It’s the difference between **three meals a day** and one. It’s the ability to **treat a sick baby**. It’s neighbors helping neighbors. It’s a **roof over a head**, and a **blanket over a bed**. It’s the reason a mother can buy **books** for her child’s first day of school. It’s the reason there even is a **first day of school**. So even though you may only see a box, **it’s so much more than that**.
A centerpiece for commerce. The cover photo shows a savings group gathered around a simple, wooden tool box. Inside the box is their hard-earned money—the funds they will use to build a future for themselves and for their community. It is a symbol of their success and their new hope. The idea is simple and transformative for many people who have seen no hope of breaking poverty's tight grip. Last year, we supported entrepreneurs in hundreds of such groups ranging in membership from 6 to 25 entrepreneurs.

Nobody can do it alone.

Thanks to our donors, people who did not know the words "opportunity" or "possibility" are now experiencing them. In 2006, we brought new thinking and new ideas to our mission to help alleviate poverty. The seed capital we grant to budding entrepreneurs is what we're known for, but that is only the start. You will see how our business training services are not only helping to promote better business practices, but also creating stronger community leaders. You will also read how our network of partner agencies is helping us develop new business methods, strategies and programs, all of which are energizing entire villages. For Trickle Up, 2006 was an important year. More than 10,000 entrepreneurs would agree.

10,162 businesses started in 14 countries
60,972 people supported by the businesses
Our Work

We provide an opportunity for people living in extreme poverty to start or grow their own businesses. Many of the people we support are not literate, lack critical skills to operate a business, and are not eligible for loans. In other words, the people we support are the ones who need it most. The seed capital and business training we provide—with our local partners—helps these individuals take their first steps out of poverty.

We believe that the poor can be the architects of their own economic progress.

This year’s award of the Nobel Peace Prize to Muhammad Yunus of Grameen Bank was an electric moment for all of us who dedicate ourselves to the cause of eliminating global poverty. While Trickle Up differs in our approach, we share the same values. We believe that the poor, with support, can be the architects of their own economic progress. We believe that relatively small amounts of capital can have a big impact and that entrepreneurial success is not limited to those with money or formal education. And we believe that poverty can only be alleviated where women have full opportunity to participate economically in their households and communities.

In 2006, as you will read in this report, Trickle Up put those values to work for the benefit of some 60,000 people in 14 countries. We have an outstanding staff, a dedicated board and local donors who believe deeply in our mission.

We are proud of what we have accomplished, but are humbled by the task still ahead. Our challenge is to grow Trickle Up so that we can help many more people take their first steps out of poverty.

In 1999, when the United Nations introduced its Millennium Development Goals, a historic challenge was put forth: reducing extreme poverty by half by the year 2015. By reaching out to the very poorest people with our unique program of seed capital, business training and savings support, we have committed ourselves to contributing to a historic reduction in global poverty.

The results of Trickle Up’s work address virtually all of the eight Millennium Development Goals. The increased income that is the result of a Trickle Up business enables more children to attend school, promotes gender equality and empowers women, improves child and maternal health, and helps families affected by HIV/AIDS and other diseases.

The Millennium Development Goals are aimed at improving the lives of people who live on less than the equivalent of $1 a day. These are the people whom Trickle Up serves. They are among the very poorest people in their countries, usually illiterate, lacking capital and training, and living in places where jobs are scarce. They rarely have access to even the smallest loans that microcredit institutions provide.

Trickle Up’s staff and board are now building a strategic plan for our future. For planning purposes, we chose the year 2010 as the “future.” But in a larger sense, we also think of the year 2015 as our “future,” because it is the target set by the Millennium Development Goals for dramatically reducing extreme poverty. In 2015, when millions of people have been lifted from poverty as a result of the collective action of the global community, Trickle Up aims to have done its part.

You are our partners in this mission. Your commitment to helping people take their first steps out of poverty makes it possible to offer Trickle Up’s unique program to tens of thousands of people every year. And, by doing so, you also are part of a historic campaign to eradicate poverty and inequality across the world.

We are grateful for your support.

Wendy Gordon Rockefeller, Board Chair

Over sixty thousand people had better lives in 2006 because of Trickle Up.

