

SHARED INTEREST

2000 ANNUAL REPORT





COVER PHOTO

Young residents in Phiritona, Free State paint the fence to their new home. The development was built by "emerging contractors" and financed by King Finance with the help of a Shared Interest guarantee.

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.





*“Our economy is not yet able to provide for
all of our people. We must create jobs,
sharpen skills, address the issues of crime,
health, poverty and inequality.*

*These are what the challenges of democracy
must mean: to deliver a better life—
to touch the lives of all South Africans.*

*This work is about creating South Africa’s destination.
It’s about small opportunities dotted across the country.
It’s about pride, a sense of opportunity—
and it is about a shared interest.”*

— Trevor Manuel
South African Minister of Finance
at Shared Interest dinner
December 12, 2000





Dear Friends,

On the day of his inauguration, South Africa's President Thabo Mbeki challenged South Africans and their international partners to support his country's efforts to "create a better life for itself" and to help lay the foundations for "the African Century."

At Shared Interest we have taken this "African Century Challenge" as the cornerstone of our work. In so doing, we are joining hands with those who have been abiding partners in South Africa's struggle for democracy. We are also providing opportunities for South Africa's more recent friends to take part in the historic work of building a new nation at the dawn of the African Century.

It is a time of peril. It is also a time of promise. As South Africa claims the horrifying distinction of documenting more cases of HIV/AIDS than any other country in the world, its communities are struggling for their physical survival in the face of a pandemic of epic proportions. At the same time, South Africa's communities are fighting for their economic futures, recognizing that the victory over hunger, homelessness and disease will also require the economic revitalization of the country's most impoverished communities and the people's economies that sustain them.

As the country's Truth and Reconciliation Commission concludes its work, the task of rebuilding the society is taking creative new forms. In remote areas of the Northern Province, conflict resolution has given way to pragmatic collaboration between rural Afrikaners and new black commercial farmers. In some small towns in the Free State, white landowners are helping their former workers build adequate and affordable housing. By facilitating these projects, Shared Interest's guarantees have served as catalysts for unique and wonderful partnerships between the South Africa's community organizations and their neighbors, government agencies and mainstream banks.

At the national level, South Africa faces the daunting challenge of delivering jobs and housing to the millions of people who are still waiting for them. Shared Interest is proud that during its short life it has facilitated the creation of more than 5,000 small and micro-enterprises, 10,000 new jobs and 25,000 new homes – together improving the lives of more than 200,000 people. It is only a start.


But the challenge before us will continue to require the creativity, commitment and stamina that South Africa's people and their international partners have demonstrated to date. We invite you to join us on this historic journey from reconciliation to reconstruction: Beyond the grim shadow of apartheid and AIDS to the dawn of the African Century.

Sincerely,



Marco Masotti
Chair of the Board of Directors

H.E. Sheila Sisulu
Honorary Board Chair



Donna Katzin
Executive Director

Thembani International Guarantee Fund:

The year 2000 has been a milestone in the history of the Thembani International Guarantee Fund (TIGF) and Shared Interest. During its first five years, Thembani created an effective guarantee mechanism and began to expand the scope and scale of its work in South Africa's most marginalized communities. By providing both guarantees and technical assistance, Thembani has strengthened its partner community development financial institutions (CDFIs) in this challenging sector. It has also increased its own capacity to work strategically with a broad spectrum of organizations that are struggling to provide shelter and economic security for millions of impoverished South Africans.

Breaking New Ground: BLBSC

In Northern Province, a group of African women are breaking new ground—literally and figuratively. For the first time, they are establishing themselves as commercial farmers, a non-traditional activity for South African women, and creating new jobs in one of the country's poorest provinces. Their project has been financed by a loan 40 percent guaranteed by Shared Interest through Thembani.

The women originally approached the Bushbuckridge Local Business Service Centre (BLBSC), which had grown out of a community organization affiliated with the South African Council of Churches. Recently accredited by the new government's Department of Trade and Industry as a provider of technical assistance to small and micro-entrepreneurs, BLBSC assessed the community's resources, need for jobs and opportunities for commercial ventures. First they worked with the women to secure land from the local traditional authorities. Then they brought the women to meet with a group of local Afrikaner farmers, who agreed to train them in the innovative and highly profitable farming technology they had adapted to the harsh environmental conditions of the Northern Province.

