



SHARED INTEREST  
1999 ANNUAL REPORT



*Our country is in that period of time  
which the seTswana-speaking  
people of Southern Africa graphically  
describe as “mahube a naka tsa  
kgomo” — the dawning of the dawn,  
when only the tips of the horn of the  
cattle can be seen etched against the  
morning sky.*

— Thabi Mbeki  
Speech at his Inauguration  
as President of South Africa  
June 16, 1999

#### COVER PHOTO

*Jane Mothapo is a member of one of Agishana Credit Company's borrowing groups in Northern Province. She and three other members pooled their loans of \$167 each to open a small dressmaking shop in Pietersburg, where they share space and sewing machines. They have been particularly successful in making dresses that are rented out to township customers for weddings and other festive occasions.*

Photo: D. Katzin

#### MISSION

Shared Interest is a not-for-profit social investment fund established to enhance the self-sufficiency of South Africa's low-income communities and their financial institutions. Shared Interest increases low-income South Africans' access to affordable credit by guaranteeing South African bank loans for their urban and rural small business and social housing initiatives. These loans help build the community development financial institutions that administer and re-lend the credit. They also foster productive new relationships between South Africa's banks and economically marginalized communities.





Dear Friends:

As he succeeded Nelson Mandela, South Africa's new president, Thabo Mbeki, declared a seminal moment in South Africa's history—"the dawning of the dawn." Poised on the brink of the new millennium, South Africa has recommitted itself to the dream of a just society. As every South African knows, from President Mbeki to the township shack-dweller, a just society cannot emerge and endure without a vast extension of economic opportunity and material well-being. Reconciliation requires reconstruction. This has been Shared Interest's unchanging goal from the beginning.

Shared Interest and its South African partner, the Thembani International Guarantee Fund (TIGF), have stepped up their efforts to accelerate the delivery of jobs and houses. We have established a program of technical assistance in the Western Cape that has enhanced the performance of individual community lending institutions, and provided a forum for them to share experiences and information. TIGF has also issued guarantees in new parts of the country and sectors in which South Africans of color have been most systematically denied access to credit. These guarantees have made their mark in the Northern Province, Free State and Eastern Cape, helping to launch small entrepreneurs ranging from cooks to contractors and to change the face of township and rural communities.

It is rewarding work. At a time when South Africa's formal sector has continued to shed jobs, TIGF-guaranteed loans to small and micro-entrepreneurs have created thousands of new jobs and enabled the construction of more than 10,000 houses.

Shared Interest's work would not be possible without the ongoing support of our investors, donors and volunteers. In 1999 we boosted our guarantee pool to the \$5 million mark from \$3,200,000 in 1998. Part of this growth came from the support of new friends in cities we visited for the first time.

A number of our faith-based supporters converted their loans to Shared Interest into "Jubilee" donations. They recognize that our model creates zero overseas indebtedness in South Africa. In sharp contrast to standard rules for today's global economy, we rely on the financial, material and human resources that are already abundantly available in South Africa. Our task is to free those resources from past constraints and to encourage their full employment, rather than to burden them with foreign debt or foreign ownership.

This year and in years to come we look forward to more of this good work with old and new supporters to strengthen South Africa's grassroots majority communities and to give birth to a more equitable and sustainable economy at the dawn of the new millennium.

Sincerely,

Robert Zevin  
Chair of the Board of Directors

Donna Katzin  
Executive Director



## Them bani International Guarantee Fund: Creating Jobs and Homes in South Africa



During 1999, Shared Interest and its South African partner, TIGF, expanded their activities in South Africa to serve as a catalyst for job-creation and home-building. While continuing to extend both non-financial and financial services to existing community lending partners operating in all of the country's nine provinces, they also issued guarantees to new intermediaries for loans to small and micro-entrepreneurs in Northern Province and "emerging" contractors building low-cost housing in the Eastern Cape and the Free State. Shared Interest and TIGF also developed a three-year strategic plan to expand TIGF's activities and extend them to provinces and sectors where credit remains an elusive goal for low-income people of color.