“Better lives” means more income, and that means more children in school, more families eating three meals a day, and more people with better housing, clothing and medical care. And, most importantly, more people feeling optimistic and confident about their futures and those of their children.

That’s one way to gauge Trickle Up’s fiscal year 2006 results. Another is the number of businesses we helped start or expand: 10,162, an increase of 17% from the prior year. Each business supports an average of six people, typically a Trickle Up entrepreneur and her family.

We completed our most successful fundraising year ever. Revenue increased 38% to $4.54 million. That funded the strong growth in our program of seed capital grants, business training and other support services in 14 countries, as well as providing the resources for expanding our own program and development capacity in 2007.

By any measure, 2006 was a year of great accomplishment and progress for Trickle Up. But, as we start 2007, I think of 2006 as only a beginning. It is my goal to one day begin this letter by saying: A quarter million people had better lives in 2010 because of Trickle Up.

In addition to the progress we made this year in helping more people take their first steps out of poverty, we began to lay the foundation for a very ambitious future for Trickle Up. Building upon our distinguished legacy, we are looking ahead to innovations that we believe will deepen our impact around the world.

A critical step in building that future is assembling a superior senior management team. This year Kathy Herre joined Trickle Up as Director of Development, after a distinguished career with the International Rescue Committee and Planned Parenthood Federation of America. Suanthan Hopkins-Leither, our new Director of Programs, managed jdam Heng Kong’s program in Vietnam and has consulted for the World Bank, Save the Children, UNICEF, the United Nations and other institutions that share our mission of alleviating global poverty. Alyson Wainer, our Director of Communications, came to Trickle Up in 2004 from the U.S. Agency for International Development and the United Nations. These talented managers are passionate about our mission, bring vital skills and experience, and have the drive and intelligence to lead us forward.

We also began work on a long-range strategic plan that will define our vision for Trickle Up in the year 2010 and chart the roadmap that will take us there. The process will engage our staff and board, as well as outside experts, and will yield a detailed plan with a comprehensive strategy, a timetable for achieving it, and metrics to measure our progress. We look forward to sharing it with you in the spring of 2007.

As you read through this year’s annual report, or look at our newly designed website (www.trickleup.org), you will notice our new logo. It symbolizes the universal “arms up” salute that celebrates success. We are pleased to present you with this report on a very successful 2006 and thank you for your partnership in helping Trickle Up help tens of thousands of people to brighter futures.

William M. Abrams, President
Africa: In Review

MALI
This year, we expanded our work in our largest country program, Mali. We moved our field office to the Mopti region and added ten new community organizations to our network of partners. These organizations helped us train more entrepreneurs in business management and savings group formation. In 2006, we supported 2,268 businesses in Mali, increasing average daily income per entrepreneur from 50 cents to $7 dollars. Our three years of experience with a field presence in Mali have given us a critical understanding of the region’s market conditions. Because of this, Trickle Up entrepreneurs, mostly women, are learning about and benefiting from product diversification and reaching new markets.

NIGER
In response to the drought and famine, we narrowed our focus to businesses investing in livestock and grain restocking. In Niger, our partner reported that savings groups were critical in helping villages survive food emergencies. The money saved by the groups helped to restock food supplies in times of shortage and price fluctuations. In response, we began training our partners in Niger on the implementation of the savings group model that has been so successful in Mali.

UGANDA
In Uganda, we worked primarily in rural areas with nine partner agencies, focusing specifically on women and people affected by HIV/AIDS. Through partners like The AIDS Support Organization, we helped launch businesses led by financially vulnerable young people, who are the heads of their household. Trickle Up businesses are now a source of economic security to many individuals who have lost relatives to HIV/AIDS.

ETHIOPIA
Trickle Up’s work in Ethiopia over the past year has focused on women, families with vulnerable children, and forming savings groups in rural areas. Entrepreneurs have started a variety of businesses, offering their communities products such as local cereals and grains, handmade clay stoves, fuel, and spares. Partners like Rift Valley Women’s and Children Association are helping women to organize into groups and training them in savings, credit, and business skills.