The established farmers taught the women to construct technologically appropriate



Mavis Makukukule, Chankie Chiloane and Ruth Ubisi are three of BLBSC's new shade-cloth farmers, who have begun to set up their commercial farming project with the help of BLBSC and a Shared Interest guarantee. With no experience in agriculture, the women are proud of creating their new business and new jobs. "It is good to lead by example," said Mavis. "Our success will give a role model to those who never believed in themselves."

"greenhouses" using plastic mesh draped across wooden poles to cover their crops. This system protects the peppers and tomatoes from the province's battering winds, blistering sun, torrential rains and hail the size of golf balls. Each plant is carefully tied to wooden supports to



Matshidiso Moloi

Matshidiso Moloi lived with her sister and their two children, Mpho and California, in a drafty, leaky shack in Phiritona Township in the Free State. When rain fell her dirt floor turned to mud, requiring her to dig a drainage hole under the plywood walls she had stuffed with newspaper for insulation. Matshidiso was one of 150 families awarded government subsidies for new low-cost housing built by Ponds Mdaka, an emerging contractor, with the help of a guarantee from Shared Interest/Thembani's King Finance guarantee. One stormy night, when the roof of her shack began to fall in, she evacuated her family and moved into the new house even before it was completed.

maximize its exposure to the filtered light and receives water and nutrients from an underground irrigation system. In addition to their techniques, the farmers are sharing their marketing expertise and contacts to help the women establish their businesses. Moreover, they have agreed to share in the risk of the project by offering their training fees as collateral to take the first loss in the event that the women have difficulty repaying their loans.

This is more than a precedent-setting partnership and technological advance. It is the beginning of a strategy to utilize guarantees in innovative ways to open doors for economically marginalized communities. As Thembani shapes its financial tools to meet the needs of individual institutions and communities, it is fostering new approaches that remove historical barriers to black South Africans' full participation in their country's economy.

Taking off: King Finance

South Africa's economic challenges are not only a question of qualitative transformation—they are also a matter of scale. Shared Interest and Thembani,, like other non-governmental and governmental organizations struggling to reverse apartheid's legacy, are called to deliver economic opportunities, affordable housing and basic goods and services to the country's majority. In this context, Thembani's work with King Finance demonstrates the capacity of a single guarantee to impact hundreds of communities, and thousands of families.

Last year Shared Interest issued King Finance a guarantee of R4,500,000 (at the time equivalent to \$750,000) in cooperation with guarantees by the National Urban Reconstruction Housing Agency (NURCHA) and the Swedish International Development Agency. Together the guarantees for R12 million were designed to enable the bank to lend R20,000,000 (\$3,333,333) to emerging contractors to build 10,000 low-cost homes in the Free State province. One year later, King Finance discovered that its new clients were excellent builders, sound business people and reliable borrowers. In short, they constitute an extremely promising market.

By the end of the year 2000, King Finance had used the same security to issue R178,000,000 (\$22,250,000) in credit to 180 emerging contractors building more than 25,000 low-cost homes. In the process King Finance not only extended more than eight times the original amount of credit with the same collateral—it issued loans far beyond the Free State to emerging contractors in eight of the country's nine provinces.



While this guarantee is significant because of its impressive leverage, it is also an important step toward combining housing strategies with economic development. As each loan facilitates the construction of affordable homes for between five and 1,800 low-income families, it also enables new contractors to set up or expand viable small businesses. For many of the new entrepreneurs, these contracts to build government-subsidized houses are their first career breakthrough. After successfully repaying their initial loans to King Finance, some contractors have already gone on to obtain additional loans from other sources—without a guarantee. Having demonstrated their track record as builders and borrowers, they have become “bankable.”

Building Community Development Financial Institutions

Them bani is playing an important role by supplying both credit and technical assistance to CDFIs. Many of these institutions are having a very difficult time. They face a shifting market in impoverished communities that had not emerged from the shadow of apartheid before encountering the shockwaves of the global economy. Within the context of the shrinking pool of office, factory and government jobs, the CDFIs have a particularly demanding and critical role to play in extending credit for productive purposes to their communities.

For one of Shared Interest’s guarantee partners, the Agishana Credit Company, these challenges have been exacerbated by the floods in the Northern Province that have claimed the harvests of many small producers and devastated the local economy. Nonetheless, Agishana has remained afloat and continued to extend a lifeline of credit to small and micro-enterprises in the area. They are part of the province’s recovery effort, helping their borrowing groups and individual clients restore their businesses and begin to build again for the future.