*Proud attendant arranges the goods at the new convenience store on the farm operated by the Philisisizwe Phedisasechaba Association for Development (PAD) with the help of a TIGF guarantee.*

## Building Capacity in the Western Cape

*Western Cape RFI Forum meeting. Pictured from left to right are Petrina Roberts, executive director of MENNGOS; Tsholo Diale, TIGF general manager; Ahmed Hay, TIGF consultant; Michael Brand, executive director of South Cross Business Development Trust.*



TIGF has embarked on a program to build the capacity of retail financial institutions and other non-governmental organizations to use financial tools including, but not limited to, guarantees. With grants from Levi Strauss and the U.S. Agency for International Development, TIGF launched its first program in the Western Cape, in close collaboration with the province's Micro-Enterprise Network of NGOs (MENNGOS).

TIGF began by surveying the needs prioritized by Western Cape community lending institutions—including groups providing credit for both small and micro-enterprises as well as low-cost housing. With TIGF's assistance, these groups organized a forum to share their experiences and address their needs. While TIGF provided support for the forum's group training sessions, it has also supplied a consultant to work with several of the organizations individually on developing new products and utilizing new financial tools to become increasingly self-sufficient.

## Issuing New Guarantees in Northern Province and the Free State

### AGISHANA CREDIT COMPANY

Northern Province remains one of South Africa's poorest provinces. It continues to be a net exporter of people who flock to other areas of the country in search of the jobs and income-generating activities that are sharply curtailed by the province's limited investment in manufacturing and services, harsh climate and restricted access to credit.

Last year, TIGF issued its first guarantee in Northern Province to Mtunzini Residential (Pty) Ltd — which has since delivered 187 low-cost houses in the Casteel Bushbuckridge North Housing Project. This year TIGF issued a guarantee to the Agishana Credit Company to supply credit for micro- and small businesses in the same impoverished Northern Province, including Bushbuckridge.

Agishana was created by the Pietersburg-based Great North Credit Company to extend loans specifically for very small businesses. TIGF's \$166,666 guarantee enabled Agishana to obtain \$333,333 in credit from Standard Bank, making it possible for Agishana to move beyond its central office in Pietersburg and open five new branch offices in the province.

Agishana employs a strict and successful methodology. It makes loans of R300 to R1,000 (\$45 to \$152) to clients who borrow in groups of up to five people. Participants organize themselves into these groups and take responsibility for each others' loans. Individuals seeking to borrow more than R1,000 (\$159) can approach Agishana directly, or "graduate" from the borrower groups.

Agishana's loan officers work with both urban and rural clients, but limit their operations to a 15 square kilometer radius. Workers are required to visit each client two to four times a month for training, support, monitoring and collections. They are expected to issue R110,000 (\$16,666) a month in new loans, and maintain a recovery rate of at least 97%. Since the program began, Agishana's aggregate arrears rate has been approximately half a percent for the groups and individual borrowers combined.

### KING FINANCE

One of the groups that has found it hardest to obtain credit is the country's "emerging contractors"—builders of color who have ample construction skills but have never had the opportunity to form their own small businesses (which were illegal under apartheid) or to secure sizeable contracts. Now that the South African government is supplying subsidies for low-cost housing, and is encouraging new contractors to enter the field, emerging builders are beginning to compete for larger government housing contracts.



*Eric Mbazimba in his traditional chicken restaurant.*

**"There is an African way of cooking that our ancestors used," explained Eric Mbazimba. Eric used those recipes to launch a successful open-fire chicken business in Acornshoek, Northern Province. After successfully repaying an initial loan of R8,000 (\$1,270) from Agishana credit Company, Eric borrowed R20,000 (\$3,175) for materials to equip and expand his restaurant, cages to transport the chickens, and a sound system to attract customers. He has hired three people to help him. Eric deliberately set up the facility in the local market next to a cattle butcher, noting that "people get tired of beef!"**

## From Lenders to Grassroots Borrowers: How TIGF Works



In the process, they encounter several obstacles. First, they often lack the business experience and skills required to manage projects of the scale mandated by the contracts. Moreover, since the government funding is delivered in stages following completion of the designated phases of the project, they lack the start-up funds required to purchase the architectural services and initial building supplies and tools needed to begin the job.

