

**TRICKLE UP PROGRAM, INC.**

**FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**AUGUST 31, 2010**

**TRICKLE UP PROGRAM, INC.**

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## INDEPENDENT AUDITORS' 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, 2010, 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. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements, and in our report dated November 23, 2009, we express an unqualified opinion on those financial statements.

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, 2010, 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 16, 2010

## TRICKLE UP PROGRAM, INC.

## STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2010 WITH COMPARATIVE TOTALS FOR 2009

|   | <u>2010</u>                 | <u>2009</u>                 |
|---|-----------------------------|-----------------------------|
| <b>Assets</b>   |                             |                             |
| Cash and cash equivalents (Notes 1b and 14)                                       | \$ 684,798                  | \$ 236,180                  |
| Pledges receivable (Notes 1c and 3)   |                             |                             |
| Unrestricted  | 43,152                      | 197,578                     |
| Restricted to future programs and periods   | 376,984                     | 539,371                     |
| Receivables   | 12,351                      | 8,404                       |
| Prepaid expenses and other current assets   | 75,608                      | 50,913                      |
| Investments (Notes 1d, 4 and 5)   | 1,306,975                   | 1,490,972                   |
| Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 6) | 117,482                     | 138,598                     |
| Security deposits   | 27,514                      | 27,451                      |
|   | <u>                    </u> | <u>                    </u> |
| <b>Total Assets</b>   | <b><u>\$2,644,864</u></b>   | <b><u>\$2,689,467</u></b>   |
| <b>Liabilities and Net Assets</b>   |                             |                             |
| Liabilities   |                             |                             |
| Accounts payable and accrued expenses   | \$ 35,734                   | \$ 18,712                   |
| Salaries and accrued vacation payable   | 101,220                     | 96,344                      |
| Grants payable (Note 1h)  | 53,198                      | -                           |
| Deferred rent (Note 1f)   | 43,620                      | 57,064                      |
| Gift annuity payables (Note 8)  | 3,469                       | 6,708                       |
| Security deposits payable   | 4,800                       | 4,800                       |
| Total Liabilities   | <u>242,041</u>              | <u>183,628</u>              |
| Commitments and Contingency (Notes 9, 10 and 11)                                  |                             |                             |
| Net Assets, as restated (Note 2)  |                             |                             |
| Unrestricted  |                             |                             |
| Board designated endowment  | 294,993                     | 291,965                     |
| Undesignated  | 661,373                     | 507,887                     |
| Total Unrestricted  | <u>956,366</u>              | <u>799,852</u>              |
| Temporarily restricted  | 548,067                     | 807,597                     |
| Permanently restricted endowment  | 898,390                     | 898,390                     |
| Total Net Assets  | <u>2,402,823</u>            | <u>2,505,839</u>            |
|   | <u>                    </u> | <u>                    </u> |
| <b>Total Liabilities and Net Assets</b>   | <b><u>\$2,644,864</u></b>   | <b><u>\$2,689,467</u></b>   |

See notes to financial statements.