Josephine Mmatsie Masha

After her divorce, Josephine found herself on her own in Pietersburg, and decided to start a catering business that served traditional dishes. When she was given a chance to cater her first big event, she quickly committed herself, but did not have the money she needed to buy the food to cook. Two days before the celebration she obtained a loan of R6,000 (approximately \$750) from the Great North Credit Company, enabling her to do the job and earn a profit of R29,000 (\$3,625). “The loan helped me a lot,” she noted. “I could pay that loan, and now my business isn’t short of stock. Today I don’t owe anyone.”



Them bani also supplies technical assistance to community lenders. During the second year of a special grant from Levi Strauss, Them bani has helped organizations such as South Cross Business Development Trust develop new financial products specially adapted to meet their clients' needs. Them bani has also continued to organize capacity-building workshops for the Micro-Enterprise Network of NGOs (MENNGOS)—the Western Cape's primary support system for organizations providing financial and non-financial services for very small businesses. This year the Forum has chosen to focus on themes basic to their survival and is planning its

Them bani International Guarantee Fund

Sable Centre, 9th Floor
41 De Korte Street
P.O. Box 30804
Braamfontein 2017
South Africa

Telephone: **27-11-339-5885**

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

E-mail: **tigf@mweb.co.za**

www.tigf.org.za

Tooling Up

This year Them bani has taken a giant step forward by hiring its first chief executive officer, Buzwe Yafele. From his years at RUTEC and ESKOM, Mr. Yafele brings extensive experience in small business and rural development, job creation and strategic planning. Since his arrival in October, Mr. Yafele has strengthened Them bani's staff and operating systems, and begun a strategic planning process to assess the shifting needs of South Africa's low-income communities and identify opportunities for Them bani and Shared Interest. Recognizing that some of the new guarantees may bear increasing risk, he has worked closely with Shared Interest to implement an enhanced risk-rating system specifically tailored to Them bani's potential partners. This assessment tool measures the risk of each outstanding guarantee on a quarterly basis and assigns the level of reserves that Shared Interest and Them bani set aside to protect the capital backing their guarantees. With its enhanced staff, systems and strategies, Them bani is poised to increase both the scope and scale of its guarantees.

Them bani's Staff and Board (from the left)
Front row: *Thabi Shange, board chair; Dikomo Moleko, secretary.* Back row: *Buzwe Yafele, chief executive officer; Lerato Moroe, administrator; Kathy Stearns; Ish Mkhabela; Tsholo Diale, guarantee manager; Brad Adlard, financial/operations manager; Sithembele Mase; Donna Katzin.*
Absent: Nonhlanhla Mjoli-Mncube and Dave Reddy.



U.S. Support

The African Century Challenge

This year Shared Interest launched its African Century Challenge to expand the scope of its work in both South Africa and the United States. Challenge supporters have already raised the funds required to hire Thembani's new CEO and to strengthen that organization's strategic planning and risk-management systems. These measures are designed to prepare Thembani to work effectively with a broader range of new partner organizations during the coming year.

Noting that reconciliation is the point of departure for reconstruction, Shared Interest initiated the African Century Challenge with a series of screenings of Long Night's Journey into Day: South Africa's Search for Truth and Reconciliation. Shared Interest joined producer Frances Reid and director Deborah Hoffmann of Iris Films in bringing their Academy Award nominated documentary to audiences in New York, San Francisco and Minneapolis.

Co-chaired by Susan L. Taylor, publications director of Essence Communications, and actor Danny Glover, the Challenge is designed to widen the circle of people in the U.S. working for economic justice in South Africa. Shared Interest has developed a far-reaching strategy to enable South Africa's new friends, as well as those who worked for years to end apartheid, to find their place in South Africa's future as the continent comes into its own at the dawn of the new century.



African Century Challenge Co-Chair Danny Glover during his July 2000 visit to Shared Interest partner projects in Gauteng Province.

"The hardest stage of the struggle was not the victory, but what we do after. While we were there in formidable force before the end of apartheid, we will be there in an even more formidable way now."