TIGF is working with the National Urban Reconstruction and Housing Agency (NURCHA) to give these emerging contractors their first loans, and help them to establish themselves as viable small businesses. TIGF's guarantee of \$750,000—matched by complementary guarantees from NURCHA and the Swedish International Development Agency—has secured more than \$3,300,000 in bridge financing for previously disadvantaged contractors from King Finance, a local lending institution that has become a division of the African Bank. In less than a year, these loans have already enabled 30 emerging contractors to build more than 10,000 homes (40 square meters each) for people at the lowest income levels in 29 different communities—seven in the Eastern Cape and 22 in the Free State.

NURCHA and King Finance provide on-site support, monitoring and project management for the new contractors, assisting them with technical challenges as well as budget projections, cash flows and coordination with local, provincial and national housing authorities. They also lower the cost of building

**Dora van Wyk never expected that she would live in her own house, on her own land, with water and electricity. Previously she had lived where she was born and raised—on the land of the white farmer for whom she worked, in a clay house that collapsed with last year's heavy rains. Today she is retired and lives with her son (who still works on the farm) in a new house in Luckoff (Free State), built by a local emerging contractor with the help of the municipal authorities, the white farmers' union, and a loan partially guaranteed by TIGF.**



*Dora van Wyk outside her new home.*

supplies by arranging for their purchase in bulk. In most cases, the contractors train and hire local people from the communities in which they are building. While the jobs are temporary, they provide the skills residents need to refurbish or expand their own houses in the future, or to seek employment on other projects.

Several of the new builders, who have already completed their projects successfully and established solid project management and repayment records, have established their credentials as builders and borrowers and are now considering applying for their next loans without guarantees. At the same time, King Finance is helping its current contractors complete the final 3,000 houses projected under their existing loans, and preparing to secure subsidies for its next batch of 9,000 pending applications.

#### **Them bani International Guarantee Fund**

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South Africa

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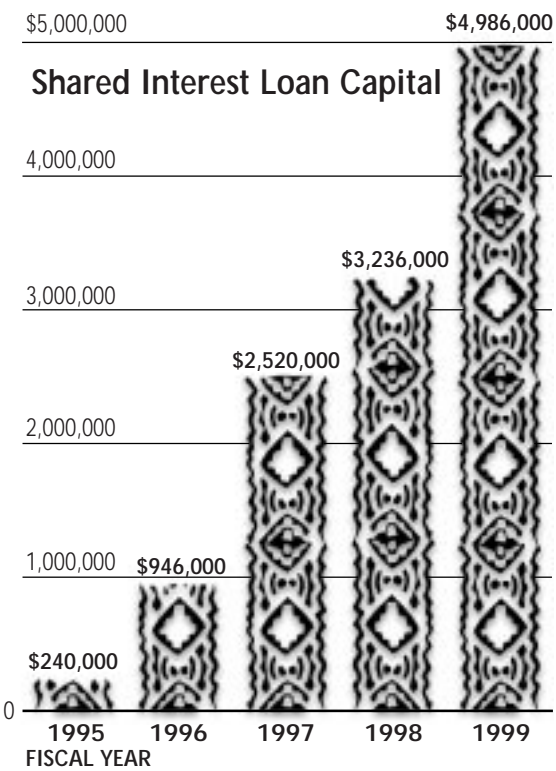
Fax: **27-11-403-3894**

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**Work in the building industry was the farthest thing from Maggie Nthatsi's mind, until her husband, Greg, returned to South Africa from exile and began to work as a builder in the Free State. "I knew nothing about construction," she recalled, "and I couldn't imagine myself with those men on site with their overalls and helmets." But Maggie was recruited by a neighboring builder and began to learn the business. Soon she and her husband set up their own small business, Kentha Construction, and applied for a TIGF-guaranteed loan to build 500 low-cost houses. "I discovered there was no woman in the Free State who knew more than me about construction," Maggie recalled. Today she and Greg have built 1,500 new houses for low-income residents—more than any other small contractor in the province.**