Savings Groups in Mali
A Franc saved is a Franc earned

MALI, WEST AFRICA—The future for many of our entrepreneurs is locked inside a small, wooden box that contains regular savings deposits from each savings group member. Every month, a member can borrow from the group, agreeing to pay the funds back with a small contribution to the group. Usually, the money is used to refresh their business. Other times it is used to celebrate a wedding, purchase medicine, fix up a home, or buy a bread oven. The important fact is that the money is there to borrow if needed. This is a critical step forward in financial independence and stability for our entrepreneurs—most of whom have never had a stable place to save in their lives. These savings groups also foster teamwork—providing an environment for sharing knowledge and resources.

In Mali, we have started 301 savings groups. In 2006, we launched the next phase of the program that creates a large network of savings groups. Our goal is to see these savings groups work together in a savings collective, allowing small savings groups to join together to have an impact on the wider community. This network of savings groups strengthens the capacities of each group and each member within. Under the new structure, members not only learn to manage their own money, but also offer business start-up capital to the community at large.

“It’s good to know that I now can provide for my family.”

Fikrete Beyene | Fuel Vendor, Ethiopia

It was hard for Fikrete to care for her seven children; one of them has a severe disability, and her husband has a mental disability and cannot work. She was doing odd jobs and helping neighbors never knowing if she would make enough to feed her family each day. With her first grant installment, she started a fuel business by collecting and selling cow dung, a fuel more economical than charcoal or kerosene. As a result, she earned enough to buy blankets to keep her family warm during winter. She can now afford to give them meat or vegetables with their injera (Ethiopian bread) and shiro (chick pea sauce). Today she’s thinking bigger; someday hoping to open her own small goods shop.
The CGAP Project
Graduating from grant to credit
WEST BENGAL, INDIA—In March 2006, Trickle Up was selected from more than 250 applicants for the World Bank’s Consultative Group to Assist the Poor (CGAP), Pro-Poor Innovation Challenge. We received a grant to launch a program enabling 300 of the poorest individuals to start an enterprise with Trickle Up support, and access savings and loan products from a local microfinance institution.

This is an exciting opportunity for us to partner with an institution that can provide a “second step” to entrepreneurs hoping to access more capital to expand their business and improve their standard of living. With close one-on-one support from project staff, these new entrepreneurs will start businesses that enable them to make regular deposits in savings groups and, after 18 to 24 months, will “graduate” to a credit program. That means Trickle Up entrepreneurs will have the capacity to take their first loan to help grow their business.

The project is receiving valuable support from BRAC, a microfinance institution based in Bangladesh. The goal for this program is to enable the poorest to build strong and sustainable businesses and provide links to capital. We expect entrepreneurs will use profits to ensure that every household has a sanitary latrine, safe drinking water, two fruit-bearing trees, two to three income sources, and established savings. We are also taking steps to ensure all school-aged children attend school.

“Now I help Trickle Up identify people like me who qualify for grants. I’d like others to have the same chance I did.”
Soun Phearith | Seamstress/Designer, Cambodia

Before receiving her grant, Phearith relied on loans from a local moneylender to sustain her sewing business. With a family to support, it was nearly impossible to pay the ten percent per month interest rate on the loan and still hope to get ahead. Our grant helped her purchase materials without risking debt, and her profits increased immediately. She found other kinds of support by joining a savings group. She built friendships with other entrepreneurs in the group and, when her sales increased, she hired four of them on part-time help.
Collective Business
The action of pooling resources and finances together allows entrepreneurs to increase their initial investment capital for larger and more profitable business initiatives. This process also helps entrepreneurs reduce production costs, gain bargaining power, and eventually gain access to larger markets than those inside their own communities.

The Oregano Project
Teamwork works

TOMINA, BOLIVIA—By partnering with FDTA Valles, a USAID and Bolivian Government-supported organization, we are supporting a program that is enabling local farmers to step out of poverty and join together for greater efficiency and success.

In contrast to harvesting potatoes, corn and other indigenous crops that only produce one harvest a year, oregano yields three to four harvests a year for up to six years. It is hearty, able to endure the climate, easy to transport, and fetch a guaranteed market with a hefty markup.

