

*Financial Statements  
For the Eighteen Month  
Period Ended  
June 30, 2011 and  
For the Year Ended  
December 31, 2009*

*Five Talents - USA, Inc.*



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

*Five Talents - USA, Inc.*

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**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

## *Independent Auditors' Report*

Board of Directors  
*Five Talents - USA, Inc.*

We have audited the accompanying statements of financial position of *Five Talents - USA, Inc.* as of June 30, 2011, and the related statements of activities, and cash flows for the eighteen month period ended June 30, 2011. These financial statements are the responsibility of the management of *Five Talents - USA, Inc.* Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of December 31, 2009 were audited by Goodman & Company, LLP, who merged into Dixon Hughes Goodman LLP as of April 1, 2011, and whose report dated May 13, 2010 expressed an unqualified opinion on those 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 2011 financial statements referred to above present fairly, in all material respects, the financial position of *Five Talents - USA, Inc.* as of June 30, 2011, and the changes in its net assets and its cash flows for the eighteen month period ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

McLean, Virginia  
October 11, 2011

*Five Talents - USA, Inc.*

*Statements of Financial Position*

	<b>June 30, 2011</b>	<b>December 31, 2009</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 140,664	\$ 188,884
Investments	-	5
Accounts receivable	24,646	21,938
Prepaid expenses	2,865	3,715
<b>Total current assets</b>	<b>168,175</b>	<b>214,542</b>
<b>Property and equipment</b>		
Furniture, equipment and software	64,686	41,886
Less - accumulated depreciation	(38,515)	(28,380)
<b>Total Property and equipment - net</b>	<b>26,171</b>	<b>13,506</b>
	<b>\$ 194,346</b>	<b>\$ 228,048</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 16,303	\$ 81,420
Line of credit	5,031	-
Accrued expenses	11,788	7,538
<b>Total current liabilities</b>	<b>33,122</b>	<b>88,958</b>
<b>Net assets</b>		
Unrestricted	126,643	24,715
Temporarily restricted	34,581	114,375
<b>Total net assets</b>	<b>161,224</b>	<b>139,090</b>
	<b>\$ 194,346</b>	<b>\$ 228,048</b>

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

*Five Talents - USA, Inc.*

*Statements of Activities*

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	<b>Eighteen Month</b>	
	<b>Period Ended</b>	<b>Year Ended</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2009</b>
<b>Change in unrestricted net assets</b>		
<b>Revenue and support</b>		
Contributions	\$ 1,156,264	\$ 698,371
In-kind contributions	46,943	39,850
Net assets released from restrictions	390,662	282,691
<b>Total revenue and support</b>	<u>1,593,869</u>	<u>1,020,912</u>
<b>Expenses (see schedules)</b>		
Program services	1,188,028	833,592
Management and general	106,979	50,699
Fundraising	197,209	130,746
<b>Total expenses</b>	<u>1,492,216</u>	<u>1,015,037</u>
<b>Investment earnings (loss)</b>	<u>275</u>	<u>(1,589)</u>
<b>Change in unrestricted net assets</b>	<u>101,928</u>	<u>4,286</u>
<b>Change in temporarily restricted net assets</b>		
Contributions	310,868	281,037
Net assets released from restrictions	(390,662)	(282,691)
<b>Change in temporarily restricted net assets</b>	<u>(79,794)</u>	<u>(1,654)</u>
<b>Change in net assets</b>	22,134	2,632
<b>Net assets - beginning of year</b>	<u>139,090</u>	<u>136,458</u>
<b>Net assets - end of year</b>	<u>\$ 161,224</u>	<u>\$ 139,090</u>

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

***Five Talents - USA, Inc.***

***Statements of Functional Expenses***

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**Eighteen Month Period Ended June 30, 2011**

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	Program Services	Management and General	Fundraising	Total 2011
Direct program costs	\$ 602,876	\$ -	\$ -	\$ 602,876
Personnel costs	367,894	71,478	90,979	530,351
Meetings and events	43,137	1,669	64,486	109,292
Professional fees	57,096	11,095	13,399	81,590
Domestic travel	25,253	4,907	5,939	36,099
Supplies and office costs	23,015	4,472	5,755	33,242
Occupancy	18,227	3,541	4,423	26,191
Marketing and website	12,164	2,364	2,828	17,356
Printing and publications	10,487	2,037	2,578	15,102
Postage and delivery	8,429	1,638	2,023	12,090
Telephone	7,735	1,503	1,874	11,112
Depreciation	7,021	1,364	1,750	10,135
Insurance	3,945	766	994	5,705
Interest expense	588	114	146	848
Staff training	161	31	35	227
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	\$ 1,188,028	\$ 106,979	\$ 197,209	\$ 1,492,216