*Maggie Nthatsi and one of her builders inspect a house they are completing in the Free State.*



## Building Support in the U.S. Investment Highlights

During the year, Shared Interest raised \$1,545,000 in loans from 24 lenders. In addition to 12 individuals, these included Bankers' Trust, Calvert World Values Fund, Catholic Health Initiatives, The Episcopal Church, The Episcopal Diocese of Connecticut, the National Council of Churches, the Sisters of St. Agnes, Sisters of St. Dominic of Racine and Amityville and Sisters of St. Joseph of Carondolet. Eleven of 13 Shared Interest lenders whose promissory notes came due renewed or increased their loans. Two other lenders, in the spirit of the Jubilee year, forgave their loans to Shared Interest. By year's end, Shared Interest's total guarantee capacity had risen to \$4,986,000.

At the beginning of the year, Shared Interest's loan loss reserve fund totaled \$116,603. Following a call on TIGF's first defaulting loan, Shared Interest protected its lenders' capital by more than replenishing its reserve fund to the level of \$117,334. The organization that failed to repay its debt on time recognizes the full amount called as an outstanding obligation to its guarantors. As of December 31, 1999, Shared Interest's reserves equaled 6.6% of the guarantees TIGF had approved and 7.1% of those it had issued.



*Bushbuckridge residents have moved into their new houses in Northern Province built by Mtunzini Residential (Pty) Ltd with the help of a TIGF guarantee*

## How to Participate in Shared Interest

Shared Interest is a tax-exempt organization supported by individuals and institutions who are committed to helping strengthen the South African communities and institutions that are advancing their country's equitable and democratic development.

You can participate in Shared Interest as a lender or a donor by contacting the Shared Interest office directly. Loans begin at \$10,000, and are accompanied by the lender's tax-deductible contribution to Shared Interest of a percentage of the interest earned. Those interested in investing should contact Shared Interest for an investor's packet.

Donors may make contributions or pledges by sending checks payable to "Shared Interest", by making single credit card donations or by requesting that Shared Interest automatically debit their credit cards each month. Supporters can also include Shared Interest in their wills as the recipient of either a fixed amount or a percentage of their estates. Shared Interest's tax identification number is 13-3836581.

Contributions of securities to Shared Interest can be facilitated by your broker. Such contributions entitle donors to a deduction of the full market value of appreciated securities and exempt them from paying capital gains taxes on those securities.





## Gifts and Grants

During 1999, Shared Interest hosted events to introduce South Africa's newly appointed Ambassador to the United States, Sheila Sisulu, to supporters in Boston, Chicago, Minneapolis, and Chicago—and to new friends in Detroit and Seattle. This warm welcome in six cities underscored the social investment, philanthropic, African-American, faith-based and business communities' continuing support for South Africa—and for the work of building an economy that works for all of South Africa's people.

Shared Interest is most grateful for the assistance of the South African Embassy in Washington, D.C., and the South African Consulates General in New York City, Chicago and Los Angeles. We also appreciate the generous collaboration of our colleagues at Artists for a New South Africa in Los Angeles, and South Africa Partners and the South Africa Development Fund in Boston.

Shared Interest is grateful to its enduring friends at Choate Hall & Stewart and Solomon Smith Barney for their ongoing pro bono legal and brokerage services—and to MADRE for its hospitality. During the year, Shared Interest moved to new offices as tenants of MADRE, an organization that advocates for women's rights across the developing world.