Farmers in this area are pooling their resources and talents together to harvest, process, and package the herb. This kind of collective business has many advantages, but the involvement of younger local men has had the biggest impact. This demographic tends to flee rural poverty for urban jobs, pulling resources away from an area that cannot afford to lose arm. This innovative project is providing employment opportunities that had previously not existed for young men.

The Americas: In Review
Our collective business initiatives are our most ambitious activities of the past year. Our training requires intensive preparation in social organization, leadership, production, recordkeeping and commercialization. We have recognized that people with disabilities and HIV/AIDS are often ignored, and we continue to support their business initiatives. We have also continued our commitment to creating savings groups, training entrepreneurs to reinvest in their businesses, and providing access to capital with the help of our partner agencies.

NICARAGUA
We recently launched a training program here for 152 women with disabilities. Activities include ten workshops on marketing and recordkeeping, support for self-esteem, and advocacy issues related to entrepreneur's living with disabilities. Each group also has a revolving savings initiative they call La Vaquita (the little cow). Each member contributes a set amount every month, and the total goes to a member of the group to reinvest in their business.

BOLIVIA
We have many projects in place here. One in particular aims to help businesses with specialized training such as improving the weaving techniques with alpaca wool, or improving the finishing quality of furniture.

GUATEMALA
For two consecutive years, we have been working with partners to bring our program to people living with HIV/AIDS. Our entrepreneurs are not only low-income, but are also clients of health-related services. Our program promotes steady employment coupled with medication—an important factor in maintaining the health and well-being of the entrepreneurs.

HONDURAS
Some groups of women here used their starting capital to buy farm hens, concentrated food, and medical/immunization supplies for egg production. Our partner agency, ICADI, builds hen houses. The initiative generates work for women who, in turn, help to fund school expansions and health centers.

HAITI
During the last year, we started the first collective business, bringing ten people together. They purchase, warehouse and re-sell food items with long shelf lives (rice, beans, etc.) in a community where food shortages are common. In Port-au-Prince, 40 members of an organization of deaf entrepreneurs have pooled their grants to form a collective business specializing in arts and crafts.
Integrated Business Training

As part of our program, each entrepreneur learns business planning, marketing, recordkeeping, and overall good business practices. This is a major reason 95% of the businesses we support continue past one year, and 80% of them expand.

U.S.A.: In Review

We piloted a training program that would provide business training across the country with tools to better serve low-income entrepreneurs. In our first year, we created workshops on street vending, multi-level marketing, working with ex-offenders, and teaching low-literate entrepreneurs about cash flow.

APPLACHIAN REGION OF SOUTHWEST OHIO

Thanks to the innovative thinking of our partners in Ohio, local entrepreneurs are selling merchandise via the Internet to expand their customer base. Appalachiamarket.com was launched to promote handmade soaps, pottery, woodcraft, candles, and other artisan products throughout the country. With higher volume sales, they are able to diversify their product lines and achieve even greater sales growth. By using living rooms as production sites and the Internet as their storefront, these entrepreneurs are building up their business and keeping their local heritage strong.

LOS ANGELES

In a market as large and competitive as L.A., our entrepreneurs have to be creative. Travon Gover is one such entrepreneur. He pays restaurants and stores to collect their recyclables. His profit is made when he delivers them to recycling centers. By catering to the needs of small businesses in underserved areas, he has been able to create a market no large business would touch.

DELTA/GULF REGION

Before Hurricane Katrina focused global awareness on the severe poverty that afflicted millions throughout Louisiana—we had already started working with partners in the region using microenterprise to help people improve their quality of life. In the wake of the hurricane and levee failures, our regional partners were forced to leave for higher ground. When they returned, they faced a new challenge: finding ways to serve both their traditional low-income client base, as well as those who lost everything.

NEW YORK

Our childcare initiative is proving not only to enrich our entrepreneurs, but also their communities and the city. Families are able to develop a business out of their home that can provide basic income. Neighbors are able to go to work while their children are cared for in safe, licensed, affordable centers within their own community. And the community benefits through the reduction in welfare roles, unemployment and childcare shortages.

“T’m now supporting my family. Soon, I hope to be supporting my dream.”