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**Year Ended December 31, 2009**

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	Program Services	Management and General	Fundraising	Total 2009
Direct program costs	\$ 400,281	\$ -	\$ -	\$ 400,281
Personnel costs	278,640	36,662	54,653	369,955
Meetings and events	54,291	829	56,405	111,525
Professional fees	31,807	4,185	6,239	42,231
Supplies and office costs	14,788	1,946	2,900	19,634
Occupancy	13,110	1,725	2,572	17,407
Domestic travel	9,107	1,198	1,786	12,091
Printing and publications	8,723	1,148	1,710	11,581
Postage and delivery	5,460	718	1,071	7,249
Telephone	5,372	707	1,054	7,133
Depreciation	5,138	676	1,008	6,822
Marketing and website	4,610	607	904	6,121
Insurance	2,265	298	444	3,007
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	\$ 833,592	\$ 50,699	\$ 130,746	\$ 1,015,037

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

*Five Talents - USA, Inc.*

*Statements of Cash Flows*

	<b>Eighteen Month</b>	
	<b>Period Ended</b>	<b>Year Ended</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 22,134	\$ 2,632
Adjustments to reconcile to net cash from operating activities:		
Depreciation	10,135	6,822
Contributions of investment securities	(74,172)	(48,299)
Net realized and unrealized losses on investments	(892)	1,898
Change in:		
Accounts receivable	(2,708)	27,044
Prepaid expenses	850	2,527
Accounts payable	(65,117)	(24,786)
Accrued expenses	4,250	(2,441)
<b>Net cash from operating activities</b>	<b>(105,520)</b>	<b>(34,603)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(22,801)	(3,211)
Proceeds from sale of investments	75,070	48,542
<b>Net cash from investing activities</b>	<b>52,269</b>	<b>45,331</b>
<b>Cash flows from financing activities</b>		
Principal payments on line of credit	(19,969)	-
Borrowings on line of credit	25,000	-
<b>Net change in cash and cash equivalents</b>	<b>(48,220)</b>	<b>10,728</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>188,884</b>	<b>178,156</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 140,664</b>	<b>\$ 188,884</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 848	\$ -

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

## *Five Talents - USA, Inc.*

### *Notes to Financial Statements*

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**June 30, 2011 and December 31, 2009**

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#### **1. Organization and Nature of Activities**

*Five Talents - USA, Inc.* (Organization) was incorporated in the Commonwealth of Virginia in March 1999 as a not-for-profit organization under section 501(c)(3) of the Internal Revenue Code. The Organization is an Anglican initiative to combat poverty in developing countries using micro-enterprise development.

The Organization's mission is to combat poverty in the developing world by:

- Equipping the poor with the opportunity to start small businesses.
- Equipping the church to help the poor start small businesses.
- Showing Christ's love and mercy in thought, word and deed.
- Affirming human dignity.

#### **2. Summary of Significant Accounting Policies**

##### **Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to the existence or absence of externally (donor) imposed restrictions into three categories of net assets according to the existence or absence of donor-imposed restrictions. A description of the three net asset categories is as follows:

**Unrestricted** - Unrestricted net assets include undesignated net assets. Undesignated net assets consist of revenues and expenses associated with the principle mission of the Organization, which are not restricted by donor stipulations.

**Temporarily Restricted** - Temporarily restricted net assets include grants or gifts for which donor imposed restrictions have not been met. When such stipulations have been met, the net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. See Note 7 for information on temporarily restricted net assets.

**Permanently Restricted** - Permanently restricted net assets include gifts that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restriction.

The Organization had unrestricted and temporarily restricted net assets at June 30, 2011 and December 31, 2009.

##### **Cash and Cash Equivalents**

For purposes of reporting the statement of cash flows, the Organization includes all highly liquid investments purchased with an original maturity of three months or less as cash equivalents.

## **Investments**

The Organization values its investments at fair value. Donated investments are recorded at their fair value on the date of donation and are sold upon donation.

## **Accounts Receivable**

Receivables represent amounts owed to the Organization and are stated at the amount management expects to collect from outstanding balances. The Organization classifies all receivables as current assets and provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. At June 30, 2011 and December 31, 2009, there was no allowance for doubtful accounts.

## **Property and Equipment**

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the current year's operations. Depreciation is computed by the straight-line method over the estimated useful lives of the assets which range from three to five years. The Organization's policy is to capitalize property and equipment purchased with a value greater than \$500.

## **Revenue Recognition**

Contributions are recognized as revenue when they are received or unconditionally pledged.

The Organization reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are recorded at their fair values in the period received. For the periods ending June 30, 2011 and year ended December 31, 2009, the Organization received as in-kind contributions free rent for office space, donated legal services, and prizes and golf supplies for the annual golf tournament. These donations have been recorded as both revenue and expense in the financial statements.