## TRICKLE UP PROGRAM, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2010 WITH COMPARATIVE TOTALS FOR 2009

|   | 2010              |                        |                        | 2009               |
|---|-------------------|------------------------|------------------------|--------------------|
|   | Unrestricted      | Temporarily Restricted | Permanently Restricted | Total              |
| <b>Changes in Unrestricted Net Assets</b>   |                   |                        |                        |                    |
| Operating Support and Revenue   |                   |                        |                        |                    |
| Contributions   | \$ 1,738,643      | \$ 812,706             | \$ -                   | \$2,551,349        |
| Government grants and contracts   | 24,881            | 600,000                | -                      | 624,881            |
| Donated services (Note 7)   | 112,776           | -                      | -                      | 112,776            |
| Fundraising event income, net of direct expenses of \$63,535 (2010) and \$73,567 (2009) | 717,395           | 45,270                 | -                      | 762,665            |
| Net assets released from restrictions (\$1,876,015 for 2009)                            | 1,695,838         | (1,695,838)            | -                      | -                  |
| Interest income - operating accounts  | 1,533             | -                      | -                      | 1,533              |
| Appropriation to operations from endowment funds (Note 5)                               | 63,500            | -                      | -                      | 63,500             |
| Other income  | 24,107            | -                      | -                      | 24,107             |
| <b>Total Operating Support and Revenue</b>  | <b>4,378,673</b>  | <b>(237,862)</b>       | <b>-</b>               | <b>4,140,811</b>   |
| Expenses  |                   |                        |                        |                    |
| Program Services  | 3,329,803         | -                      | -                      | 3,329,803          |
| Supporting Services   |                   |                        |                        |                    |
| Management and general  | 271,858           | -                      | -                      | 271,858            |
| Fundraising   | 627,107           | -                      | -                      | 627,107            |
| <b>Total Supporting Services</b>  | <b>898,965</b>    | <b>-</b>               | <b>-</b>               | <b>898,965</b>     |
| <b>Total Expenses</b>   | <b>4,228,768</b>  | <b>-</b>               | <b>-</b>               | <b>4,228,768</b>   |
| <b>Increase (Decrease) in Net Assets from Operating Activities</b>                      | <b>149,905</b>    | <b>(237,862)</b>       | <b>-</b>               | <b>(87,957)</b>    |
| Non-Operating Investment Activity   |                   |                        |                        |                    |
| Net investment income (loss) (Note 4)   | 21,341            | 27,100                 | -                      | 48,441             |
| Appropriation to operations (Note 5)  | (14,732)          | (48,768)               | -                      | (63,500)           |
| <b>Total Non-Operating Investment Activity</b>  | <b>6,609</b>      | <b>(21,668)</b>        | <b>-</b>               | <b>(15,059)</b>    |
| <b>Increase (Decrease) in Net Assets</b>  | <b>156,514</b>    | <b>(259,530)</b>       | <b>-</b>               | <b>(103,016)</b>   |
| Net assets, beginning of year   | 965,607           | 641,842                | 898,390                | 2,505,839          |
| Prior period adjustment (Note 2a)   | (165,755)         | 165,755                | -                      | -                  |
| Net assets, beginning of year, as restated  | 799,852           | 807,597                | 898,390                | 2,505,839          |
| <b>Net Assets, End of Year</b>  | <b>\$ 956,366</b> | <b>\$ 548,067</b>      | <b>\$ 898,390</b>      | <b>\$2,402,823</b> |

See notes to financial statements.

## TRICKLE UP PROGRAM, INC.

## STATEMENT OF CASH FLOWS

YEAR ENDED AUGUST 31, 2010 WITH COMPARATIVE TOTALS FOR 2009

|   | <u>2010</u>       | <u>2009</u>       |
|---|-------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>   |                   |                   |
| Decrease in net assets  | \$(103,016)       | \$ (346,669)      |
| Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities |                   |                   |
| Depreciation  | 53,912            | 49,532            |
| Bad debt expense  | 3,000             | 2,000             |
| Change in allowance for uncollectible pledges receivable  | -                 | (5,000)           |
| Donated securities  | (145,373)         | (134,206)         |
| Realized loss on sale/disposal of property and equipment  | 2,034             | 1,208             |
| Net realized and unrealized gain (loss) on investments  | (23,957)          | 92,579            |
| (Increase) decrease in:   |                   |                   |
| Pledges receivable  | 313,813           | (91,319)          |
| Receivables   | (3,947)           | 15,141            |
| Prepaid expenses and other current assets   | (24,695)          | 7,034             |
| Security deposit  | (63)              | (513)             |
| Increase (decrease) in:   |                   |                   |
| Accounts payable and accrued expenses   | 17,022            | (57,962)          |
| Salaries and accrued vacation payable   | 4,876             | 19,129            |
| Grants payable  | 53,198            | -                 |
| Deferred rent   | (13,444)          | (7,291)           |
| Gift annuities payable  | (3,239)           | (3,240)           |
| Net Cash Provided (Used) By Operating Activities  | <u>130,121</u>    | <u>(459,577)</u>  |
| <b>Cash Flows From Investing Activities</b>   |                   |                   |
| Proceeds from sale of investments   | 401,855           | 1,942,573         |
| Purchases of investments  | (48,528)          | (1,721,786)       |
| Proceeds from sale of property and equipment  | -                 | 588               |
| Acquisition of property and equipment   | (34,830)          | (60,360)          |
| Net Cash Provided By Investing Activities   | <u>318,497</u>    | <u>161,015</u>    |
| Net increase (decrease) in cash and cash equivalents  | 448,618           | (298,562)         |
| Cash and cash equivalents, beginning of year  | <u>236,180</u>    | <u>534,742</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>   | <u>\$ 684,798</u> | <u>\$ 236,180</u> |

