

**FINANCIAL STATEMENTS**

# **GRAMEEN FOUNDATION USA**

**FOR THE YEAR ENDED DECEMBER 31, 2005  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2004**

# GRAMEEN FOUNDATION USA

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Grameen Foundation USA  
Washington, D.C.

We have audited the accompanying statement of financial position of Grameen Foundation USA as of December 31, 2005, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Grameen Foundation USA'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 financial statements of Grameen Foundation USA as of December 31, 2004, which were audited by other auditors whose report dated April 28, 2005 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 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 Grameen Foundation USA as of December 31, 2005, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

March 20, 2006

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**GRAMEEN FOUNDATION USA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2005**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

**ASSETS**

	<u>2005</u>	<u>2004</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,354,270	\$ 7,788,769
Restricted deposits (Note 6)	<u>764,500</u>	<u>253,915</u>
Total cash	8,118,770	8,042,684
Investments (Note 2)	1,044,995	-
Loans receivable (Note 3)	1,272,802	-
Grants and contributions receivable	43,860	305,284
Employee receivables and advances	107,000	36,899
Prepaid expenses	<u>64,349</u>	<u>16,317</u>
Total current assets	<u>10,651,776</u>	<u>8,401,184</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	89,822	79,037
Leasehold improvements	<u>9,090</u>	<u>-</u>
	98,912	79,037
Less: Accumulated depreciation and amortization	<u>(76,203)</u>	<u>(66,788)</u>
Net property and equipment	<u>22,709</u>	<u>12,249</u>
<b>OTHER ASSETS</b>		
Deposits	23,170	20,227
Loans receivable, net of current portion (Note 3)	<u>3,198,313</u>	<u>-</u>
Total other assets	<u>3,221,483</u>	<u>20,227</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 13,895,968</u></b>	<b><u>\$ 8,433,660</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 434,854	\$ 40,155
Grants payable	<u>255,000</u>	<u>446,607</u>
Total current liabilities	<u>689,854</u>	<u>486,762</u>
<b>NET ASSETS</b>		
Unrestricted	6,208,941	2,087,646
Temporarily restricted (Note 4)	<u>6,997,173</u>	<u>5,859,252</u>
Total net assets	<u>13,206,114</u>	<u>7,946,898</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 13,895,968</u></b>	<b><u>\$ 8,433,660</u></b>

See accompanying notes to financial statements.

## GRAMEEN FOUNDATION USA

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

	2005			2004
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE</b>				
Grants and contributions	\$ 1,537,648	\$ 7,324,240	\$ 8,861,888	\$ 11,245,171
Program revenues	765,378	86,237	851,615	137,353
Interest and investment income (Note 2)	282,960	-	282,960	71,901
In-kind contributions	446,762	-	446,762	280,682
Other revenue	2,405	-	2,405	10,789
Net assets released from donor restrictions (Note 5)	<u>7,740,984</u>	<u>(7,740,984)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>10,776,137</u>	<u>(330,507)</u>	<u>10,445,630</u>	<u>11,745,896</u>
<b>EXPENSES</b>				
Program services:				
Grameen Bank Replication	3,755,253	-	3,755,253	3,292,938
Grameen Technology Center	1,212,332	-	1,212,332	703,740
People's Fund	-	-	-	2,902
Public Education	191,089	-	191,089	394,249
The PLAN Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,422</u>
Total program services	<u>5,158,674</u>	<u>-</u>	<u>5,158,674</u>	<u>4,504,251</u>
Supporting services:				
Management and General	1,948,799	-	1,948,799	1,096,910
Fundraising	<u>476,146</u>	<u>-</u>	<u>476,146</u>	<u>212,923</u>
Total supporting services	<u>2,424,945</u>	<u>-</u>	<u>2,424,945</u>	<u>1,309,833</u>
Total expenses	<u>7,583,619</u>	<u>-</u>	<u>7,583,619</u>	<u>5,814,084</u>
Change in net assets before other items	3,192,518	(330,507)	2,862,011	5,931,812
<b>OTHER ITEMS</b>				
Adjustment to reflect recoverable loans receivable (Note 3)	1,916,149	2,000,778	3,916,927	-
Allowance for uncollectible loans receivable (Note 3)	(486,314)	(262,200)	(748,514)	-
Present value discount of loans receivable (Note 3)	<u>(501,058)</u>	<u>(270,150)</u>	<u>(771,208)</u>	<u>-</u>
Changes in net assets	4,121,295	1,137,921	5,259,216	5,931,812
Net assets at beginning of year	<u>2,087,646</u>	<u>5,859,252</u>	<u>7,946,898</u>	<u>2,015,086</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 6,208,941</u></b>	<b><u>\$ 6,997,173</u></b>	<b><u>\$ 13,206,114</u></b>	<b><u>\$ 7,946,898</u></b>

See accompanying notes to financial statements.

