



GRASSROOTS
BUSINESS FUND



2011 ANNUAL REPORT



A Message from our Board Chairman & Executive Director:

Dear friends,

We are pleased to present GBF's Annual Report for the fiscal year 2011. This year GBF's portfolio grew to \$8.5 million and 32 investments in Africa, Asia and Latin America. While not without challenges, our portfolio has performed well, delivering solid financial results and significant social impact at the base of the economic pyramid. Our distinctive blend of investment capital and technical assistance supports sustainable High Impact Businesses that impact the lives of almost 9 million people worldwide and have the potential to scale much further.

Going forward, we will build on more than seven years of direct experience in social investing and a range of relationships with the leading players in the impact investing industry. Our experience has provided us with valuable knowledge, and allowed us to create useful approaches to investing in High Impact Businesses.

Our staff presence in the field has expanded, and now we have teams on the ground in Ghana, India, Kenya and Peru. This is already helping us source transactions and provide more focused, on-the-ground technical and financial assistance to High Impact Businesses. GBF has sharpened its investment management and technical assistance processes; the latter includes individualized programs of technical assistance, as well as regional workshops for our portfolio companies. These workshops have the potential to improve the efficiency and effectiveness of GBF's technical assistance by promoting cross-learning and support among our portfolio companies.

We believe GBF's investment rigor and commercial experience greatly benefit our portfolio companies and have the potential to strengthen the impact investing field more broadly. GBF participates in the Aspen Network of Development Entrepreneurs (ANDE) and several other groups and initiatives aimed at building the field in key aspects.

As we write, GBF is launching its next phase and committing to provide sustainable economic opportunities to an additional 20 million people living at the base of the economic pyramid through our support of over 60 High Impact Businesses. We will continue to deliver our distinctive blend of investment capital and flexible, high quality technical assistance through two vehicles working together: a private investment fund and a nonprofit entity. We believe that this hybrid model can create a profitable and effective approach that brings High Impact Businesses to sustainability and scale.

Our next phase will include a major expansion of our funding base, governing boards and advisory bodies to help us continue improving GBF and the High Impact Businesses in our portfolio. We are committed to remaining transparent, self-critical, and reflective. As we refine our approach to investing, we look forward to seeking smarter ways of doing business and building new partnerships with leading corporations, investors, donors, and colleagues.

We appreciate the support of our friends, and hope you enjoy this report. Sincerely,

Iqbal Paroo, Board Chairman

Harold Rosen, Executive Director

The Grassroots Business Fund strives to create a world where economic opportunity reaches everyone. Our mission is to build and support High Impact Businesses that provide sustainable economic opportunities to millions of people at the base of the economic pyramid.

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Our Evolution



GRASSROOTS
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2000 – 2004 Small and Medium Enterprise Department

Harold Rosen starts the Small and Medium Enterprise Department, a joint IFC/World Bank department aimed at supporting the growth of small and medium enterprises in especially challenging environments through direct technical assistance and capacity building programs

2004 – 2007 Launch of Grassroots Business Initiative (GBI)

GBI, an initiative of the International Finance Corporation, implements over 40 technical assistance projects and investments that impact the lives of over 3.4 million people at the base of the economic pyramid (BoP)

2008 Launch of the Grassroots Business Fund

In 2008, the GBI was transformed into an independent organization called the Grassroots Business Fund (GBF) with funding from the IFC, foreign governments, and philanthropists worldwide

2009

- GBF's cumulative portfolio is more than \$3 million in investment capital and technical assistance across Africa, Latin America and Asia
- Portfolio companies impact the lives of more than 350,000 people
- GBF co-sponsors the first Annual Metrics Conference with ANDE

2010

- GBF's cumulative investment portfolio rises to a total of \$7 million across Africa, Latin America and Asia
- GBF's portfolio companies impact the lives of more than 4.5 million people
- GBF opens an office in Nairobi, Kenya and establishes field presence in Ghana, India and Thailand

2011

- GBF wins G-20 SME Finance Challenge
- GBF hosts business development workshops for its portfolio companies in India, Peru and Kenya
- Independent assessment by FSG Social Impact Consultants finds GBF's technical assistance useful and unique in the field

GBF's Future

- Over the next five years, GBF plans to provide sustainable economic opportunities to more than 20 million people living at the base of the economic pyramid by supporting more than 60 High Impact Businesses in Africa, Asia, and Latin America



Blending Investment Capital and Technical Assistance

The High Impact Businesses that GBF supports are typically small or mid-sized by international standards, but they engage large numbers of the poor and often rank among the larger, more complex enterprises in their local markets. They are scalable and replicable with the potential to provide economic and social opportunities to thousands at the BoP, yet they typically fall through a gap in the market because they require longer-term, quasi-equity financing not offered by local financing institutions or most investment funds. Many also require additional value-added services, including financial management assistance and marketing or operational expertise that cannot be readily sourced or financed from existing sources.