Shared Interest is the sum of its supporters—whose time, counsel, moral and financial backing make its work possible. In addition to its numerous individual donors, including those investors who generously contribute a portion of their interest back to the organization, Shared Interest gratefully acknowledges the support of the following institutions:

### Foundations

California Community Foundation  
Laura Dewey Charitable Trust  
Friedman Family Foundation  
Funding Exchange  
Glickenhau Foundation  
The Goodday Foundation  
Jewish Community Endowment Fund  
Lowe-Marshall Trust  
Lotty Zucker Foundation  
Maine Community Foundation  
Minneapolis Foundation  
Overbrook Foundation  
Public Welfare Foundation  
Rockefeller Foundation (matching gifts)  
Scandia Foundation  
Aaron & Martha Schechter Foundation  
Share-It-Now Foundation  
Peter & Mary Stone Foundation  
Harold Sweatt Foundation  
Vanguard Public Foundation  
Wood-Rill Foundation

### Religious and Community Organizations

8th Day Center for Justice  
Adrian Dominican Generalate  
Careful Industries  
Center for Community Services in Seattle  
Corpus Christi Community of the Catholic Church  
Dominican Sisters of Springfield  
Eureka Communities  
Fair Housing Center of Metro Detroit  
First Congregational Church  
International Association for Community Economic Development  
Intercommunity Peace & Justice Center  
Sisters of St. Joseph of Orange  
Sisters Servant of the Immaculate Heart of Mary  
Trinity Church of Christ  
United Methodist Church Women's Division  
Urban League of Metropolitan Seattle  
Wheaton Franciscan Sisters

### Corporations

3M  
AEA Investors  
Peg Alston Fine Arts  
Bankers Trust (matching gifts)  
Barden Companies, Inc.  
Chase Manhattan Bank  
Citigroup  
Colgate Palmolive  
Colle & McVoy  
DaimlerChrysler  
Donaldson, Lufkin & Jenrette  
Ford Motor Company  
General Motors Co., Inc.  
Genesis Business Centers, LTD.  
Global Health Management  
Harrington Investments, Inc.  
Aileen C. Hernandez and Associates  
The Hogan Company  
Honeywell  
Johnson & Johnson  
Michigan National Bank  
J.P. Morgan (matching gifts)  
Phillip Pierce and Associates  
Rockefeller Financial Services (matching gifts)  
St. Paul Companies  
Shorebank Capital  
Simon Industries, Inc.  
Time Warner  
Travelways  
Willie L. Wilson Productions  
Zephyr Management

### Shared Interest Corporate Leadership Council

<b>Chase Manhattan Bank</b>	<b>Johnson &amp; Johnson</b>
<b>Citibank</b>	<b>Levi Strauss</b>
<b>J.P. Morgan &amp; Co., Incorporated</b>	<b>The St. Paul Companies</b>

## Boston

Janet Axelrod and Tim Plenk graciously hosted a reception co-sponsored by Shared Interest and South Africa Partners, headed by Shared Interest board member Mary Tiseo. The event celebrated Ambassador Sisulu's appointment and powerfully reminded guests of the promise and challenges of work for South Africa's democratic development during the critical years to come.

## Minneapolis

Sally and George Pillsbury hosted a remarkable gathering to welcome Shared Interest and Ambassador Sisulu, and to introduce her to the people of the Twin Cities. The reception's sponsors included 3M, Audrey & David Beal, the Harold W. Sweatt Foundation and the Winton-Whitney Fund. The event assembled a broad range of human rights, business and philanthropic supporters, and highlighted the potential for their ongoing partnerships with South Africa's grassroots communities.

## Chicago

Hostess Elaine Klemen welcomed Ambassador Sheila Sisulu and Shared Interest to the windy city. A diverse crowd, including jazz legend Hugh Masakela, gathered in Ms. Klemen's home for an update on South Africa's accomplishments and unfinished agenda of reconstruction. Motorola sponsored an elegant luncheon at the South African Consulate that introduced the Ambassador and Shared Interest to the Chicago corporate community.

## New York

*Kat and the Kings* burst onto the stage, bringing the excitement of 1950 Cape Town's District Six to Broadway. The performance reminded the audience of how apartheid compromised and finally destroyed the dreams of five talented performers and their community—who nonetheless left a legacy of courage and creativity that live on in the new South Africa. Following the play the cast talked with the audience about the painful history, passion and hopes that continue to inspire their work.