See notes to financial statements.

**TRICKLE UP PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Organization

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

Trickle Up empowers people living on less than \$1.25 a day to take the first steps out of poverty, providing them with resources to build sustainable livelihoods for a better quality of life. In partnership with local agencies, Trickle Up provides training and seed capital grants to launch or expand a microenterprise and savings support to build assets.

Trickle Up believes in people and their capacity to make a difference. Trickle Up empowers the world's poorest people to develop their potential and strengthen their communities. This goal is pursued in a way that encourages innovation and leadership, maximizes resources and promotes communication 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 Guatemala.

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, 2010**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

d - Investments (continued)

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy that prioritizes inputs to valuation techniques is used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the assumptions developed by the Organization based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

The Organization's investments in money market funds, mutual funds, certificate of deposits and preferred stocks are classified within Level 1 of the fair value hierarchy. Fair value is determined using quoted market values.

The values assigned to these investments and any unrealized gains or losses reported are based on available information and do not necessarily represent amounts that might be realized if a ready market existed and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

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.

**TRICKLE UP PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2010**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

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 - Subsequent Events

The Organization has evaluated subsequent events through December 16, 2010, the date that the financial statements are considered available to be issued.

k - 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 - Board Designated Endowment

The Board of Directors has established a board designated endowment to supplement its permanently restricted endowment assets. Uses of these funds include annual budgeted appropriations to support operating expenses, discretionary appropriations to fund specific programs and short-term borrowings to fund operating cash flow. As of August 31, 2010 and 2009, the amount of board designated endowment funds totaled \$298,913 and \$306,365, respectively.

A prior period adjustment has been made in the accompanying financial statements to reclassify board designated net assets in the amount of \$165,755 as of August 31, 2009 to temporarily restricted net assets. This amount represents accumulated earnings on donor-restricted endowments which have not yet been appropriated for use in operations, and is required to be reflected as temporarily restricted net assets. This adjustment has been made pursuant to a change in state law, to conform the financial statement presentation to the requirements under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

**TRICKLE UP PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

**Note 2 - Restrictions on Assets (continued)**

b - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for future programs and periods and consist of the following:

|                                 | <u>2010</u>      | <u>2009</u>      |
|---------------------------------|------------------|------------------|
| Grants and contributions        | \$406,980        | \$641,842        |
| Accumulated investment earnings | <u>141,087</u>   | <u>165,755</u>   |
|                                 | <u>\$548,067</u> | <u>\$807,597</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**

a - Pledges receivable are due as follows:

|                              | <u>2010</u>      | <u>2009</u>      |
|------------------------------|------------------|------------------|
| Due within one year          | \$253,469        | \$736,949        |
| Due within one to five years | <u>166,667</u>   | <u>-</u>         |
|                              | <u>\$420,136</u> | <u>\$736,949</u> |