GBF bridges this gap by delivering a combination of investment capital (loans, equity, and quasi-equity) and flexible, high-quality technical assistance to help High Impact Businesses expand, become sustainable and attract other investment partners.

GBF believes that this blended approach to scale can contribute to building a profitable and supportive ecosystem for the impact investing field.

GBF is applying lessons learned and practical tools that it has developed as part of its work with High Impact Businesses, in order to raise the standards of impact investing, in particular:

- GBF sources, invests and adds value to complex deals in an underserved niche, bringing a high level of business rigor, investment knowledge, and business development capabilities.
- Through its work, GBF is developing replicable tools and approaches to address common challenges faced by High Impact Businesses.
- GBF's blended approach that combines investment capital and technical assistance helps companies scale, become investment-ready, and reach sustainability.

Where we work:

Africa

Focus Countries: Kenya, Ghana, Tanzania

Percent of Total Portfolio: 40%

Committed Investment: \$3.4 million

Direct Impact: 691,500 people supported

Asia

Focus Countries: India, Indonesia

Percent of Total Portfolio: 31%

Committed Investment: \$2.6 million

Direct Impact: 929,110 people supported

Latin America

Focus Countries: Bolivia, Peru

Percent of Total Portfolio: 29%

Committed Investment: \$2.5 million

Direct Impact: 23,230 people supported

Investment Capital

GBF makes equity, quasi-equity, and debt investments. Quasi-equity investments are debt-type instruments with embedded equity features, such as convertible loans or royalty-based loans. These let GBF share the businesses' risks and returns, while providing a form of capital suitable for long-term, investment in wealth-creating businesses that service the base of the pyramid. GBF's average investment size is currently between \$500,000 and \$1,000,000, with an average investment horizon of 5-7 years. GBF also provides a limited amount of short-term working capital loans to export-oriented businesses through our SME Export Facility.

The current portfolio described in more detail throughout this report has benefited from GBF's transparent, high-quality investment process, grounded in practical business acumen and investment rigor.

Technical Assistance

GBF's capacity building programs are provided through expert consultants, grants and hands-on management support from GBF staff. This technical assistance usually includes improvements to corporate governance, general management, reporting, management information systems (MIS), and business/financial planning. Portfolio companies benefit from GBF's broad experience in capacity building, as well as its strong ties to leading institutions and providers of technical assistance.

GBF staff works with senior management at Pwani Feeds. GBF's office in Kenya provides greater on-the-ground support for portfolio companies and a more efficient approach to source and screen investment opportunities, conduct due diligence, build client relationships, and supervise existing portfolio companies.



Grassroots Business Fund



2011 Annual Report

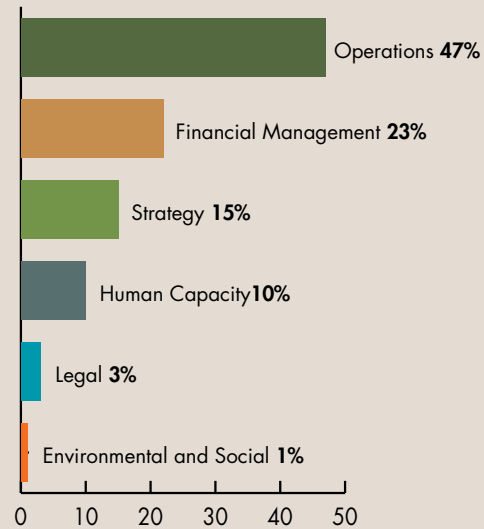
GBF's global coverage helps the organization maintain access to a large deal pool and partners, diversify risk, and help transfer its models and knowledge to other regions. Stars indicate staff presence.

Technical Assistance to Scale Business

FSG Social Impact Consultants cited the technical assistance GBF provides as a useful and unique characteristic – *“This blended approach of providing capital and technical assistance is unique”* and *“given the critical need for capacity building for small businesses in the developing world, and the early stage companies that GBF targets, technical assistance is a key component of the model.”*

Fast Facts:

\$2.4 million = T.A. dollars disbursed over the last 3 years



GBF's Technical Assistance Focus Areas:

1. Financial Management - High Impact Businesses often lack the necessary management skills, tools, governance, or financial planning expertise to develop well-managed, financially sustainable business operations. GBF provides support for these companies so they can develop management dashboards, prepare budgets, improve financial analysis and more.

