



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.**

2006 TRICKLE UP ANNUAL REPORT





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 read 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.



A centerpiece for commerce. The cover photo shows a savings group gathered around a simple, wooden lock 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 ours too. The idea is simple and transformative for many people who had seen no hope of leaving poverty behind. Last year, we supported entrepreneurs in hundreds of such groups ranging in membership from 6 to 25 entrepreneurs.



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 loyal 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. Susannah Hopkins Leisher, our new Director of Programs, managed Oxfam Hong 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. Allyson 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 road-map 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

Savings Groups

Trickle Up entrepreneurs' businesses are fragile. Any unanticipated events like natural disasters or family emergencies can jeopardize the income production and stability of the business. Savings groups provide a valuable support system for fledgling businesses and a venue for entrepreneurs to discuss the needs of their families, businesses, and communities.



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 spices. 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 reinvest in their business. Other times it is used to celebrate a wedding, purchase medicine, fix up a home, or bury a loved one. 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 safe 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 the 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.

ASIA

Partnerships

Our strong network of over 100 partner agencies helps us reach those people most in need of Trickle Up funding. Our partners' expertise is critical to our progress. In Asia alone, we are working with 21 different partners, and their diverse strategies for development, training, and support, complement our program.



Asia: In Review

The big news in 2006, and looking forward to 2007, is that we are broadening the support we provide to partner agencies to include greater flexibility, and an approach more carefully tailored to the needs of each community. Partner agency staff have been dedicated to monitoring and supporting entrepreneurs and the grant size, and distribution has been modified to fit the needs of the business. Training has been more closely tailored to the individual needs of the business and savings group support has included training on establishing leadership, and developing financial transparency and good savings practices.

INDIA

After a thorough review of our partner agencies, our field staff has been working to strengthen each partner's program through training and closer monitoring and has increased support for entrepreneurs from one to two years. Our field staff are working to fine-tune our training to better meet the needs of the partners. Partner agency staff are often members of the communities they serve, and are an integral part of the change process that occurs as a result of Trickle Up's support. They ensure that the progress made by entrepreneurs is sustainable.

NEPAL

After more than ten years of political unrest between the government and Maoist rebels, the insurgency has stopped and peace accords have been signed. This has enabled our partner agencies to more safely monitor the entrepreneur progress and provide the necessary support. Our partnership with the Committee for the Promotion of Public Awareness and Development Studies has been effective by linking all of our entrepreneurs with a savings

group that ultimately graduates them to government-registered Savings and Credit Cooperatives. One of these very successful cooperatives has received funding from the Asian Development Bank to launch their own community development project.

CAMBODIA

In Cambodia, Women Organization for Modern Economy and Nursing has been educating and providing home-based care for people living with HIV/AIDS in the slums of Phnom Penh. In this project supported by the Elton John AIDS Foundation, we created a longterm, sustainable approach to supporting families affected by HIV/AIDS. By requiring each participant to designate a business partner, we ensure the continuity of the business if one member becomes ill. Matching savings for this vulnerable group can help even those facing medical crises to value the power of savings. In addition to business success, entrepreneurs reported marked improvement in nutrition, housing, and education for their children.

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 as part-time help.



THE AMERICAS

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.



“My life has changed for the better... now I can send my 12-year-old son to school.”

Alba Lusmena | Las Montañitas, Quimistán, Buys and Sells Chickens



After working a low paying job on a coffee farm, Alba decided to start her own farm. But, instead of coffee, Alba chose chickens. She bought 25 chickens, plenty of feed, building materials, and transportation with her Trickle Up grant. As she sold more, she transformed a make-shift coop into a fully-fledged, profitable farm. Our partner, Staff of Sustainable Harvest

Honduras, gave Alba training and technical assistance to keep the chickens healthy and the business running. With three children under the age of 13, Alba had no hope of paying for their education beyond elementary school. Today, her eldest son is attending junior high.

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 four to six years. It is hearty, able to endure the climate, easy to transport, and has 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 any. 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 project 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, ICADE, 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.

U.S.A.

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 trainers 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.

APPALACHIAN REGION OF SOUTHWEST OHIO

Thanks to the innovative thinking of our partner in Ohio, local entrepreneurs are selling merchandise via the Internet to expand their customer base. Appalachianmarket.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 Glover 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.

We helped make funds available to start the small businesses that would be part of the rebuilding. A New Orleans Trickle Up office was set up to guarantee that funds make it to those in need, and that training is available to help entrepreneurs face the inevitable challenges ahead.

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.

Comprehensive support beyond the grant

The Home-based Daycare Project

NEW YORK CITY, U.S.A.—Our efforts in the U.S. support a wide range of small businesses. Our program to train and finance home-based daycare providers is one of our most successful. One third of the entrepreneurs we serve in N.Y.C. and one in five nationwide are engaged in home-based daycare.