Shukri Abasheikh

Shukri came to the U.S. as a refugee from Somalia with her eight children. With 3,000 African immigrants living in her area, she realized her skills at making traditional African clothing could be a profitable enterprise. She started her small business with a sewing machine and a few fashion ideas. By renting a table in her brother’s grocery store, she is able to display her colorful designs in the storefront window.

Demand is high and she is making a solid profit. She is now expanding her product line to include household items such as quilts, pillows, and blankets. Shukri hopes to grow her business and hire another person to accommodate her growing list of customers. She aspires to save enough to pursue an even loftier dream: to cook in her own restaurant.
Trickle Up supported 10,162 businesses this year. Each business supports an average of 6 family members, including the entrepreneur. We directly supported 60,972. We improved the lives of many more — friends, extended families, community members, employees and customers.

Program Results

<table>
<thead>
<tr>
<th>AFRICA</th>
<th>No. of Businesses In 2006</th>
<th>No. of Businesses 1979-2006</th>
<th>Coordinating Agencies in 2006</th>
<th>% Female-led</th>
<th>% Under Age 27</th>
<th>% Main Source of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTALS</td>
<td>3,475</td>
<td>53,463*</td>
<td>28</td>
<td>98</td>
<td>26</td>
<td>90</td>
</tr>
<tr>
<td>BURKINA FASO</td>
<td>25</td>
<td>1,039</td>
<td>1</td>
<td>120</td>
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<td>ETHIOPIA</td>
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<td>2,411</td>
<td>4</td>
<td>55</td>
<td>55</td>
<td>86</td>
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<td>MALI</td>
<td>2269</td>
<td>8,407</td>
<td>12</td>
<td>38</td>
<td>17</td>
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<tr>
<td>NIGER</td>
<td>150</td>
<td>608</td>
<td>2</td>
<td>130</td>
<td>15</td>
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<tr>
<td>UGANDA</td>
<td>974</td>
<td>8,865</td>
<td>9</td>
<td>24</td>
<td>44</td>
<td>64</td>
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<table>
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<tr>
<th>AMERICAS</th>
<th>No. of Businesses 1979-2006</th>
<th>No. of Businesses 2006</th>
<th>Coordinating Agencies in 2006</th>
<th>% Female-led</th>
<th>% Under Age 27</th>
<th>% Main Source of Income</th>
</tr>
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<tr>
<td>TOTALS</td>
<td>3,518</td>
<td>39,209*</td>
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<td>74</td>
<td>27</td>
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<td>BOLIVIA</td>
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<td>6,635</td>
<td>6</td>
<td>68</td>
<td>15</td>
<td>64</td>
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<tr>
<td>GUATEMALA</td>
<td>791</td>
<td>7,516</td>
<td>3</td>
<td>67</td>
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<td>74</td>
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<td>HAITI</td>
<td>523</td>
<td>3,787</td>
<td>5</td>
<td>81</td>
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<td>65</td>
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<tr>
<td>HONDURAS</td>
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<td>1,693</td>
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<td>75</td>
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<td>NICARAGUA</td>
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<tr>
<th>ASIA</th>
<th>No. of Businesses 1979-2006</th>
<th>No. of Businesses 2006</th>
<th>Coordinating Agencies in 2006</th>
<th>% Female-led</th>
<th>% Under Age 27</th>
<th>% Main Source of Income</th>
</tr>
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<tbody>
<tr>
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<td>CAMBODIA</td>
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<td>100</td>
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<td>NEPAL</td>
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<td>53</td>
<td>23</td>
<td>100</td>
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<thead>
<tr>
<th>U.S.A.</th>
<th>No. of Businesses 2006</th>
<th>Coordinating Agencies in 2006</th>
<th>% Female-led</th>
<th>% Under Age 27</th>
<th>% Main Source of Income</th>
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<tr>
<td>TOTALS</td>
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<td>3,077</td>
<td>53</td>
<td>71</td>
<td>11</td>
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<tr>
<th>GLOBAL</th>
<th>No. of Businesses</th>
<th>Coordinating Agencies</th>
<th>% Female-led</th>
<th>% Under Age 27</th>
<th>% Main Source of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTALS</td>
<td>10,162</td>
<td>140,669*</td>
<td>127</td>
<td>71</td>
<td>26</td>
</tr>
</tbody>
</table>

* Totals include businesses supported since 1979 in all countries of the geographic region. Trickle Up has been active in over 120 countries.