2. Operations and Supply Chain Management - To date, GBF has invested in multiple High Impact Businesses in the agribusiness and artisanal sectors. In these sectors, the development of a fair and efficient supply chain is critical to connecting micro-producers at the base of the pyramid to large, value adding processing and marketing organizations. Such investments often require a greater “eco-system” approach of blended investment capital, coordinated partnerships, and technical assistance for micro-producers.

3. Human Capacity and Governance - Obtaining skilled management, including the retention of highly trained staff and adequate advisors, is a primary challenge of high-impact entrepreneurs in developing countries. Capable managers and advisors are integral in streamlining operations, planning expansion, and advising entrepreneurs. GBF has addressed this issue by varying means, often by placing local mid and top-level managers in select High Impact Businesses for extended periods.

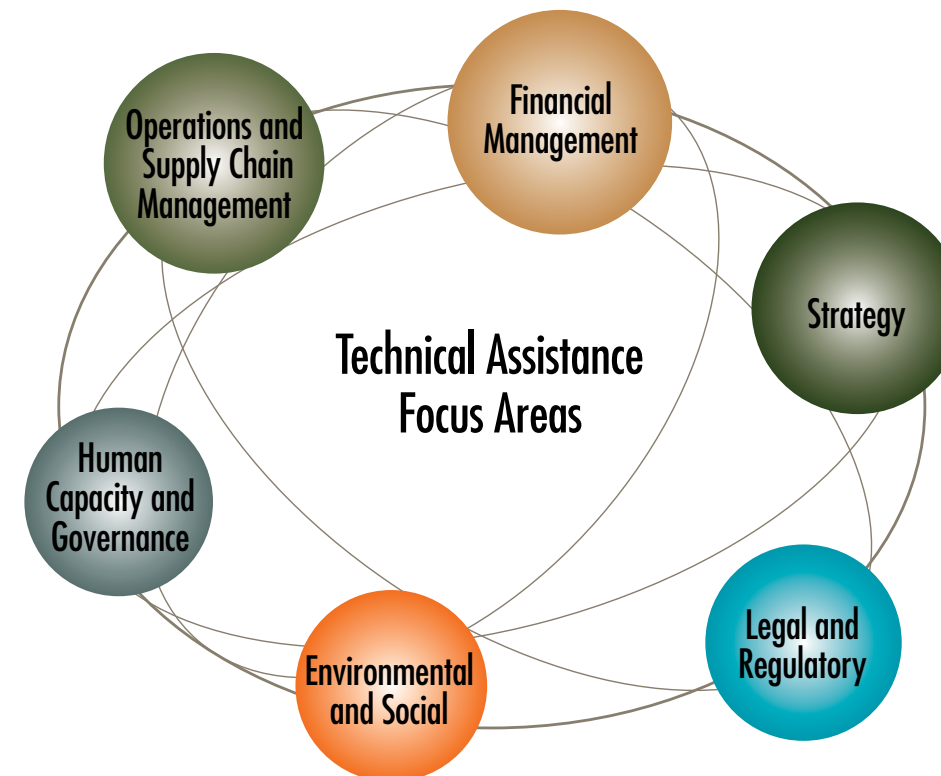
4. Strategy - GBF supports businesses that are growing, or have the potential for growth if given the appropriate tools and financing. As part of GBF's technical assistance, GBF staff work with portfolio companies to develop overall strategic plans and budgets that strengthen future businesses' budgets, HR plans, and allow for operational monitoring.

5. Legal and Regulatory - As GBF's portfolio companies grow they often face new regulatory and legal obstacles. These include the necessity to restructure existing entities into a form that improves efficiencies and encourages future investment, formalize a board and corporate governance procedures, comply with new local laws on labor standards, and more. GBF teams with global and local law firms to offer legal assistance to portfolio companies.

6. Environmental and Social - GBF incorporates best practices for environmental and social monitoring and improvement by working with its portfolio companies to evaluate their impact – including through the use of tools like the Progress out of Poverty Survey, the GIIRS assessment, verification of reported social impacts and through the development of GBF's own supplemental processes.



Mobile Transactions Zambia Limited: GBF assisted in a number of areas, including setting up an Advisory Board that gives the company guidance on improving the company's strategic planning, managerial planning, and budgeting. GBF's technical assistance to MTZL has helped improve the company's internal management and positioning, which in turn should lead to greater efficiencies and higher revenues.