Uncollectible pledges are expected to be insignificant.

b - The Organization has received a grant from the United States Agency for International Development ("USAID") in support of its program activities in Mali. The total estimated amount of this grant is \$3.769 million, covering a five year period. For the initial three year period through August 31, 2010, \$2.070 million has been recognized as revenue in Trickle Up's financial statements. The additional \$1.699 million has been awarded for fiscal years 2011 and 2012, of which \$500,000 was obligated after August 31, 2010. In addition, USAID awarded and obligated a grant in the amount of \$266,340 for the Organization's program activities in Guatemala for fiscal years 2011 and 2012. Amounts not obligated as of August 31, 2010 have accordingly not been recognized in the accompanying financial statements.

**TRICKLE UP PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

**Note 4 - Investments**

Investments, all of which are Level 1 within the fair value hierarchy used to measure their respective fair values, consist of the following at August 31:

|   | <u>2010</u>           |                       | <u>2009</u>           |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | <u>Cost<br/>Basis</u> | <u>Fair<br/>Value</u> | <u>Cost<br/>Basis</u> | <u>Fair<br/>Value</u> |
| Money market funds and cash<br>held for investments | \$ 433,752            | \$ 433,752            | \$ 606,538            | \$ 606,538            |
| Mutual funds  | 710,959               | 791,648               | 744,381               | 823,160               |
| Certificate of deposit                              | 6,595                 | 6,595                 | -                     | -                     |
| Preferred stocks                                    | <u>80,000</u>         | <u>74,980</u>         | <u>80,000</u>         | <u>61,274</u>         |
|   | <u>\$1,231,306</u>    | <u>\$1,306,975</u>    | <u>\$1,430,919</u>    | <u>\$1,490,972</u>    |

Investment income (loss) consisted of the following:

|   | <u>2010</u>     | <u>2009</u>       |
|---|-----------------|-------------------|
| Interest and dividends                          | \$24,484        | \$ 25,922         |
| Net realized gain (loss) on sale of investments | 8,341           | (80,419)          |
| Net unrealized gain (loss) on investments       | <u>15,616</u>   | <u>(12,160)</u>   |
| Net Investment Income (Loss)                    | <u>\$48,441</u> | <u>\$(66,657)</u> |

**Note 5 - Endowment Funds**

The Organization's endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments, as described in Notes 2a and 2c. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with Connecticut General Statutes and the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

**TRICKLE UP PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

**Note 5 - Endowment Funds (continued)**

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Organization and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Organization; and
- (vii) the investment policy of the Organization

The Organization's endowment funds composition, by type of fund and net asset classification, are summarized as follows at August 31:

|                                  | <b>2010</b>                |                                      |                                      | <b>Total</b>        |
|----------------------------------|----------------------------|--------------------------------------|--------------------------------------|---------------------|
|                                  | <b><u>Unrestricted</u></b> | <b><u>Temporarily Restricted</u></b> | <b><u>Permanently Restricted</u></b> |                     |
| Donor-restricted endowment funds | \$ (3,920)                 | \$141,087                            | \$898,390                            | \$1,035,557         |
| Board-designated endowment funds | <u>298,913</u>             | -                                    | -                                    | <u>298,913</u>      |
| Total Endowment Funds            | <u>\$294,993</u>           | <u>\$141,087</u>                     | <u>\$898,390</u>                     | <u>\$1,334,470</u>  |
|                                  | <b>2009</b>                |                                      |                                      |                     |
|                                  | <b><u>Unrestricted</u></b> | <b><u>Temporarily Restricted</u></b> | <b><u>Permanently Restricted</u></b> | <b><u>Total</u></b> |
| Donor-restricted endowment funds | \$ (14,400)                | \$165,755                            | \$898,390                            | \$1,049,745         |
| Board-designated endowment funds | <u>306,365</u>             | -                                    | -                                    | <u>306,365</u>      |
| Total Endowment Funds            | <u>\$291,965</u>           | <u>\$165,755</u>                     | <u>\$898,390</u>                     | <u>\$1,356,110</u>  |

