



Give More. Guaranteed.

2009 Annual Budget

The MicroCredit Enterprises (MCE) Annual Budget is adopted by the Board of Directors at the final meeting of the year

The total loans that MCE has made to MFIs is projected to reach \$25 million by the end of 2009, generating revenues of close to \$900 thousand (net of cost of capital).

MicroCredit Enterprises maintains a fund known as the Hunter Douglas Endowment for MicroFinance Sustainability which covers any temporary liquidity issues due to late payments by MFIs (additional detail is included in the Notes). This account will be maintained at a minimum of \$1 million.

MCE also maintains the Permanent Fund to Alleviate Extreme Poverty which accepts donations and grants to fund loans to MFIs. The Permanent Fund is projected to grow to over \$200,000.

The Operating Expense budget for 2009 is a lean 3% of the projected average MFI loan portfolio. MicroCredit Enterprises is able to achieve this low budget for overhead, administration and personnel because:

- (a) it does not, as a "virtual" company, operate a bricks and mortar office with the usual costs of rent, utilities, etc.
- (b) there are only four paid positions, with most of senior management and executive services contributed by dedicated professionals on a pro bono basis.

The total expenditure budget of approximately \$600,000 is divided as follows:

- Approximately 45% of the expense budget is devoted to the critical function of conducting MFI due diligence and managing the MFI loan portfolio. MicroCredit Enterprises has two full-time, salaried professionals dedicated to these core activities - the Executive Vice President and the Portfolio Associate for MFI Portfolio Management.
- Approximately 38% is related to the operational and administrative activities of MicroCredit Enterprises. With the growth in the organization, the positions of CFO and Executive Assistant in 2009 are conducted by full-time, salaried professionals. Also included are the costs of an independent financial audit, business-related insurance, printing, staff development, etc.
- Approximately 17% is devoted to engaging prospective Guarantors, current Guarantors and other benefactors

Statement of Financial Position
2009 ANNUAL BUDGET
Accrual Basis

Assets

Current Assets

Cash & Cash Equivalent	2,170,000
Current portion of loans receivable from microfinance institutions (1)	3,754,000
Interest Receivable	97,000

Total Current Assets	6,021,000
-----------------------------	------------------

Other Assets

Amortizing Loan Fee on Line of Credit	19,000
Loans receivable from microfinance institutions	21,435,000

Total Other Assets	21,454,000
---------------------------	-------------------

Total Assets	27,475,000
---------------------	-------------------

Liabilities and Net Assets

Current Liabilities

Interest Payable on Lines of Credit	111,000
-------------------------------------	---------

Total Current Liabilities	111,000
----------------------------------	----------------

Long Term Liabilities

Deferred Loan Origination Fees	157,000
Lines of Credit	25,300,000
Note Payable (2)	500,000

Total Long Term Liabilities	25,957,000
------------------------------------	-------------------

Total Liabilities	26,068,000
--------------------------	-------------------

Net Assets

Unrestricted Net Assets	700,000
--------------------------------	---------

Temporarily Restricted Net Assets

Hunter Douglas Sustainability Fund (2)	500,000
Permanent Fund to Alleviate Extreme Poverty (3)	207,000

Total Temporarily Restricted Net Assets	707,000
--	----------------

Total Net Assets	1,407,000
-------------------------	------------------

Total Liabilities and Net Assets	27,475,000
---	-------------------

Statement of Activities
2009 ANNUAL BUDGET
Accrual Basis

Revenue

Revenue from Lending Activities	2,010,000
Cost of Capital	1,110,000
Net Income from Lending Activities	<u>900,000</u>

Other Revenue

Donations & Gifts	
Hunter Douglas Sustainability Fund (2)	0
Permanent Fund to Alleviate Extreme Poverty (3)	100,000
General Support (4)	0
Investment Income	48,000
Total Other Revenue	<u>148,000</u>

Total Revenue	<u>1,048,000</u>
----------------------	-------------------------

Operating Expenses

General & Administrative Expenses

Salaries and Wages (5)	130,000
Taxes and Employee Benefits	50,000
Legal Fees (6)	0
Independent Audit Fees	13,000
Insurance	8,000
Bookkeeping and Admin Services	6,000
Senior Staff Travel and Professional Development	5,000
Supplies and Equipment	6,000
Postage and Delivery	5,000
Printing	3,000
Donation Collection Service	3,000
General Admin Expenses	11,000
Total General and Administrative Expenses	<u>240,000</u>