\$8.5 million Invested in

10,500 Farmers

15,000 Entrepreneurs

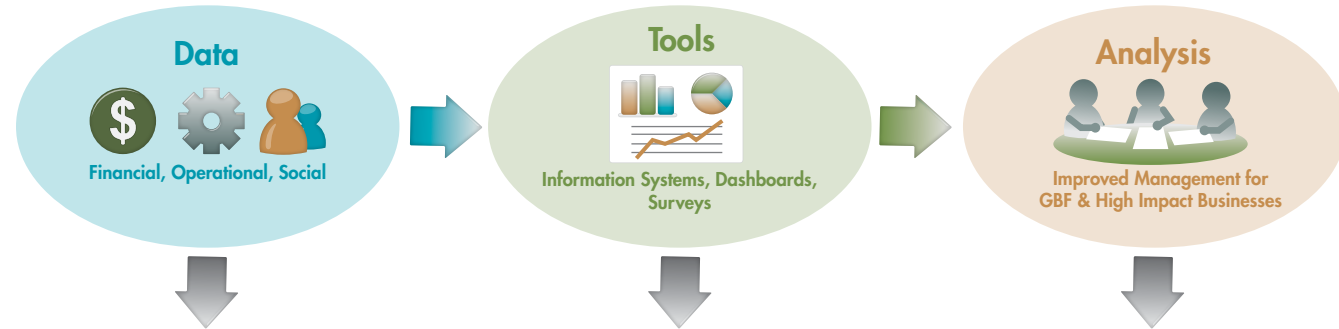
32,000 Artisans

1,583,700 People served through cost saving activities

7,111,500 Family Members Supported

Our Impact

Impact Planning, Assessment and Learning Framework (iPAL):



- Increased transparency and data quality to GBF’s stakeholders, the field, and the public
- Improved management at GBF and its High Impact Businesses

Measuring Results:

GBF works with its portfolio companies to determine the financial, operational and social metrics relevant to their key business operations and targeted social impact. Those metrics are reported to GBF on a quarterly basis and used by the companies’ management team to run their businesses and analyze and their impacts.

One of the primary focuses of GBF’s technical assistance is to build the portfolio companies’ capacity to create, maintain, and utilize simple management dashboards. Dashboards are regularly-updated spreadsheets that organize information and allow management teams learn to better leverage this data to run their High Impact Businesses. These dashboards represent a wide spectrum of sophistication and include simple, manually-updated spreadsheets with annual revenue and cost data, complex Excel files incorporating real-time social and financial data, and still more advanced SAP, Salesforce or CRM/accounting systems.

GBF works with its portfolio companies to improve their ability to analyze the data they collect. To build this capacity, GBF has monthly calls with each portfolio company to review progress and provide analysis and feedback on their reports. Over time, GBF’s portfolio companies improve their ability to make decisions that improve their financial sustainability and social impact.

GBF also maintains several dashboards to track different aspects of its own work. These are reviewed regularly, helping GBF track its results against team goals and identify important trends with operational implications.



Kona Agro Processing Ltd is a Ghanaian company that processes cashew nuts for sale to export markets. As one of the world’s major cashew-producing regions, West Africa benefits from the sale and export of raw cashews, but does not capture the greater economic value added in processing. Kona is part of a wave of new cashew processing firms in West Africa that aim to bring that economic benefit to the local level.

Agrícola Viñasol S.A. (AVSA) purchases top quality agricultural products from small-scale farmers in Peru. GBF is providing a grant and a long term equity investment to fund AVSA's expansion into increased asparagus production.



Agribusiness

GBF'S ROLE TO DATE:
\$2,867,880 Total Investment Capital Committed
34% of Total Portfolio
1,649 Employees
10,500 Farmers
\$15,207,966 Payments to Farmers
52,344 Family Members Supported

Sector at a Glance:
 Developing networks of socially responsible, efficient and well-managed agricultural suppliers are crucial to providing economic opportunities for the millions of smallholder farmers living in poverty. Agriculture, though the predominant livelihood in low-income countries and rural areas, often offers only a subsistence living to farmers who lack modern technology or market access.



Portfolio Company Profile: LATCO International

The Challenge

More than 80% of rural Bolivians live in poverty and most rely on subsistence agriculture, nurturing small plots of land with little yield.