**TRICKLE UP PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

**Note 5 - Endowment Funds (continued)**

Changes in the Organization's endowment funds for the years ended August 31, 2010 and 2009 are summarized as follows:

|   | <b>2010</b>                |                                      |                                      | <b>Total</b>        |
|---|----------------------------|--------------------------------------|--------------------------------------|---------------------|
|   | <b><u>Unrestricted</u></b> | <b><u>Temporarily Restricted</u></b> | <b><u>Permanently Restricted</u></b> |                     |
| Endowment funds, beginning of year                            | <u>\$291,965</u>           | <u>\$165,755</u>                     | <u>\$898,390</u>                     | <u>\$1,356,110</u>  |
| Investment Return:  |                            |                                      |                                      |                     |
| Investment income   | (6,197)                    | 27,100                               | -                                    | 20,903              |
| Net realized and unrealized gain on investments               | <u>23,957</u>              | <u>-</u>                             | <u>-</u>                             | <u>23,957</u>       |
| Total Investment Return                                       | <u>17,760</u>              | <u>27,100</u>                        | <u>-</u>                             | <u>44,860</u>       |
| Appropriation and release of endowment assets for expenditure | <u>(14,732)</u>            | <u>(51,768)</u>                      | <u>-</u>                             | <u>(66,500)</u>     |
| Endowment Funds, End of Year                                  | <u>\$294,993</u>           | <u>\$141,087</u>                     | <u>\$898,390</u>                     | <u>\$1,334,470</u>  |
|   |                            |                                      |                                      |                     |
|   | <b>2009</b>                |                                      |                                      |                     |
|   | <b><u>Unrestricted</u></b> | <b><u>Temporarily Restricted</u></b> | <b><u>Permanently Restricted</u></b> | <b><u>Total</u></b> |
| Endowment funds, beginning of year                            | <u>\$330,259</u>           | <u>\$293,337</u>                     | <u>\$898,390</u>                     | <u>\$1,521,986</u>  |
| Investment Return:  |                            |                                      |                                      |                     |
| Investment income   | 17,478                     | 3,000                                | -                                    | 20,478              |
| Net realized and unrealized (loss) on investment              | <u>(32,777)</u>            | <u>(47,924)</u>                      | <u>-</u>                             | <u>(80,701)</u>     |
| Total Investment Return                                       | <u>(15,299)</u>            | <u>(44,924)</u>                      | <u>-</u>                             | <u>(60,223)</u>     |
| Appropriation and release of endowment assets for expenditure | <u>(22,995)</u>            | <u>(82,658)</u>                      | <u>-</u>                             | <u>(105,653)</u>    |
| Endowment Funds, End of Year                                  | <u>\$291,965</u>           | <u>\$165,755</u>                     | <u>\$898,390</u>                     | <u>\$1,356,110</u>  |

The fair value of assets associated with individual donor restricted endowment funds may fall below the level required to be retained as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$3,920 as of August 31, 2010. These deficiencies resulted from unfavorable market fluctuations.

**TRICKLE UP PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

**Note 5 - Endowment Funds (continued)**

The Organization has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds. Under this strategy, managed by the Finance Committee, assets are invested in exchange traded funds, half of which are equity based, and half of which are in fixed income instruments. The equity portion of the portfolio is invested in funds which endeavor to follow market indices. The fixed income portion is invested in instruments that are either comprised of US government obligations, or are otherwise insured by the United States federal government. The Organization has a policy of appropriating for distribution each year 6% of the fair value of the endowment funds.