**GRAMEEN FOUNDATION USA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

	2005							2004	
	Program Services				Supporting Services			Total Expenses	Total Expenses
	Grameen Bank Replication	Grameen Technology Center	Public Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 1,110,004	\$ 443,091	\$ 72,694	\$ 1,625,789	\$ 743,274	\$ 213,355	\$ 956,629	\$ 2,582,418	\$ 1,506,030
Benefits (Note 8)	270,051	101,951	16,726	388,728	172,099	49,091	221,190	609,918	275,936
Printing	19,894	1,678	31,537	53,109	12,365	23,887	36,252	89,361	83,702
Professional services	572,315	430,582	6,690	1,009,587	198,903	99,358	298,261	1,307,848	642,460
Occupancy (Note 7)	-	590	-	590	274,143	-	274,143	274,733	170,513
Depreciation and amortization	-	-	-	-	9,415	-	9,415	9,415	12,025
Telephone and fax	21,264	22,964	15	44,243	66,610	1,506	68,116	112,359	74,431
Travel and meetings	498,035	163,635	28,818	690,488	123,814	24,559	148,373	838,861	530,026
Pro-bono legal fees	302,557	36,595	-	339,152	107,610	-	107,610	446,762	280,682
Postage and delivery	8,964	(14)	11,887	20,837	25,130	14,861	39,991	60,828	42,898
Office expense	14,985	4,288	2,289	21,562	124,447	5,473	129,920	151,482	86,999
Publications	4,167	583	340	5,090	4,535	9,447	13,982	19,072	30,575
Grants	847,957	-	20,000	867,957	-	-	-	867,957	1,894,717
Client training	37,327	-	-	37,327	-	-	-	37,327	131,081
Computer expense	29,424	5,108	93	34,625	62,313	23,004	85,317	119,942	24,792
Other	18,309	1,281	-	19,590	24,141	11,605	35,746	55,336	27,217
<b>TOTAL</b>	<b>\$ 3,755,253</b>	<b>\$ 1,212,332</b>	<b>\$ 191,089</b>	<b>\$ 5,158,674</b>	<b>\$ 1,948,799</b>	<b>\$ 476,146</b>	<b>\$ 2,424,945</b>	<b>\$ 7,583,619</b>	<b>\$ 5,814,084</b>

See accompanying notes to financial statements.

**GRAMEEN FOUNDATION USA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,259,216	\$ 5,931,812
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,415	12,025
Stock contributions	(261,649)	(285,134)
Unrealized gain on investments	(30,738)	-
Realized gain on sales of investments	(8,375)	(929)
Adjustment to reflect recoverable loans receivable	(3,916,927)	-
(Increase) decrease in:		
Grants and contributions receivable	261,424	50,817
Employee receivables and advances	(70,101)	6,655
Prepaid expenses	(48,032)	1,279
Deposits	(2,943)	(7,538)
Increase (decrease) in:		
Accounts payable and accrued expenses	394,699	350,477
Grants payable	<u>(191,607)</u>	<u>(220,055)</u>
Net cash provided by operating activities	<u>1,394,382</u>	<u>5,839,409</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(10,785)	-
Payments for leasehold improvements	(9,090)	-
Proceeds from sales of investments	1,269,069	286,063
Purchase of investments	<u>(2,013,302)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(764,108)</u>	<u>286,063</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal repayment of loans payable	-	(183,230)
Net (increase) decrease in loans receivable	<u>(554,188)</u>	<u>182,789</u>
Net cash used by financing activities	<u>(554,188)</u>	<u>(441)</u>
Net increase in and cash equivalents	76,086	6,125,031
Cash and cash equivalents at beginning of year	<u>8,042,684</u>	<u>1,917,653</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 8,118,770</u></b>	<b><u>\$ 8,042,684</u></b>

See accompanying notes to financial statements.

**GRAMEEN FOUNDATION USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

Grameen Foundation USA is a nonprofit organization that was created to collaborate with public and private institutions to achieve the long-term goal of eliminating poverty throughout the world.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Cash and cash equivalents -

Grameen Foundation USA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, Grameen Foundation USA maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at market value. Unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Property and equipment -

Property and equipment are stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 3 to 10 years. Leasehold improvements are recorded at cost and are amortized over the life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

Grameen Foundation USA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Grameen Foundation USA is not a private foundation.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Grameen Foundation USA and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Grameen Foundation USA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

**GRAMEEN FOUNDATION USA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

In-kind contributions -

Grameen Foundation USA receives and recognizes contributed services and gifts in-kind from various sources. During 2005, Grameen Foundation USA received contributed services and gifts in-kind, at fair value, in the amount of \$446,762 for legal services.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2005:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$1,014,257	\$1,030,738
Stock	<u>14,257</u>	<u>14,257</u>
	<b><u>\$1,028,514</u></b>	<b><u>\$1,044,995</u></b>

**GRAMEEN FOUNDATION USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**2. INVESTMENTS (Continued)**

Included in investment income are the following:

Interest and dividends	\$ 243,847
Unrealized gain on investments	30,738
Realized gain on sales of investments	<u>8,375</u>
<b>TOTAL INTEREST AND INVESTMENT INCOME</b>	<b>\$ <u>282,960</u></b>

**3. LOANS RECEIVABLE**

Grameen Foundation USA provides loans to microfinance institutions serving the world's poorest in regions of the world that traditionally have been underserved by microfinance programs. These loans, the majority of which bear interest between two and twelve percent (certain loans are non-interest bearing), mature at various times over the next eleven years and are disbursed and repaid in either US dollars or the local currency of the respective country.