LATCO's Approach

LATCO International, a producer and exporter of organic sesame seeds, was created to increase small-scale farmers' incomes and improve their livelihoods. By sourcing alternative crops from small-scale farmers, LATCO provides a stable and growing income to those who have traditionally depended on growing corn, rice, and sorghum for the volatile local market. LATCO is a pioneer in the organic production of sesame seeds in Bolivia and is the first company to introduce new varieties of the grain, such as black sesame seeds. It is also the first Bolivian enterprise to enter the Japanese and U.S. markets with these products.

LATCO's Partnership with GBF

Through long term investment capital and related capacity building programs, GBF is contributing to LATCO's growth and social impact. In partnership with our local partner Fundes Bolivia, GBF and LATCO are implementing a Supplier Development Program (SDP) to increase sesame production while improving operating efficiency and increasing economic benefits to farmers by 1) attracting new farmers to LATCO's supply chain, and providing continuous training on improving production techniques and yields; 2) increasing land under cultivation with new and existing farmers; and 3) setting up a network of farmer associations which will function as centers of collection, storage, pre-processing, and administration.

LATCO's Performance and Impact

Thanks to the high quality of its product, LATCO is able to negotiate the highest sales price among its peers, and it transfers the price gains to the farmers participating in its value chain. In addition to this "fair pricing" policy, LATCO is committed to improving the quality of life of its employees and the families of participating farmers. LATCO provides its suppliers with technical support in transitioning to organic production and obtaining certification and working capital financing. It also uses a portion of its profits to sponsor infrastructure projects in farming communities.

GBF is working with Jaipur Rugs to improve its financial planning and help the company become one of the largest manufacturers of hand-knotted carpets in India, producing handmade area rugs, including the hand knotted, hand tufted, and flat woven styles. GBF is working with Jaipur Rugs through a series of technical assistance contracts to help the company become more efficient and expand in preparation for a capital investment.



Artisanal

GBF'S ROLE TO DATE:

\$1,920,000 Total Investment Capital Committed:
23% of total Portfolio
580 Employees
32,000 Artisans
\$13,580,700 Payments to Artisans
113,000 Family Members Supported

Sector at a Glance:

Handicraft producers—artisans who employ traditional skills to increase their income generally lack the connections and opportunities to increase their profits. Mission-driven craft companies provide economic opportunities to artisans in the developing world by connecting them with global consumer markets and developing robust supply chains.

Portfolio Company Profile: **Industree**

The Challenge

Most artisans in the developing world, especially those in rural areas, lack access to global markets. This limits their potential to expand their businesses, create economic value, and increase their own financial stability.

Industree's Approach

Industree, one of India's best known social enterprises, is a retail and production-focused business based in Bangalore, India. Industree actively participates in the production process by incubating self-help groups and training them on production best practices through its nonprofit, Industree Foundation. Industree also provides designs of apparel, home décor and furniture products for self-help groups to manufacture in rural and semi-urban areas. The products manufactured by these self-help groups are then sold at the company's "Mother Earth" retail stores that are located in various Indian cities.

Industree's Partnership with GBF

GBF is providing Industree's manufacturing company with some of the investment capital needed to meet its working capital and capital expenditure needs for its first year of operations and work with artisan communities. The investment capital will also be used to increase production and build an MIS system to optimize its supply chain. GBF will provide the company with technical assistance aimed at improving financial management, streamlining production processes and offering training services to artisans.

Industree's Impact

To date, Industree sources from over 100 producer groups (mostly women working from home), totaling roughly 3,000 individual producers. The artisans create natural fiber apparel, home accessories and furniture which are distributed through Mother Earth retail outlets, as well as other large format retail stores in India. The artisans that supply into the Mother Earth brand have the potential to own shares of Industree, which can be bought at par.





Servals Automation Private Limited ("Servals") is a social enterprise in India that is focused on providing clean, efficient, and affordable burners and stoves to consumers at the bottom of the pyramid. GBF is providing Servals with equity and quasi-equity to expand its geographic presence in the kerosene burner markets, set up a distribution channel, and launch their new energy efficient biomass

Base of the Pyramid Services

GBF'S ROLE TO DATE:
\$2,304,652 Total Investment Capital Committed
27% of total Portfolio
381 Employees
1,583,717 people served
6,853,830 Family Members Supported

Sector at a Glance:
Base of the Pyramid (BoP) Services include High Impact Businesses that provide a service or product to the poor, which results in costing savings. BoP Services include mobile banking, clean energy lighting and heating and/or improved job access. GBF strongly believe that the development of successful businesses that engage the BoP is crucial to sustainable economic development. Businesses that provide BoP Services have the power to transform economies and change lives.