92% of Trickle Up businesses continue after one year

- 81% of Trickle Up businesses expand during the first year
- 70% report increased food intake
- 71% of the businesses are led by women
- 52% report more children in school
- 58% report better clothing
- 10% of businesses are led by people affected by disabilities

Types of Trickle Up Businesses

- 53% Retail
- 23% Agriculture
- 9% Clothing & Crafts
- 7% Food
- 8% Services & Household Items

In fiscal year 2006, Trickl Up’s net revenue increased 38% to $4,530,005 from 2005 revenue of $3,299,559. This is the highest level of growth in Trickl Up’s history. Contributions of $2,346,938 increased 13% from the prior year and the annual gala raised $627,763 with an additional gift of $97,664 in matching funds. Board member contributions totaled $1,261,247, or 29% of the total contributions received by Trickl Up in 2006. For the fifth consecutive year, board members and foundations covered all overhead costs, allowing all other contributions to go to supporting our international and U.S. programs.

Total expenditures in fiscal year 2006 were $3,655,672, an increase of 13% from $3,242,848 in 2005. Program services expenses increased by 13% to $3,138,005, or 96% of total expenditures. Fundraising expenses increased 33% to $415,299, reflecting expansion of fundraising capabilities. As a percent of total expenses, fundraising declined to 11% from 12% in 2005. Administrative costs were $112,438, an increase of 6% from 2005 but only 3% of total expenditures.

Total assets at the end of fiscal 2006 were $3,679,423, an increase of 29% from 2005. Total liabilities decreased to $429,126, resulting in total net assets of $3,250,297, an increase of 62% from 2005. The endowment fund balance was $1,471,170, an increase of 4% from the prior year. The improvement in Trickl Up’s financial condition primarily reflects the year’s strong fundraising results and will enable Trickl Up to expand its programs in 2007 as well as to invest in capacity-building for long-term growth.

Trickl Up’s financial statements have been audited by an independent accountant, David W. Brown, CPA, PC. A copy of his audit report is available upon request or at our website at www.trickleup.org.

Martin F. Kahn
TREASURER AND CHAIR, FINANCE COMMITTEE

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**STATEMENT OF CASH FLOWS**

As of August 31, 2006

Cash and cash equivalents

Changes in net assets

Adjustments to reconcile change in net assets to cash provided by operating activities:

Depreciation and amortization

Gain/(loss) on investments:

Realized

Unrealized

Increase/(decrease) in:

Accrued dividends and interest receivable

Pledges receivable

Prepaid expenses

Security deposits

Other receivables

Cash flows from investing activities:

Acquisition of investments

Proceeds from sale of investments

Acquisition of property and equipment

Net cash used by investing activities

Change in cash and cash equivalents

Cash and cash equivalents — beginning of year

Cash and cash equivalents — end of year

---

**STATEMENT OF ACTIVITIES**

For the year ended August 31, 2006

Revenue, gains and support

Contributions

Government grants and contracts

Fundraising event income (net)

Investment income

Gain/(loss) on investments

Other income

Total revenue and support

Expenses

Program services

Business program grant

Business program services

Public information

Total program services

Supporting services

Administration

Funding

Total supporting services

Total expenses

Increase in net assets

Net assets — beginning as originally reported

Prior period adjustment

Net assets — beginning as adjusted

Net assets — ending

---

**STATEMENT OF FINANCIAL POSITION**

As of August 31, 2006

Assets

Cash and cash equivalents

Accrued dividends and interest receivables

Pledges receivables

Prepaid expenses

Security deposits

Other receivables

Investments

Property and equipment, net of accumulated depreciation

Intangible assets, net of accumulated amortization

Total assets

Liabilities and net assets

Liabilities

Accounts payable and accrued expenses

Grant commitments payable

Gift annuities payable

Security deposits payable

Total liabilities

Net assets

Restricted

Designated by the board for endowment

Undesignated

Temporarily restricted funds

Permanently restricted endowment

Total net assets

Total liabilities and net assets

---

Sources of Revenue

- 66% Individuals
- 16% Foundations
- 9% Corporations
- 6% Government/Multilateral
- 3% Other