Anthony Abernathy

*Detroit's Pyramid Performing Theater presents the Aisha Shule Preparatory Dancers in honor of Ambassador Sheila Sisulu*

## Detroit

The Charles H. Wright Museum of African-American History opened its doors for Ambassador Sisulu's first visit to Detroit, where Shared Interest hosted a reception for investors, donors and new friends generously underwritten by Ameritech, Barden Companies, DaimlerChrysler, the Ford Motor Company, General Motors, Michigan National Bank and United Auto Workers. On the eve of South Africa's second democratic elections, the Aisha Shule Preparatory Dance Troupe performed African dances for an audience of religious, business, political, activist and academic leaders.

## San Francisco

After voting in South Africa's satellite polling place in Los Angeles, Ambassador Sisulu flew to San Francisco to attend a luncheon hosted by Levi Strauss. The Ambassador then addressed a meeting of Bay Area socially responsible investment professionals hosted by Working Assets. That evening, Muriel and Alan Brotsky hosted a benefit reception for the Ambassador and Shared Interest supporters enlivened by the inspiring performance of the Vukani Mawethu Choir.

## Seattle

Ambassador Sisulu and Shared Interest traveled to Seattle in the fall to receive a warm welcome from hostess Kay Bullitt, and leaders of the city's African-American and religious communities. The Most Reverend Robert Taylor, Dean of St. Marks Cathedral, co-chaired the event, which highlighted the potential for positive international partnerships for equitable development in the context of the global economy.



Brian Sellers-Petersen

*Seattle media celebrity Micki Flowers poses with Ambassador Sisulu at Shared Interest reception in Seattle*



## Statement of Financial Condition As of December 31, 1999

### Current Assets

Cash	\$80,495
Investments	5,165,594
Investments-Loan Loss Reserve Fund	117,343
Accrued interest receivable	56,605
Other receivable	1,000
Computer equipment (net of accumulated depreciation of \$2,973)	5,404
<b>Total Current Assets</b>	<b>\$5,426,441</b>

### Liabilities

Accounts payable and accrued expenses	\$21,707
Accrued interest payable to noteholders	28,295
Promissory notes payable	4,986,000
<b>Total Liabilities</b>	<b>5,036,002</b>

### Commitments and Contingencies

### Net assets

Unrestricted	390,439
<b>Total Liabilities and Net Assets</b>	<b>\$5,426,441</b>

SHARED INTEREST, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1999

## NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ORGANIZATION

Shared Interest, Inc. ("Shared Interest" or "the Organization") is a not-for-profit entity supported by individuals and institutions committed to helping to strengthen the financial and community organizations needed to shape South Africa's equitable and democratic development.

Along with Research and Applications for Alternative Financing for Development ("RAFAD"), in 1996 the Organization became a co-founding member of the Thembani International Guarantee Fund ("TIGF") in South Africa. The mission of the Organization is, through the use of funds provided by outside investors, to partially collateralize guarantees made through TIGF for South African bank loans to community development financial institutions engaged in South Africa's reconstruction process. Neither RAFAD nor TIGF is an entity controlled by the Organization, and their respective financial positions and changes in net assets are not included in the accompanying financial statements.

The Organization receives amounts from individual and institutional investors that serve as collateral for loans made in South Africa and guaranteed by TIGF. The Organization invests the amounts received in high-quality, socially-screened debt securities and deposits in U.S. financial institutions, and it acknowledges through the issuance of promissory notes the obligation to return these funds to the investors at a future date.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

### FINANCIAL REPORTING

#### (A) Accrual basis financial statements:

The financial statements of the Organization have been prepared on the accrual basis and conform to generally accepted accounting principles as applicable to not-for-profit organizations.

#### (B) Net assets:

The net assets of the Organization and changes therein are classified and reported as follows:

##### (i) Unrestricted:

Unrestricted net assets are those resources available for current operations as there are no donor restrictions on the use of these assets.

(ii) Temporarily restricted:

The Board of Directors has designated certain resources and earnings thereon as of December 31, 1999 for the maintenance of the loan loss reserve fund (see Note 2).

**(C) Functional allocation of expenses:**

The cost of providing the program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in ratios determined by management.