Portfolio Company Profile: Barefoot Power

The Challenge

Energy access is a crucial pathway to economic success in the developing world. The lack of a reliable source of light and energy limits productive work hours, hindering local business development and education efforts. At present, 1.6 billion people worldwide do not have access to electricity.

Barefoot Power's Approach

Barefoot Power (BFP) is a company that specializes in designing and distributing low-cost, renewable, rural electrification systems. Through development of innovative distribution channels including Barefoot Power trained micro-entrepreneurs, local importers and partner microfinance groups and NGOs, BFP expects to reach 5 million households by 2012 and replace kerosene.

Barefoot Power's Partnership with GBF

GBF invested in the Barefoot Power Trade Finance Fund (BFP TFF), a working capital facility for BFP managed by Oikocredit. Barefoot Power has provided clean low-cost lighting to over 1 million households and businesses mainly across rural Kenya, Uganda and is estimated to help an additional 5 million families and businesses by 2013.

Barefoot Power's Impact

- Barefoot Power's operations provide:
- Additional incremental income to micro-entrepreneurs, bulk importers, franchisees, and small retail shops
 - Kerosene savings to business and household users
 - Elimination of health risks from kerosene burns and lung damage from indoor pollution
 - Improved education results by supplying students and teachers with a brighter more reliable lighting source



Barefoot Power and GBF were both winners of the G-20 SME Finance Challenge.

G20 SEUL SUMMIT 2010



Innovations in Finance

GBF'S ROLE TO DATE:

- \$1,365,263** Total Investment Capital Committed
- 16%** of total Portfolio
- 187** Employees
- 14,800** Entrepreneurs Accessing Loans
- \$16,830,780** Total Amount of Loans Outstanding
- 72,000** Family Members Supported

Sector at a Glance:

Small or informal enterprises that achieve a degree of scale have the potential to bring value-added, income-generating activities to their communities and offer jobs, greater market access and new services. These enterprises can become wealth-creating businesses and self-sustaining engines of economic growth that raise the living standards of their owners, employees and suppliers.

Juhudi Kilimo has over forty employees in the Nairobi head office and in its seven field offices in rural communities across Kenya.

Portfolio Company Profile: **Juhudi Kilimo**

The Challenge

Agriculture and its related activities employ about 75% of Kenya's population. An estimated 16 million smallholder farmers need financial services and technical assistance, yet without collateral or business assets, they are unable to access capital. Moreover, most microfinance institutions have limited rural reach, serving only 8% of the rural population.

Juhudi's Approach

Juhudi Kilimo LLC provides asset financing to smallholder farmers and rural enterprises so that they can acquire assets such as dairy cows, drip irrigation systems, and modern beekeeping equipment. Juhudi also supports the creation of rural enterprises such as milk chilling plants, coffee mills, and mango processing plants. Unlike traditional microfinance, which provides primarily working capital loans to informal businesses, Juhudi Kilimo's asset financing focuses on the predominant economic sector of rural Kenya—agriculture—by financing specific assets that increase sustainability, long-term productivity, and wealth creation.

Juhudi's Partnership with GBF

With GBF's support, Juhudi established five-year track record as a spin-off program from the K-Rep Development Agency, an antipoverty NGO that performs research and product development for the microfinance sector. This initiative provided financing to over 7,000 smallholder farmers, 46% of them women. On April 1, 2009, all of the program's assets were transferred to Juhudi Kilimo LLC. In 2009, GBF provided early investment capital and technical assistance to strengthen Juhudi's business and make it a compelling investment opportunity for others.

Juhudi's Performance and Impact

As of the end of 2009, Juhudi financed more than 6,000 smallholder borrowers and two rural enterprises, impacting over 75,000 Kenyans. Over the next five years, Juhudi is projected to grow to 50,000 active clients and have a total impact on approximately 500,000 rural Kenyans.



Building the Field of Impact Investing

GBF pursues field-building initiatives such as financial models, tools, and partnership arrangements, that are suitable for broader application throughout the impact investment sector. Below are a few initiatives that GBF has recently piloted:

Angel clubs: Impact investing will only be able to reach a fraction of the High Impact Businesses needed to lift millions out of poverty. New local platforms that blend investment capital and technical assistance to support more businesses and reach millions of micro-producers in their countries need to be developed. Local business leaders have much to contribute, bringing business intellect and connections. During its first two years, GBF helped support two local funding platforms: Sosial Enterprener Indonesia (SEI), an angel investment club in Indonesia, and the IES Foundation, a local investment fund in Bolivia. GBF has provided both with investment capital and technical assistance and is working closely with them on their institutional development.