**Note 6 - Property and Equipment**

Property and equipment consisted of the following at August 31:

|   | <u>Life</u> | <u>2010</u>      | <u>2009</u>      |
|---|-------------|------------------|------------------|
| New York office - property, equipment and website | 3-10 years  | \$197,984        | \$199,507        |
| Field offices - property and equipment            | 3-10 years  | <u>212,954</u>   | <u>180,379</u>   |
|   |             | 410,938          | 379,886          |
| Less: Accumulated depreciation                    |             | <u>(293,456)</u> | <u>(241,288)</u> |
|   |             | <u>\$117,482</u> | <u>\$138,598</u> |

Depreciation expense for years ended August 31, 2010 and 2009 was \$53,912 and \$49,532, respectively.

**Note 7 - Donated Services**

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

|             | <u>2010</u>      | <u>2009</u>     |
|-------------|------------------|-----------------|
| Legal       | \$ 30,243        | \$36,578        |
| Advertising | <u>82,533</u>    | <u>27,478</u>   |
|             | <u>\$112,776</u> | <u>\$64,056</u> |

**TRICKLE UP PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

**Note 7 - Donated Services (continued)**

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 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, 2010 and 2009, the Organization's liability under these agreements totaled \$3,469 and \$6,708, respectively.

**Note 9 - Conditional Grant Commitments**

The Organization provides grants to participants to assist them in starting or expanding a business or income generating activity. These grants range from roughly \$100 in Central America and Africa, to approximately \$235 in India, where the grant is disbursed over a three year period. An initial conditional grant of approximately \$80 to \$140 is provided to participants when they begin the program. Subsequent payments may be subject to certain conditions, including the receipt of a Business Report or a monitoring report on the progress of the livelihood activity. Since the disbursement of grants is contingent on the participant satisfying certain conditions, these grant commitments have accordingly not been recorded as a liability in the accompanying financial statements. As of August 31, 2010 and 2009, those conditional grant commitments totaled approximately \$107,539 and \$175,650, respectively.

**TRICKLE UP PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

**Note 10 - Commitments and Contingency**

- a - The Organization occupies office space in New York under a lease through July 31, 2012 and also occupies office space for its branch offices. The leases provide for minimum annual rentals as follows:

|                                   |           |
|-----------------------------------|-----------|
| Year ending August 31, 2011       | \$171,517 |
| Thereafter, through July 31, 2012 | 158,158   |

Rent expense for the years ended August 31, 2010 and 2009 was \$160,239 and \$163,365, respectively.

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

**Note 11 - Retirement Plan**

The Organization has a 403(b) retirement plan for all eligible employees. The Organization contributes 4% and an additional one-to-one match of employee contributions up to 4% of the employee's salary. Pension expense under these plans amounted to \$73,911 and \$44,884 for the years ended August 31, 2010 and 2009, respectively.

**Note 12 - Related Party Transaction**

The Organization leases computer hardware from a company of which three Board members are investors. Total expense for the years ended August 31, 2010 and 2009 totaled \$40,774 and \$39,846, respectively.

**Note 13 - Functional Allocation of Expenses**

The cost of providing the various program 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.

**TRICKLE UP PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2010**

**Note 14 - Concentration and Credit Risk**

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. Balances commonly exceed insured limits. The Organization also maintains bank accounts in Mali, India and Guatemala. There is no loss insurance on these accounts. The balance of these accounts at August 31, 2010 and 2009 was approximately \$58,000 and \$72,000, respectively.

## **ADDITIONAL INFORMATION**



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**INDEPENDENT AUDITORS' 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 2010 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, 2010 with comparative totals for 2009 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 16, 2010