Prior to 2005, Grameen Foundation USA's policy was to record its loans as "recoverable grants" expense as recovery was uncertain due to exchange rate risk, borrower risk, foreign currency controls, potential re-lending and other factors. During 2005, Grameen Foundation USA began receiving loan repayments, and accordingly, revisited its loan methodology. As of December 31, 2005, all loans receivable are stated in US dollars (and translated into US dollars from foreign currency where applicable). All loans are reserved based on expected delinquency and exchange rate devaluation, and further discounted to their current present value using an interest rate of 7.50% as of December 31, 2005. The value of the loan portfolio as of December 31, 2004 has been recorded in the accompanying 2005 Statement of Activities and Change in Net Assets as an "Other Asset".

The following is a schedule of loans receivable, by year of estimated repayment, as of December 31, 2005:

2006	\$ 1,272,802
2007	387,712
2008	1,320,069
2009	1,167,437
2010	1,346,110
2011 and Thereafter	<u>496,707</u>
	5,990,837
Less: Current maturities	(1,272,802)
Less: allowance for uncollectible loans	(748,514)
Less: Present value discount (7.50%)	<u>(771,208)</u>
<b>TOTAL NONCURRENT LOANS RECEIVABLE</b>	<b>\$ <u>3,198,313</u></b>

**GRAMEEN FOUNDATION USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2005:

Grameen Bank Replication Program (GBRP)	\$ 4,826,550
Grameen Technology Center	667,574
Fundraising	<u>34,640</u>
	5,528,764
Restricted micro-credit loans, GBRP	<u>1,468,409</u>
	<b><u>\$ 6,997,173</u></b>

**5. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses or by passage of time and through issuance of loans to partners, thus satisfying the restricted purposes specified by the donors:

Grameen Bank Replication Program (GBRP)	\$ 6,532,297
Grameen Technology Center	1,177,179
Public Education	20,000
Fundraising	<u>11,508</u>
	<b><u>\$ 7,740,984</u></b>

**6. RESTRICTED DEPOSITS**

Restricted deposits consists of funds on deposit with Citibank which are in place to guarantee loans, resulting in an increase in Grameen Foundation USA's micro-credit lending activities. As of December 31, 2005, the balance of the restricted deposits was \$764,500.

**7. LEASE COMMITMENT**

On March 4, 2004, Grameen Foundation USA entered into a thirty-six month lease beginning May 15, 2004 and ending on April 20, 2007, for its office in Seattle, Washington. Included in the lease is a requirement to pay the landlord for monthly expense reimbursement and parking fees which are adjusted annually on a pro rata basis.

On November 5, 2001, Grameen Foundation USA entered into a five-year lease for its Washington, D.C. office beginning December 1, 2001 and expiring on November 30, 2006. Included in the lease is a requirement to pay the landlord for operating expense and real estate tax reimbursements on a pro rata basis, otherwise known as "additional rent". Grameen Foundation USA has also modified its lease for additional office space in its existing building during 2004 and 2005.

**GRAMEEN FOUNDATION USA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**7. LEASE COMMITMENT (Continued)**

Future minimum lease payments are as follows:

**Year Ended December 31,**

2006	\$ 235,490
2007	<u>9,639</u>
	<b><u>\$ 245,129</u></b>

**8. PENSION PLAN**

Grameen Foundation USA maintains a contributory, defined contribution plan under Section 401(k) of the Internal Revenue Code for all eligible employees. The Board of Directors determines the employer contributions. Currently, Grameen Foundation USA contributes 50% of each employee's contribution, up to 3% of each employee's salary. Pension expense for the year ended December 31, 2005 was \$44,567 and is recorded in the accompanying Statement of Activities and Change in Net Assets.

**9. GROWTH GUARANTEE PROGRAM**

The Growth Guarantees program is an anticipated \$50 million financing program for micro-finance institutions (MFI) whereby guarantees, in the form of a Citibank Standby Letter of Credit (SBLC), will be leveraged at the local level through a variety of local financings including, among others, direct loans, securitizations, the agency or partnership model, bond issues and private placements. The Growth Guarantees program aims to increase local currency financing options for MFI's to expand outreach to micro-entrepreneurs, particularly women, thereby maximizing impact on poor women and their families.

Under the terms of the program, Grameen Foundation USA provides US dollar guarantees (underwritten by certain Grameen Foundation USA donors) in the form of irrevocable standby letters of credit (SBLC) issued by Citibank in the US for terms up to 4 years. In the event of default, Grameen Foundation USA would be responsible for reimbursing the bank for up to one month of interest (until the SBLC is exercised), not to exceed \$400,000 over the life of the program. As of December 31, 2005, there was no liability under this program and accordingly, there is no financial impact on the accompanying financial statements.