Workshops: GBF developed a program of regionally-based workshops that allowed groups of portfolio companies to network with each other and receive group training in financial management. Prior to and following these workshops, GBF's portfolio companies had the

opportunity to work directly with expert consultants to analyze their business needs and development. These workshops were sponsored by the Netherlands Development Finance Company (FMO) and the Development Bank of Austria (OeEB).

As a result, the workshops have generated tools, best practices and lessons learned for portfolio companies that will be tailored – through subsequent technical assistance projects – to individual GBF portfolio companies.

Knowledge Management: GBF has gathered valuable knowledge as a result of its activities over the past several years that continue to drive better decision-making, more robust problem-solving and improved strategic planning. GBF has implemented an internal Knowledge Management (KM) website to better capture the information generated from the experiences accumulated from our investments. The aim of this initiative is to improve our efficiency, deal sourcing and continue to build our effectiveness in building High Impact Businesses.

With the help of the internal KM site, GBF has already developed several "Lessons Learned" documents. Over time, GBF would like to broaden and expand its work to include outside partners in order to learn from their experiences and also share GBF's lessons learned to date.

Building co-financing Mechanisms:

Looking ahead, GBF will continue to seek and develop innovative platforms for financing High Impact Businesses. For example, because GBF's portfolio companies often struggle to obtain enough credit to scale their businesses and grow, GBF plans to pursue a new partnership model that will provide our portfolio companies with credit lines suited to their particular needs. Although a number of commercial banks in developing countries are beginning to lend to small and medium-sized enterprises, there are still many businesses falling through a gap in the market because they require longer-term, quasi-equity financing. GBF would like to extend its traditional blend of investment capital and technical assistance alongside locally based financial intermediaries. This co-financing mechanism would build on existing financial sources, drawing in and complementing existing providers of business support services for the portfolio companies.

Social Impact Verification: While financial metrics reported to GBF and other investors are validated when a portfolio company undergoes an audit, there is typically no similar process for social metrics. In order to ensure that those metrics are also checked for accuracy, giving GBF and our portfolio companies increased confidence their social impact, GBF developed the Social Impact Verification framework in partnership with Dalberg Global Advisors. This framework assesses social impact data across five criteria: compliance, capability, reliability, integrity and accuracy. Using this methodology, GBF is able to determine whether reported figures are accurate, what the underlying operational factors are that determine data quality, immediate corrections that can be made to improve accuracy of reported figures, and opportunities to provide technical assistance to support the development of improved data management systems and processes.

GBF staff visit Servals Automation Private Limited (Servals) to conduct Social Impact Verification, ensuring that several social and operational metrics are checked for quality and accuracy





Financial Highlights

Statement of Financial Position

Year ending as of June 30

ASSETS*	2011	2010	2009
Mission Related Investments	\$1,353,785	\$685,287	\$557,900
Mission Related Loans ¹	\$3,206,643	\$1,867,215	\$1,144,769
Cash and Cash Equivalents ²	\$5,523,284	\$6,020,890	\$4,538,897
Committed Donor Contributions	\$0	\$5,599,247	\$11,707,615
Fixed Assets	\$36,241	\$54,638	\$78,995
Other Assets	\$85,685	\$32,180	\$26,541
TOTAL ASSETS	\$10,205,638	\$14,259,457	\$18,054,717
LIABILITIES AND NET ASSETS			
Short-Term Liabilities ³	\$360,463	\$568,592	\$389,985
Net Assets (Unrestricted)	\$9,127,761	\$6,681,777	\$4,899,553
Net Assets (Temporarily Restricted) ⁴	\$717,415	\$7,009,088	\$12,765,179
TOTAL LIABILITIES AND NET ASSETS	\$10,205,638	\$14,259,457	\$18,054,717

Statement of Activities

Year ending as of June 30

SUPPORT AND REVENUE	2011	2010	2009
Contributions-Foundations	\$105,650	\$20,748	\$284,000
Contributions-Corporations (includes IFC contribution)	\$5,000,000	\$5,162,278	\$5,244,258
Contributions- Individuals	\$25,000	\$25,000	\$400,000
Contributions-Other ⁵	\$1,256,394	\$731,091	\$1,541,270
In-Kind Contributions	\$338,843	\$51,500	\$271,305
Investment Loss	(\$258,361)	(\$166,374)	\$0
Other Sources ⁶	\$409,229	\$9,107	\$201,152
Additions/Releases from Net Assets ⁷	(\$6,336,673)	(\$5,756,091)	\$12,765,179
TOTAL SUPPORT AND REVENUE	\$540,079	\$77,259	\$20,707,164
EXPENSES			
Program Expenses ⁸	\$3,295,189	\$3,380,680	\$2,420,783
Administrative and General Expenses ⁹	\$708,275	\$570,566	\$528,539
Fundraising Expenses	\$382,307	\$99,880	\$121,168
TOTAL EXPENSES	\$4,385,771	\$4,051,126	\$3,070,490