Expenses

- 86% Program Services
- 11% Fundraising
- 3% Management & General
Contributors

Tackle This is pleased to honor and acknowledge the generous individuals, foundations, and corporations that supported our work from September 1, 2005 through August 31, 2006. On behalf of the many impoverished men and women who took their first steps out of poverty in the past year thanks to the support of our donors, we are proud to recognize the following friends:

$750,000 or more: David H. and Susan T. Russell

$500,000-$999,999: Emily & Dayn Berman Foundation, Harry and Susan Guggenheim Foundation, Presidio Trust, The Ford Foundation, Inman Family Foundation

$250,000-$499,999: Kauffman Foundation, Larkin Family Foundation

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Tackle This appreciates the support of all our donors and is committed to continuing our work to end poverty in the United States.
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“Before, when it rained, I would have
to gather my things and run. Now I
have a roof, so rain doesn’t bother me.
I can even store my things in the store.”
Creating tomorrow
A conversation with Dr. Syed Hashemi, Senior Microfinance Specialist with the Consultative Group to Assist the Poor (CGAP) of the World Bank

Dr. Syed Hashemi was an academic in Bangladesh, teaching and conducting research on development, poverty, and gender issues. He was also involved in political work against social injustice. When he first heard of microfinance he assumed it was a new novelty—MDGs putting bits of money to the poor in the name of development but which actually made the poor more indebted and worse off.

After teaming with Sidney Schurer on a three-year ethnographic research project on microfinance and women’s empowerment in rural Bangladesh, he changed his mind. He recognized the tremendous potential of microfinance in increasing household income and in providing opportunities to women to be confident, assertive, visible, and take greater control of their lives. This started his involvement in microfinance and ultimately joining the Consultative Group to Assist the Poor (CGAP)—a global resource center on microfinance.

Dr. Hashemi sums up CGAP’s mission, “We’re working toward a world in which microfinance is no longer viewed as a marginal or niche sector—a world where poor people are considered valued clients of their country’s financial system, where a wide array of financial institutions provide poor people with permanent access to the varied financial services they need.”

What got you interested in Trickle Up?

Trickle Up is an international organization known for providing a $100 grant to poor people to start a microenterprise. But Trickle Up realizes that a one-shot grant isn’t going to be enough. Poor people need to sustain themselves through other mechanisms, such as savings and ongoing access to other financial services such as credits, etc.

I looked at Trickle Up because I was conducting a global search for organizations that were providing grants and that had a vision of graduation—and Trickle Up was that. I realized Trickle Up could have lasting impact, not just with the savings groups but by linking the grantees with a financial institution so that day one they would have access to savings and could eventually become regular clients of microfinance institutions.

So you start with a small grant to create a small shop somewhere and then expand that capital base by accessing a microfinance institution. There seems to be a very natural progression. That’s what Trickle Up is doing and it was the kind of mode we had in mind.

What kind of work are you supporting with Trickle Up right now?

We’re now supporting a few of the microfinance institutions that work with Trickle Up to provide grants, but also financial institutions and others who are working with Trickle Up from day one. We’re envisioning an army of activities conducted by organizations who have a competitive advantage in each region and development.

Trickle Up partners would still select program participants and provide grants but maybe consult with livelihood experts to determine a set of sustainable livelihoods appropriate for the specific region and development and training modules for skill development. Financial institutions would help develop savings products and even collect savings. They would assist in creating a culture of financial discipline so that participants could eventually become good microfinance clients. CGAP is also bringing in experts to help in the process and to conduct impact studies.

So what are we advocating is a more hands-on approach. But we feel this will ultimately give grantees more of a choice, more of an option, to develop sustainable livelihoods. We don’t stop work with the grantee once the grant is given. We’re following the grantees through this two-year phase where they’re slowly increasing economic activities, generating greater incomes and becoming microfinance clients.

I’m very optimistic that this will be successful. If it is, and we see much larger numbers of people staying above the poverty line with Trickle Up grants, then that’s the model that you’ll want to replicate globally.

Why is microfinance or access to financial services transformative for the poor?