These aspiring entrepreneurs are trained so they develop business and management skills allowing them to significantly increase their earning potential. They attend weekly classes over the course of eight to ten weeks. The curriculum covers such essential business concepts as operating costs, savings, reinvestment, and

profitability. In the 60 N.Y.C. daycare businesses supported in the past year, nurturing environments have been provided for more than 400 low-income children.

Supporting this type of business in poor neighborhoods has a ripple effect for the entire community. Young children from low-income families receive licensed daycare services in a professionally-run, nurturing learning environment. And parents can work and support their families knowing their children are receiving good care in a state-licensed facility.



“I’m now supporting my family. Soon, I hope to be supporting my dream.”

Shukri Abasheikh | Seamstress, Maine, U.S.A.

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, pillowcases, and curtains. Shukri hopes to grow the 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

	No. of Businesses in 2006	No. of Businesses 1979-2006	Coordinating Agencies in 2006	Entrepreneurs		
				% Female-led	% Under Age 27	% Main Source of Income
AFRICA						
TOTALS	3,475	53,483*	28	86	26	90
BURKINA FASO	25	1,039	1	100	6	100
ETHIOPIA	158	2,411	4	55	55	86
MALI	2268	8,407	12	98	17	100
NIGER	150	608	2	100	15	100
UGANDA	874	8,995	9	64	44	64
AMERICAS						
TOTALS	3,518	35,269*	25	74	27	72
BOLIVIA	830	6,635	6	68	15	64
GUATEMALA	791	7,516	3	67	28	74
HAITI	523	3,787	5	81	16	63
HONDURAS	284	1,693	5	75	25	28
NICARAGUA	1090	2,708	6	73	33	88
ASIA						
TOTALS	2,736	55,917*	21	51	34	98
CAMBODIA	74	1,851	1	65	42	100
INDIA	1834	18,531	17	48	34	97
NEPAL	350	3,929	2	53	33	100
U.S.A.						
TOTALS	433	3,877	53	71	11	51
GLOBAL						
TOTALS	10,162	149,099*	127	71	29	77

* 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

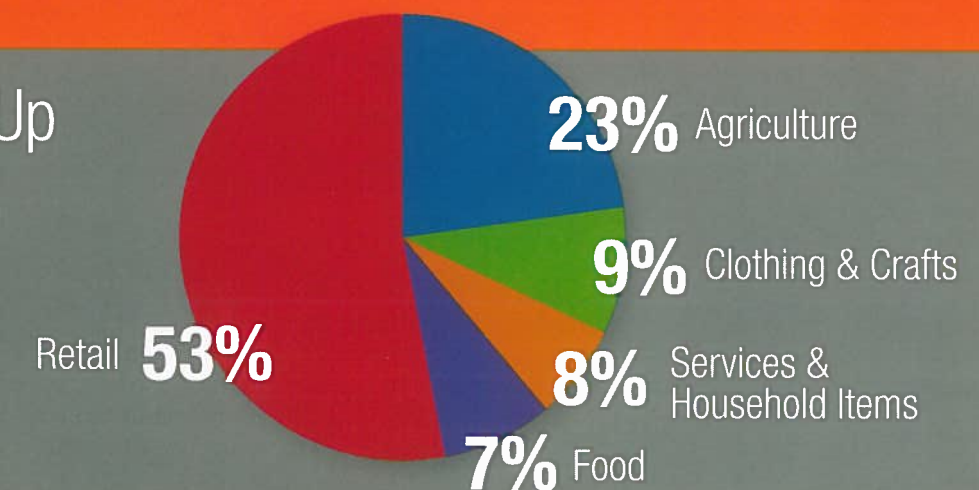
52%
report more
children in
school

58%
report better
clothing

10%
of businesses
are led by
people affected
by disabilities

Results are based on the one-year update business reports received by Trickle Up.

Types of Trickle Up Businesses



Financial Report 2006

In fiscal year 2006, Trickle Up's net revenue increased 38% to \$4,539,005 from 2005 revenue of \$3,299,559. This is the highest level of growth in Trickle Up's history. Contributions of \$2,346,938 increased 13% from the prior year and the annual gala raised \$922,763 with an additional gift of \$977,664 in matching funds. Board member contributions totaled \$1,281,247, or 29% of the total contributions received by Trickle 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 \$3,665,672, an increase of 13% from \$3,242,848 in 2005. Program services expenses increased by 13% to \$3,138,005, or 86% of total expenditures. Fundraising expenses increased 33% to \$415,229, reflecting expansion of fundraising capabilities. As a percent of total expenses, fundraising declined to 11% from 13% 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 28% 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 Trickle Up's financial condition primarily reflects the year's strong fundraising results and will enable Trickle Up to expand its programs in 2007 as well as to invest in capacity-building for long-term growth.