Additionally, the Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statements of activities because the criteria for recognition have not been satisfied.

## **Income Taxes**

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal or state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2011 and December 31, 2009. Years ending on or after December 31, 2007 remain subject to examination by federal and state tax authorities.

## **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

## **Allocation of Expenses**

The Organization allocates salaries, benefits, and certain other expenses to its program and supporting services in the statements of activities based on estimates of the resources used in each area.

## **Concentrations of Credit Risk**

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of accounts receivable and bank deposits at a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. In the normal course of its operations, the Organization will, from time to time, have receivables relating to unconditional pledge commitments and sponsorships of events. Accounts receivable are principally with churches and various individuals. Realization of these items is dependent on various economic conditions. The Organization performs ongoing evaluations of the financial condition of the churches and individuals and, generally, requires no collateral from them. The Organization places its temporary cash investments with high credit quality financial institutions. Cash balances did not exceed the FDIC limit at June 30, 2011 and December 31, 2009. The Organization has not experienced any losses in such accounts or collections on receivables, and believes it is not exposed to any significant risk related to cash and cash equivalents and accounts receivables.

## **Change in Reporting Period**

To align the Organization's program missions and to provide flexibility to regulate the flow of program monies overseas in a more consistent manner with helping their overseas partners meet their annual growth plans, the Organization's Board of Directors unanimously approved a resolution to change from a calendar year end of December 31, to a fiscal year end of June 30. In previous years, the financials included results for twelve months ended December 31. Accordingly, fiscal 2011 results include eighteen months of results compared to twelve months of the calendar year ended December 31, 2009. The impact of this change was not material to the Organization's change in net assets, thus, we did not restate prior period financial statements for comparability.

## **Reclassifications**

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

## **Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 11, 2011, the date the financial statements were available to be issued.

### 3. Investments

The following schedule summarizes the investment earnings (loss) on investments:

	<u>June 30, 2011</u>	<u>December 31, 2009</u>
Interest and dividend income	\$ 1,167	\$ 309
Net unrealized and realized losses	(892)	(1,898)
	<u>\$ 275</u>	<u>\$ (1,589)</u>

### 4. Promises to Give

Unconditional promises to give due in less than one year were \$24,646 and \$21,938 at June 30, 2011 and December 31, 2009, respectively.

During 2010, the Organization received a restricted grant of \$45,000 that contained donor conditions (primarily matching funds requirements). Since the grant represents a conditional promise to give, it is not recorded as contribution revenue until donor conditions are met.

### 5. Line of Credit

In August 2010, the Organization obtained a \$25,000 revolving line of credit to help finance its short-term capital needs, which matures in August 2012. The line is collateralized by cash in accounts held at the same financial institution. Amounts borrowed under this agreement bear interest at the bank's prime rate (4.0555% at June 30, 2011). At June 30, 2011, the outstanding draws on the line of credit were \$5,031.

### 6. Donated Services

The Organization received in-kind contributions consisting primarily of contributed legal services and rent. Also, certain materials and supplies were donated for the Organization's annual golf tournament. Contributed services are recognized as revenue, if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the services provided. Contributed services and promises to contribute services that do not need the above criteria are not reported in the accompanying financial statements. The value of these donated services, materials and supplies that are included in the financial statements and the corresponding expenses for the periods ending June 30, 2011 and year ended December 31, 2009 were \$46,943 and \$39,850, respectively.

## 7. Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions received that contain donor imposed restrictions. The remaining amounts in temporarily restricted net assets at June 30, 2011 and December 31, 2009, are restricted for the following program purposes:

	<b>June 30, 2011</b>	<b>December 31, 2009</b>
Africa	\$ 10,506	\$ 74,687
Knippers Institute	22,875	31,953
Latin America	-	4,735
Philippines	-	3,000
Boliva	1,200	-
	<b>\$ 34,581</b>	<b>\$ 114,375</b>

## 8. 2011 Programs

For the fiscal year ending 2011, the Organization signed memorandums of understanding with multiple microfinance partners and consultants. These documents provide for future funding from the Organization based on mutually-agreed upon plans. The Organization also receives funds designated for certain programs. Estimated funding to microfinance partners and consultants for 2011 are approximately \$570,000 and \$40,000, respectively, and were priority commitments of 2011 resources because the Organization received designated funds, while \$530,000 is contingent upon the Organization obtaining funding. As of July 31, 2011, approximately \$164,000 of the 2011 commitments has been funded.