MFI Portfolio Management & Development Expenses

Salaries and Wages (7)	198,000
Taxes and Employee Benefits	38,000
Travel and Professional Development	25,000
Microfinance Conferences	14,000
Loan Management and Processing	2,000
Portfolio Management Admin Expenses	6,000
Total MFI Portfolio Management & Development	<u>283,000</u>

Capital Development - Guarantors & Lenders

Salaries and Wages (8)	0
Conferences/Outreach (9)	
Sponsorship (10)	20,000
Travel (11)	10,000
Registrations and Other (12)	22,000
Media Relations/Website Fees	10,000
Council of Guarantors	12,000
MicroPlace (14)	21,000
Other	5,000
Total Capital Development - Guarantors & Lenders	<u>100,000</u>

Total Operating Expenses	<u>623,000</u>
---------------------------------	-----------------------

Income/(Loss) from Operations	<u>425,000</u>
--------------------------------------	-----------------------

Provision for Taxes

California Franchise Tax	800
Total Provision for Taxes	<u>800</u>

Net Income (15)	<u>424,200</u>
------------------------	-----------------------

2009 ANNUAL BUDGET
Notes to Financial Statements

Statement of Financial Position

Note 1:

The maturity of loans issued to microfinance institutions is typically three years. Current receivables are defined as loans maturing by December 31, 2010.

Statement of Financial Position & Statement of Activities

Note 2:

Hunter Douglas Endowment for Microfinance Sustainability: This fund is a revolving account to temporarily fund any of MicroCredit Enterprises' liquidity demands when MFIs are temporarily late with payments as a result of operating in a developing country. The fund ensures MCE can meet all of its obligations until payment is made. It consists of endowment fund investments to be held indefinitely, while the income generated from it may be spent to support the microfinance activities of MCE. As of December 31, 2009, the total fund is budgeted at \$1 million (of which \$500,000 is in the form of a Note Payable), all of which was raised in 2007.

Note 3:

Permanent Fund to Alleviate Extreme Poverty: The fund receives and holds direct grants and contributions, giving donors the opportunity to support the organization's microloan programs. 100% of every donation directly funds microloans for deeply impoverished entrepreneurs, nearly all of them women with children. No overhead, administrative fees or fundraising costs are paid with these funds. As of December 31, 2009, total funds raised under this program are budgeted at \$207,502, of which \$100,000 is budgeted to be raised in 2009.

Statement of Activities

Note 4: Funds donated for general support are available to fund organizational operating expenses.

Note 5: General and Admin Salaries include two paid employees - the CFO and the Executive Assistant. The positions of CEO and COO are pro bono, devoting 80% and 60% respectively to organizational responsibilities. Internal General Counsel is also pro bono and devotes significant time on an as needed basis.

Note 6: Three law firms donate significant time on an as-needed basis to organizational responsibilities.

Note 7: MFI Salaries include two paid employees - the Executive Vice President and the Portfolio Associate. In addition, there will be a new hire mid-year to assist with the expected growth in the portfolio.

Note 8: Capital Development Salaries include the following:

- SVP, Senior Development, and two Managing Co-Directors of the Council of Guarantors are pro bono and devote significant time on an as needed basis to organizational responsibilities.
- Director of Communications, consisting of a professional public relations firm which on a pro bono basis devotes significant time on an as-needed basis to organizational responsibilities.

Note 9: Conferences/Outreach is the organization's primary campaign for Guarantors, capital funds, fundraising and donation/grant acquisition.

Note 10: Sponsorship is major conference underwriting.

Note 11: Travel is conference related.

Note 12: Registration and Other are related to conferences and other outreach activities.

Note 13: Guatemala Study Mission is a fact-finding program used to educate potential guarantors, lenders, and others about microfinance.

Note 14: MicroCredit Enterprises offers socially responsible investors the opportunity to invest in an interest-bearing, secured term loan to MicroCredit Enterprises which will directly finance microloans. This investment opportunity is available at MicroPlace (a wholly owned subsidiary of eBay), a unique online securities brokerage specializing in microfinance. In addition to the interest paid to the investor, MicroCredit Enterprises incurs an annual cost to register the Note Program or to exempt the Note Program from registration with the securities commissions of all states.

Note 15: Net Income is utilized to augment the Endowment for Microfinance Sustainability, the Permanent Fund to Alleviate Poverty and/or fund special projects and outreach in the future.