**(D) Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Actual results could differ from those estimates.

**Contributions:**

Contributions are recorded as revenue upon receipt of cash or unconditional pledges. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Individual and institutional investors are encouraged to donate a portion of their investment income to the Organization to help cover the transaction costs of its guarantees and maintain its operations. For the year ended in December 31, 1999, investment proceeds amounted to \$249,079, of which \$150,836 was contributed by the investors to the Organization.

**In-kind contributions:**

In-kind contributions consist of donated services. These amounts are recorded as both revenue and expense, at their estimated fair values at the date of receipt.

**Intermediary transactions:**

Interest earned on investments is returned to investors who loaned funds to the Organization, and accordingly, is not reflected as earnings of Shared Interest. These investors may donate all or a portion of their investment income to the Organization, and such income is reflected as contribution revenue in the accompanying financial statements.

**Fixed assets:**

Fixed assets consist of computers which are being depreciated over five years using the straight-line method.

**NOTE 2 LOAN LOSS RESERVE FUND**

The Loan Loss Reserve Fund was created by the Board of Shared Interest out of its unrestricted net assets and from donors who have given contributions and made loans for the purpose of maintaining funds to cover potential defaults by borrowers on loans guaranteed.

## Statement of Activities For the Year Ended December 31, 1999

	UNRESTRICTED NET ASSETS	TEMPORARILY RESTRICTED NET ASSETS	TOTAL NET ASSETS
<b>Public Support and Revenue</b>			
Contributions	\$592,676	\$5,000	\$597,676
Net realized gain on investments	305	0	305
Net unrealized loss on investments	(156,319)	0	(156,319)
Special events revenue, net of direct expenses	7,138	0	7,138
In-kind contributions	15,530	0	15,530
Interest and dividend income	12,255	0	12,255
<b>Total Public Support and Revenue</b>	<b>471,585</b>	<b>5,000</b>	<b>476,585</b>
<b>Expenses</b>			
Program Services:			
Grant to TIGF	135,927	0	135,927
Grant to South African organization	0	5,000	5,000
Other program services	225,175	0	225,175
Fund raising	58,583	0	58,583
General and administrative	60,240	0	60,240
<b>Total Expenses</b>	<b>479,925</b>	<b>5,000</b>	<b>484,925</b>
<b>Decrease in Net Assets Prior to Loan Loss Provisions</b>	<b>(8,340)</b>	<b>0</b>	<b>(8,340)</b>
<b>Loan Loss Provisions</b>			
Payment on defaulted loan	(80,909)	0	(80,909)
Transfer to loan loss reserve fund	25,000	(25,000)	0
<b>Total Loan Loss Provisions</b>	<b>(55,909)</b>	<b>(25,000)</b>	<b>(80,909)</b>
<b>Decrease In Net Assets</b>	<b>(64,249)</b>	<b>(25,000)</b>	<b>(89,249)</b>
<b>Net Assets – January 1, 1999</b>	<b>454,688</b>	<b>25,000</b>	<b>479,688</b>
<b>Net Assets – December 31, 1999</b>	<b>\$390,439</b>	<b>\$0</b>	<b>\$390,439</b>

## Statement of Cash Flows For the Year Ended December 31, 1999

**Cash Flows From Operating Activities**

Decrease in net assets	(\$89,249)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation expense	1,418
Net realized and unrealized losses on investments	156,014
Changes in operating assets and liabilities:	
Promissory note payable	1,465,000
Interest receivable	(1,852)
Other receivables	(484)
Accounts payable and accrued expenses	1,585
Accrued interest payable to noteholders	7,768
<b>Net cash provided by operating activities</b>	<b>1,540,200</b>

**Cash Flows from Investing Activities**

Purchase of investments, net of redemptions	(\$1,566,311)
Acquisition of fixed assets	(3,422)
<b>Net cash used in investing activities</b>	<b>(1,569,733)</b>

**Net Decrease in Cash**

(29,533)

**Cash – January 1, 1999**

110,028

**Cash – December 31, 1999**

\$80,495

During the year ending June 30, 1997, the Organization issued a \$25,000 two-year, noninterest-bearing promissory note to an institution, the proceeds of which were designated to fund the Shared Interest loan loss reserve. The institution had stipulated that the principal of this loan might be used, before any other funds of Shared Interest, to satisfy the guarantee of a failed loan in South Africa. At the maturity of this note, the institution called the unexpended portion of the principal. Accordingly, the Organization repaid the note from its reserve fund. The Board of Shared Interest subsequently replenished the loan loss reserve from its operations.