The worst thing about being in poverty is you don’t have the opportunity to think of the future. You’re so busy just figuring out how to get through today. But savings can better prepare households to manage every day risks. Access to credit can help build microenterprises that increases incomes and consumption levels. And while this is neither automatic nor something that happens to most microfinance clients, it is the pathway that many clients do take. Over several loan cycles many clients do improve their conditions and are able to think of tomorrow. This means they can improve their housing conditions, send their kids to school, and have a little more money to pay for their health costs and emergencies.

Some programs focus more strongly on women and use access to financial services to leverage other changes in their lives, such as knowledge and information on health care and legal rights, social capital, participation in public space, and greater decision making within the household.

Beyond increasing household income, how does microenterprise development help women?

The fact that women receive loans, run their enterprises, or expand operations and begin to keep track of their money—that gives them more confidence. The fact that a woman is interacting with other women gives her a sense of identity that is separate from what she traditionally always had, which was either as a mother, a daughter, or a wife. Now she’s a member of a business organization. Women also interact more in public space, attending group meetings, receiving information on their rights and existing public services, and for example, even engaging in market activities for the first time. That builds confidence.

If microfinance is good for the poor why aren’t we expanding it faster? Do we need more funding for microfinance?

It’s not an absence of funding that’s restricting financial services to the hundreds of millions still excluded. It’s really having retail capacity to provide such services. Too many institutions are unprofitably run and unsustainable. Too many people think microfinance is about charity and extending one-off loans that are never repaid. Poor people need ongoing access to reliable financial services just as we do. And they need the range of services—savings, credit, pensions, insurance, money transfers—just as we do. This can only be provided on a massive scale if institutions are professionally run and if they are dependent on market sources of finance. The key reason is to build capacity and to promote existing institutions such as banks to “downscale” and serve poor people. The key is to lower the costs of serving the poor so that it is profitable for commercial players to serve this market. These are the challenges that face us and many are already involved in seeking solutions.

What are the best approaches to providing help to the very poorest people?

Credit is generally not the answer to the very poorest. What they really need is food aid, they need employment, they need shelter, and they need grants rather than credit. Credit to the poorest can often lead to greater indebtedness and a worsening of conditions.

CGAP has recently started an initiative to link safety nets and microfinance. Could you please explain why you’re going beyond microfinance?

This pertains to the previous question. We have realized that credit is not the answer to the poorest. Nor is conventional microfinance equipped to respond to all the needs of the poorest. Safety nets programs that provide food aid, or guaranteed employment or cash transfers, or livelihood support do work with the poorest but without a long-term vision to get the poorest to “graduate” beyond the need for subsidies. CGAP feels that a carefully sequenced model where the poorest start with safety nets but then receive skills training, savings services and gradually credit, could be a ladder to “graduate” out of extreme poverty. BRAC, an NGO in Bangladesh, has already tried such a strategy and “graduated” over a million destitute women out of extreme poverty. CGAP is now testing this model in other countries to demonstrate that this could be one successful pathway for the poorest. In fact the award to Trickle Up was precisely to start such an experiment in India. Let’s hope we all succeed.

“The worst thing about being in poverty is you don’t have the opportunity to think of the future. You’re so busy just figuring out how to get through today.” — Dr. Syed Hashemi

“I n 2006, Trickle Up was selected for CGAP’s (the World Bank’s) prestigious Pro-Poor Innovation Challenge award, in support of CGAP’s work in India. Trickle Up will partner with microfinance institutions to offer entrepreneurs direct access to credit after their Trickle Up business has proven profitable. Dr. Hashemi is a leading expert on microfinance and poverty, and a prominent voice in extending financial services to the very poor. Trickle Up invited Dr. Hashemi to share some of his views on microfinance and the vital role of organizations like Trickle Up.”
Once a week, groups like this one from Mali gather around a small, padlocked-wooden box. Each member of the group is a Trickle Up entrepreneur who has received seed capital, business training, and savings group support. After launching a business, each entrepreneur contributes the equivalent of $1 a week into the box. The funds can be used for loans that finance business investments, emergency medical care, wedding celebrations, or funerals. These savings groups are beacons of hope for villages just like this one.

trickleup

The first steps out of poverty

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