In addition to investments and loans which are included in the statements above, GBF also committed \$2.2 million of mission related loans and investments which were not included in the financial statements because these were not disbursed as of June 2011. Disbursements of these is contingent upon clients meeting certain conditions. GBF also received \$1.2 million in principal repayments to date against the disbursements made. See Notes to Financial Statements on inside back cover

Looking Ahead: What's Next for GBF

Over the next 5 years, GBF has committed to providing sustainable economic opportunities to more than 20 million people living at the base of the economic pyramid. It will pursue this by supporting approximately 60 High Impact Businesses in Africa, Asia, and Latin America.

Building on lessons learned and current accomplishments, GBF believes there is both significant unmet need, and a strong opportunity for GBF to expand. Therefore, GBF will continue delivering its distinctive blend of investment capital and flexible, high quality technical assistance. It will pursue this through two main vehicles working together: a private investment fund and a nonprofit entity. GBF believes that this hybrid structure will create positive results and a profitable ecosystem that will help High Impact Businesses reach sustainability and scale.

The private investment fund aims to deliver more appropriate types of financing that align with the particular needs of High Impact Businesses, help to expand their scale and impact, promote their long-term sustainability, and create wealth for the poor. At the same time, GBF's nonprofit entity will raise additional funds for technical assistance to portfolio companies as well as for field building initiatives.

The private investment fund and nonprofit entity will be separately governed, but will work together under the "brand" of GBF, sharing resources, knowledge, and practical approaches with its partners in the field.

Gone Rural is a High Impact Business based in Swaziland. It is a socially responsible business that employs approximately 750 women in the rural areas of Swaziland to make export-quality hand-crafted home decor products.

Governance

GBF's current structure includes a Board of Directors (BoD) and two advisory groups (Investment Advisory Committee and an Advisory Board) that are active participants in GBF's planning and development.

Board of Directors

The Board of Directors is composed of experienced leaders from the finance and development sectors. They are responsible for the strategy and direction of the Grassroots Business Fund.

- 1) **Iqbal Paroo**, Managing Partner of Paroo and Associates and Former President and CEO of Omidyar Network
- 2) **Harold Rosen**: Executive Director of GBF
- 3) **Andrew Adelson**: Former Chief Investment Officer of International Investment Management Services at Sanford C. Bernstein & Co., Inc., Social Investor and Philanthropist
- 4) **Toshiya Masuoka**: Director, Inclusive Business Models, IFC

Advisors

GBF's advisory groups are composed of experienced leaders in the fields of international development, international finance, and academia. The advisory groups help GBF with its oversight and strategy, continually refining and improving its approach.

- 1) Percy Barnevik: Advisor, Indian Trust, Hand in Hand
- 2) Alan Patricof: Founder and Managing Director, Greycroft LLC
- 3) Kash Rangan: Professor of Marketing, Harvard Business School
- 4) Elaine Wolfensohn and James D. Wolfensohn, Former President of the World Bank
- 5) CP Zeitinger: Chairman, Supervisory Board, ProCredit Holding; Founder, International Project Consult (IPC)

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- Oesterreichische Entwicklungsbank (OeEB - the Development Bank of Austria)
- Omidyar Network



Grassroots Business Fund



Partners



DEFINITIONS

SME = Small and Medium Enterprise

BoP = Base of Economic Pyramid

SROI = Social Return on Investment

NOTES TO FINANCIAL STATEMENTS

1. Includes outstanding mission related loans
2. Includes all highly liquid assets and certificates of deposit
3. Includes accounts payable, accrued expenses, accrued vacation & sick days
4. Includes \$10 of committed grants from IFC (2009) and \$5 million (2010)
5. Includes contributions from bilateral institutions
6. Includes bank interest, mission related loan interest, and mission related loan activation fees, and exchange rate fluctuations
7. Includes additions/releases from temporarily restricted net assets
8. Includes mission related expenses such as technical assistance (direct and grants) due diligence expenses, as well as internal programs such as monitoring and evaluation, and communications
9. Includes operational expenses, workshops, staff training, as well as GBF start up costs (2009)



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