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Note 14 - Concentration and Credit Risk

In 2007, the Organization received in excess of 24% of its contributed revenue from one source.

Cash balances in the United States, which comprise the majority of the Organization's cash balances, are maintained in two financial institutions and are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. Balances commonly exceed insured limits. The Organization also maintains bank accounts in Africa and India. There is no loss insurance on these accounts. The balance of these accounts at August 31, 2007 was approximately \$40,000.

TRICKLE UP PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2007

Note 15 - Prior Period Adjustments

Net assets at August 31, 2006 were restated in the accompanying financial statements as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Net assets, August 31, 2006, as previously reported | \$ 619,764 | \$ 1,489,122 | \$ 1,141,411 | \$3,250,297 |
| Adjustments: | | | | |
| To reverse conditional grant commitments previously expensed | 323,525 | - | - | 323,525 |
| To reclassify investment income previously reflected as permanently restricted | 247,021 | - | (247,021) | - |
| To reclassify temporarily restricted contribution previously reflected as unrestricted | (17,022) | 17,022 | - | - |
| To record contributions not previously recorded | - | 13,574 | - | 13,574 |
| To correct accumulated depreciation | (82,025) | - | - | (82,025) |
| To record deferred rent expense liability not accrued | (61,408) | - | - | (61,408) |
| To record accrued vacation liability not recorded | <u>(30,000)</u> | <u>-</u> | <u>-</u> | <u>(30,000)</u> |
| Net Assets, August 31, 2007, as restated | <u>\$ 999,855</u> | <u>\$ 1,519,718</u> | <u>\$894,390</u> | <u>\$3,413,963</u> |

ADDITIONAL INFORMATION



LUTZ AND CARR

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**INDEPENDENT AUDITOR'S REPORT ON
ADDITIONAL INFORMATION**

To the Board of Directors of
Trickle Up Program, Inc.

Our report on our audit of the basic financial statements of Trickle Up Program, Inc. for 2007 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended August 31, 2007 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lutz + Carr, LLP

New York, New York
December 20, 2007

TRICKLE UP PROGRAM, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2007

| | Program Services | | | | | Supporting Services | | | Total Expenses | |
|---|------------------|--------------------|------------------|------------------|------------------|---------------------|------------------------|-------------------|------------------|--------------------|
| | USA Program | Africa Program | Asia Program | Americas Program | Public Education | Total | Management and General | Fundraising | | Total |
| Grants | \$355,100 | \$ 460,694 | \$309,840 | \$351,190 | \$ - | \$1,476,824 | \$ - | \$ - | \$ - | \$1,476,824 |
| Training and technical assistance | 1,112 | 86,272 | 4,151 | 5,670 | - | 97,205 | - | - | - | 97,205 |
| Partner support | 33,870 | 64,426 | 129,960 | 58,517 | - | 286,773 | - | - | - | 286,773 |
| Salaries, payroll taxes and employee benefits | 347,312 | 368,745 | 288,915 | 271,202 | 149,247 | 1,425,421 | 97,217 | 325,310 | 422,527 | 1,847,948 |
| Travel | 6,410 | 65,246 | 28,258 | 15,745 | 669 | 116,328 | 2,235 | 6,182 | 8,417 | 124,745 |
| Printing and publications | 642 | - | - | - | 46,101 | 46,743 | - | 9,488 | 9,488 | 56,231 |
| Postage and delivery | 1,511 | 413 | 365 | 348 | 4,283 | 6,920 | 1,381 | 4,872 | 6,253 | 13,173 |
| Fundraising event expenses | - | - | - | - | - | - | - | 78,840 | 78,840 | 78,840 |
| Professional fees | 35,251 | 53,760 | 37,592 | 35,985 | 9,322 | 171,910 | 18,857 | 53,082 | 71,939 | 243,849 |
| Legal (Note 6) | 5,982 | 7,466 | 6,657 | 5,982 | - | 26,087 | 71,786 | - | 71,786 | 97,873 |
| Occupancy | 30,835 | 42,964 | 34,881 | 26,875 | 14,345 | 149,900 | 7,846 | 26,003 | 33,849 | 183,749 |
| Office expenses | 14,876 | 58,168 | 12,927 | 13,505 | 31,953 | 131,429 | 5,233 | 14,887 | 20,120 | 151,549 |
| Public relations | 19 | 19 | 19 | 19 | 52,169 | 52,245 | - | - | - | 52,245 |
| Insurance | 2,695 | 14,092 | 8,343 | 8,419 | 924 | 34,473 | 494 | 1,677 | 2,171 | 36,644 |
| Vehicle maintenance | - | 18,582 | - | - | - | 18,582 | - | - | - | 18,582 |
| Depreciation and amortization | 4,938 | 29,294 | 7,102 | 6,044 | 2,788 | 50,166 | 1,549 | 5,271 | 6,820 | 56,986 |
| Other expenses | 24,070 | 32,930 | 11,909 | 12,031 | 3,738 | 84,678 | 17,398 | 65,219 | 82,617 | 167,295 |
| Total Expenses | \$864,623 | \$1,303,071 | \$880,919 | \$811,532 | \$315,539 | \$4,175,684 | \$ 223,996 | \$ 590,831 | \$814,827 | \$4,990,511 |