## 9. Program Development

Direct program funds for the eighteen months ending June 30, 2011 were expended in the following areas: grants for loan programs were \$466,800 (77%); oversight and technical assistance to both existing and new loan programs were \$107,600 (18%); and entrepreneur training and overseas conferences were \$28,500 (5%).

Africa: Five Talents, having been in Sudan since 2007, is positioned to have a real impact on the new nation of South Sudan with 69 savings groups comprised of more than 1,600 men and women spread across about 50 communities. Like Sudan, Burundi has been devastated by civil war. Illiteracy and gender inequality exasperate the problem of poverty, and disputes over land are tearing apart local communities. Five Talents launched its Burundi program in 2010 and has focused its early efforts on working with the Mothers Union to set up savings associations. Five Talents trains facilitators who then go on to organize local savings associations and literacy and financial education seminars. These associations have also helped to unite communities and increase trust among neighbors. Five Talents' savings-led program in the Diocese of Thika continues to be a model for replication. The Anglican Diocese of Thika partnered with Five Talents in the country and created the Thika Community Development Trust (TCDDT) to operate a savings and credit program that has now spawned four independent Financial Services Associations (FSAs). These are more sophisticated, self-sustaining groups that have their own building, staff and employees. Five Talents Uganda is a long-running organization with its own operations and independent board of directors. It currently operates in three Dioceses and is carrying out 2011 plans to establish six new savings and loan associations while converting the two largest existing associations into independent community banks to be run and managed by group members.

Five Talents partners with the Mama Bahati Foundation in Tanzania and works there exclusively with women and youth. Within Tanzanian society, women often play a secondary role. But a woman with exclusive loan capital can secure a role in the decision making process of a family-run business. The program expanded from Iringa municipality to the neighboring Kilolo district in 2009 and is expanding again in 2011 – this time to the rural areas around the town of Mufindi, which is also in the Iringa region.

Asia: Five Talents' Indonesia program is reaching out to the poor in the predominantly Muslim slums of Jakarta. Partners include GERHATI, a local organization conceived and developed in part by Five Talents International and the expatriate Anglican community of All Saints Church. Five Talents runs a group-lending program offering small loans to female entrepreneurs in the community. The local church provides spiritual development for group members – the hope being that believers will be seen as a light in the community, and that the microenterprise development program, through its outreach, will help the church to grow. Five Talents began funding the India program in early 2005 in response to the devastation caused by the 2004 tsunami to the country's east coast. Many other organizations that rushed to the area have now left, but Five Talents is still focused on the needs of the locals, working with members of all castes in hopes of communicating that, in God's eyes, everyone is equal. Members of savings groups who have built their businesses and risen in the community are encouraged to reach out to others, no matter their place in the caste system.

Five Talents has been working with the Episcopal Diocese of the Central Philippines and the Center for Community Transformation in Manila since 2000. The savings and loan program – the first to be funded by Five Talents – has grown from one branch office to seven and now serves more than 6,000 clients. Most families in the slum communities of Manila earn \$2 to \$3 dollars a day from working odd jobs. The women are usually the main providers for the family. Five Talents focuses on helping women build steady, sustainable businesses while also providing spiritual support for their entire family, including the husband.

Latin America: In partnering with the Ecumenical Church Loan Fund (ECLOF) and the Anglican Diocese of Peru, Five Talents has established a flagship program that is touching the poorest of the poor in Lima and in the nearby rural region of Huancavelica. The latter region has an illiteracy rate of about 85 percent. Thanks to Five Talents and its partners, men and women are being helped - not only in the form of \$60 to \$100 loans, but also in the form of business training and spiritual development. The partnership has proven so effective that Five Talents holds it up as a model for future rural-oriented programs. Five Talents works alongside Semillas de Bendicion (Seeds of Blessings) and the Anglican Diocese of Bolivia to establish savings associations in and around the southeastern city of Tarija. The region's poor literacy rate, as well as geographic factors, keep many locals from accessing banks and other microfinance services. Five Talents is filling this void. Besides providing locals with access to savings, Five Talents encourages group members to participate in financial education and literacy seminars that promote saving and prepare them for enterprise development.

## **10. Retirement Plan**

The Organization has a defined contribution retirement plan (Plan) under Internal Revenue Code Section 403(b). All regular full-time employees are eligible to enroll in the Plan and employees may elect to have the Organization withhold up to the maximum amount allowable by the Internal Revenue Code. Additionally, employees are eligible to receive a \$1,200 employer contribution each year. The employer contribution under this Plan was \$3,600 for 2009. Effective December 31, 2009, the 403(b) Plan was terminated. The Organization adopted a Simple IRA plan as of January 1, 2010. Employees are eligible to receive a matching contribution equal to participants' contributions to the Plan up to 3% of the individual participants' compensation. The employer contribution under this Plan was \$4,585 for 2011.

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