In the event that a loss on a loan guarantee exceeds TIGF's risk coverage provisions, that loss may be drawn from the Shared Interest and RAFAD lenders' outstanding principal in the same proportion that their outstanding notes which contain provisions permitting such reductions.

On November 24, 1999 there was a call of \$80,909 on a Shared Interest letter of credit which was issued to benefit NASASA. Though NASASA has subsequently signed a legal document recognizing its obligation to repay the loan, it failed to do so by December 31, 1999. After Shared Interest covered the call with its loan loss reserves, the Board of Shared Interest transferred stock valued at \$73,439 from operations to replenish the loan loss reserve fund.

Recognizing that the guarantees carry considerable risk of non-repayment, Shared Interest and TIGF have begun to refine their system for assessing and monitoring outstanding guarantees and providing for potential losses. Currently, Shared Interest's policy is to maintain a loan loss reserve equal to at least 5% of its outstanding guarantees.

**NOTE 3 INVESTMENTS**

Investment assets held by the Organization are stated at quoted market value. Gains and losses from these investments, if any, are reported in the statement of activities. Since the investments are held to maturity, any change in value is of a temporary nature. At December 31, 1999 investments consist of the following:

Cash held in brokerage accounts	\$1,186
U.S. government and government agency obligations, maturing at various dates through 2010	5,090,594
Marketable securities	73,814
	<b>\$5,165,594</b>

**NOTE 4 PROMISSORY NOTES**

Promissory notes issued mature as follows:

Year Ending December 31,

2000	\$640,000
2001	755,000
2002	1,856,000
2003	250,000
2004	1,285,000
Thereafter	200,000
	<b>\$4,986,000</b>

The promissory notes are stated at their face amounts. The majority of the notes carry a provision evidencing the fact that some of the underlying principal of the promissory note may be used to satisfy the guarantee of a failed loan in South Africa.

Interest is paid semi-annually in arrears on March 31 and September 30 of each year. Interest paid to note holders on their outstanding promissory notes represents the investment earnings on the individual notes which ranges from 4.464% to 6.936%. As discussed in Note 1, investors are encouraged to donate a portion of their investment earnings to the Organization.

**NOTE 5 RELATED PARTIES**

The Organization granted \$135,927 in funding to TIGF, for the year ended December 31, 1999.

**NOTE 6 CONCENTRATION OF CREDIT RISK**

The Organization's cash balance at a bank is insured by the Federal Deposit Insurance Corporation up to \$100,000.

**NOTE 7 RENT EXPENSE**

The Organization sublets its office space under an agreement expiring in April 2005. For the year ended December 31, 1999, the Organization incurred rent expense of \$18,395.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

At December 31, 1999, the outstanding guarantees issued through TIGF amounted to \$1,498,418 of which the Organization's pro-rata portion is \$1,473,418.

On October 21, 1999, the National Urban Reconstruction and Housing Agency (NURCHA) notified Sared Interest and TIGF that it had incurred a loss of approximaely \$106,000 on a guarantee for which approximately \$80,000 had been counter-guaranteed by a Shared Interest letter of credit on behalf of TIGF. Since NURCHA is in the process of taking legal action to recover as much as possible of the loss, it has not called on Shared Interest to cover the organization's share of this loss. Part or all of the \$80,000 loss may be called by NURCHA in the future.

Additionally, TIGF has approved \$500,000 in loan guarantees, which are being negotiated with South African community lending institutions. The Organization intends to accept assignment of a portion of these guarantees (see Notes 1 and 2).



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**Julaine Eberhard** Administrator





*“Together let us make a reality of the  
hopes to which we gave birth five  
years ago.”*

— President Nelson Mandela  
Speech at the Freedom Day Celebrations  
Umtata, April 27, 1999





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