Trickle Up's financial statements have been audited by an independent accountant, David W. Brown, CPA, P.C. 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

STATEMENT OF FINANCIAL POSITION

As of August 31, 2006

Assets	
Cash and cash equivalents	\$ 1,468,899
Accrued dividends and interest receivables	10,977
Pledges receivables	396,083
Prepaid expenses	33,385
Security deposits	22,776
Other receivables	110,276
Investments	1,404,885
Property and equipment, net of accumulated depreciation	143,408
Intangible assets, net of accumulated amortization	88,734
Total assets	\$ 3,679,423
Liabilities and net assets	
Liabilities	
Accounts payable and accrued expenses	\$ 83,728
Grant commitments payable	323,525
Gift annuities payable	17,073
Security deposits payable	4,800
Total liabilities	\$ 429,126
Net assets	
Unrestricted:	
Designated by the board for endowment*	\$ 329,759
Undesignated	290,005
	619,764
Temporarily restricted funds	1,489,122
Permanently restricted endowment *	1,141,411
Total net assets	3,250,297
Total liabilities and net assets	\$ 3,679,423

*** Total endowment funds as of August 31, 2006**

Permanently restricted fund	\$ 1,141,411
Board designated endowment	329,759
	\$ 1,471,170

STATEMENT OF ACTIVITIES

For the year ended August 31, 2006

Revenue, gains and support	
Contributions	\$ 2,346,938
Government grants and contracts	282,949
Fundraising event income (net)	1,786,946
Investment income	67,774
Gain/(loss) on investments	26,441
Other Income	27,956
Total revenue and support	\$ 4,539,005
Expenses	
Program services	
Business program grant	\$ 1,141,680
Business program services	1,811,360
Public information	184,965
Total program services	\$ 3,138,005
Supporting services	
Administration	\$ 112,438
Fundraising	415,229
Total supporting services	527,667
Total expenses	\$ 3,665,672
Increase in net assets	873,333
Net assets - beginning as originally reported	
	\$ 2,011,714
Prior period adjustment	365,250
Net assets - beginning - as adjusted	2,376,964
Net assets - ending	\$ 3,250,297

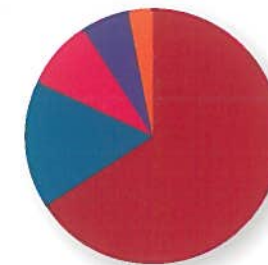
STATEMENT OF CASH FLOWS

As of August 31, 2006

Cash and cash equivalents	
Changes in net assets	\$ 873,333
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	51,950
(Gains)/losses on investments:	
Realized	(36,025)
Unrealized	9,584
(Increase) decrease in:	
Accrued dividends and interest receivable	(10,899)
Pledges receivable	66,697
Prepaid expenses	(3,920)
Security deposits	(744)
Other receivables	(71,905)
(Decrease) increase in:	
Accounts payable and accrued expenses	(9,971)
Grant commitments payable	(54,550)
Gift annuities payable	(3,582)
Net cash provided by operating activities	\$ 809,968
Cash flows from investing activities:	
Acquisition of investments	(833,079)
Proceeds from sale of investments	744,686
Acquisition of property and equipment	(59,224)
Net cash used by investing activities	\$ (147,617)
Change in cash and cash equivalents	662,351
Cash and cash equivalents - beginning of year	806,548
Cash and cash equivalents - end of year	\$ 1,468,899

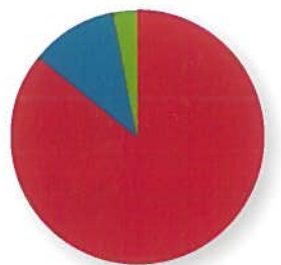
Sources of Revenue

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



Expenses

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



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Adrienne Hirt and Jeffrey Rodman
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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.”

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Creating tomorrow

A conversation with **Dr. Syed Hashemi**, Senior Microfinance Specialist with the Consultative Group to Assist the Poor (CGAP) of the World Bank



In 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.

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—NGOs giving 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 Schuler 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 in 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 credit, insurance, 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 grantee with a financial institution so that from 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 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 model we had in mind.

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

We're not just supporting Trickle Up partners who

provide grants, but also financial institutions and others who would work with Trickle Up from day one. We're envisioning an array of activities conducted by organizations who have a comparative advantage in each. Traditional 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 develop 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 we are 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 grantee 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 increase 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 some, 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 unprofessionally 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 quality 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 therefore 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



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.

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