## TRICKLE UP PROGRAM, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2010 WITH COMPARATIVE TOTALS FOR 2009

|   | Program Services   |                  |                  |                 |                  | Supporting Services |                        |                   | 2010             | 2009               |                    |
|---|--------------------|------------------|------------------|-----------------|------------------|---------------------|------------------------|-------------------|------------------|--------------------|--------------------|
|   | Africa Program     | Asia Program     | Americas Program | USA Program     | Public Education | Total               | Management and General | Fundraising       | Total            | Total Expenses     | Total Expenses     |
| Grants  | \$ 551,777         | \$241,695        | \$134,000        | \$ -            | \$ -             | \$ 927,472          | \$ -                   | \$ -              | \$ -             | \$ 927,472         | \$1,129,824        |
| Training and technical assistance             | 56,015             | 7,880            | 6,898            | -               | -                | 70,793              | -                      | -                 | -                | 70,793             | 45,632             |
| Partner support                               | 106,140            | 51,816           | 48,041           | -               | -                | 205,997             | -                      | -                 | -                | 205,997            | 261,900            |
| Salaries, payroll taxes and employee benefits | 505,672            | 383,690          | 384,022          | -               | 131,799          | 1,405,183           | 175,575                | 441,363           | 616,938          | 2,022,121          | 1,952,934          |
| Travel  | 88,190             | 31,263           | 23,877           | -               | 1,077            | 144,407             | 1,671                  | 8,448             | 10,119           | 154,526            | 219,377            |
| Printing and publications                     | -                  | -                | -                | -               | 18,692           | 18,692              | -                      | 13,540            | 13,540           | 32,232             | 46,221             |
| Postage and delivery                          | 663                | 220              | 491              | -               | 2,313            | 3,687               | 694                    | 5,273             | 5,967            | 9,654              | 9,420              |
| Fundraising event expenses                    | -                  | -                | -                | -               | -                | -                   | -                      | 61,924            | 61,924           | 61,924             | 72,739             |
| Professional fees                             | 5,713              | 17,922           | 6,223            | -               | 12,275           | 42,133              | 44,614                 | 5,487             | 50,101           | 92,234             | 102,218            |
| Legal   | 15,676             | 7,562            | 15,692           | -               | -                | 38,930              | 7,561                  | -                 | 7,561            | 46,491             | 41,418             |
| Occupancy                                     | 54,505             | 36,125           | 33,001           | -               | 18,129           | 141,760             | 14,564                 | 45,120            | 59,684           | 201,444            | 200,653            |
| Office expenses                               | 33,622             | 17,081           | 13,649           | -               | 12,919           | 77,271              | 6,554                  | 19,949            | 26,503           | 103,774            | 147,965            |
| Public relations                              | 2,747              | -                | -                | -               | 89,464           | 92,211              | -                      | -                 | -                | 92,211             | 29,595             |
| Insurance                                     | 17,888             | 8,498            | 9,120            | -               | 825              | 36,331              | 681                    | 2,104             | 2,785            | 39,116             | 38,341             |
| Vehicle maintenance                           | 39,286             | -                | 988              | -               | -                | 40,274              | -                      | -                 | -                | 40,274             | 34,839             |
| Depreciation and amortization                 | 36,393             | 3,108            | 7,411            | -               | 1,601            | 48,513              | 1,319                  | 4,080             | 5,399            | 53,912             | 49,532             |
| Other expenses                                | 20,304             | 6,719            | 7,549            | -               | 1,577            | 36,149              | 18,625                 | 19,819            | 38,444           | 74,593             | 73,367             |
| Total Expenses, 2010                          | <u>\$1,534,591</u> | <u>\$813,579</u> | <u>\$690,962</u> | <u>\$ -</u>     | <u>\$290,671</u> | <u>\$3,329,803</u>  | <u>\$ 271,858</u>      | <u>\$ 627,107</u> | <u>\$898,965</u> | <u>\$4,228,768</u> |                    |
| Total Expenses, 2009                          | <u>\$1,739,311</u> | <u>\$860,652</u> | <u>\$671,583</u> | <u>\$51,250</u> | <u>\$265,695</u> | <u>\$3,588,491</u>  | <u>\$ 259,489</u>      | <u>\$ 607,995</u> | <u>\$867,484</u> |                    | <u>\$4,455,975</u> |

See independent auditors' report on additional information.