The Year 2000 Launches the African Century Challenge

Shared Interest was honored to launch the African Century Challenge in the company of co-chairs Susan L. Taylor (shown speaking) and Danny Glover at New York's Museum of African Art in New York City on May 2, 2000.



Gideon Manasseh



Gideon Manasseh

"Shared Interest enables us to help build a new South Africa – not only with our gifts, but also with loans. We can participate in shaping a new society – and get our money back! A loan of \$10,000 from an individual, group or congregation can help 600 rural or township women launch small businesses in their communities or facilitate the construction of 70 affordable new homes. That's a powerful way to use our money."

— Susan L. Taylor Essence Communications

Susan L. Taylor is the director of publications for Essence Communications. On December 12, 2000, Ms. Taylor chaired the public launch of the African Century Challenge honoring South Africa's Finance Minister, Trevor Manuel, and Shared Interest advisor and retiring chair of the U.S. – South Africa Business Council, Aldrage Cooper.

In Chicago, on December 13, 2000, guests braved a blizzard to join Danny Glover as he chaired the Chicago African Century Challenge launch, honoring Trevor Manuel and SouthShore Bank's retiring president, Milton Davis.



Gideon Manasseh



From left: David Dinkins, Donna Katzin, Ambassador Sheila Sisulu, honorees Trevor Manuel and Aldrage Cooper, South African Consul General Thami Ngwevela, Susan L. Taylor and the Honorable Andrew Young joined 300 other guests to officially launch the African Century Challenge on December 12th in New York City.



From left: Tim Plenk, Robert Zevin, Mary Tiseo, Nonhlanhla Mjoli-Mncube, Janet Axelrod, Byron Rushing and Donna Katzin.

In February at the Cambridge home of Janet Axelrod and Tim Plenk, Nonhlanhla Mjoli-Mncube briefed Shared Interest investors on how their loans are working for grassroots communities in South Africa. Ms. Mjoli-Mncube is the Executive Director of the National Urban Housing and Reconstruction Agency (NURCHA), established by George Soros and the South African government to provide finance for affordable housing. In 1999, Ms. Mjoli-Mncube was named Lebone National Business Woman of the Year, and also Housing Woman of the Year. She is a founding and current board member of the Thembani International Guarantee Fund.

AFRICAN CENTURY CHALLENGE Leadership Committee

Marion & Stanley Bergman
 Peggy Dulany
 Carol Bernstein Ferry
 Sharon Garth
 Katherine Graff
 Peter Greer
 Anne Hess & Craig Kaplan
 Vincent Mai
 Andrew Marshall
 Monica Menell-Kinberg
 Michael Ratner
 Charles Stetson
 Carol Tolan

Chicago Launch Committee

Carol L. Adams
 Nia M. Augustine
 Arnita Young Boswell
 Barbara Bowles
 Barbara Burrell
 Iva Carruthers
 Eve Earles
 Michelle Flowers
 Renee Grant-Mitchell
 Anita Green
 Zenobia Black-Johnson
 Efe McWorter
 B.J. Parker
 Toi Salter-Butler
 Melody Spann
 Laurel Stratford
 Leslie Williams
 Kaye Wilson
 Velma Wilson
 Karen Youngblood

New York Launch Committee

Francesco Cantarella
 John Chalsty
 Hon. David Dinkins
 Peggy Dulany
 Danny Glover
 Katherine Graff
 Peter Greer
 Nadine B. Hack
 Patricia Skinner Huntington
 H.E. Delano D. Lewis
 Vincent Mai
 Hon. H. Carl McCall
 Monica Menell-Kinberg
 Hon. Thami Ngwevela
 Hon. Donald Payne
 H.E. Sheila Sisulu
 Susan L. Taylor
 Franklin Thomas
 Hon. Andrew Young



Investment Highlights

This year Shared Interest raised \$1,147,500 in new loans from 13 individuals and eight institutions. The organization received new loans from a range of faith-based investors, including the Episcopal Diocese of Michigan, the Oblates of Mary Immaculate, the Dominican Sisters of Springfield and the Union of American Hebrew Congregations. Sixty-five percent of the new guarantee capital raised was lent for a period of five years, with the other loans maturing in three, seven or ten years. As 18 of its loans came due during the year, Shared Interest returned capital to three lenders and renewed or increased its obligations to 15 others. Three additional investors chose to forgive their loans in the spirit of Jubilee.

With the increase in guarantees issued and intention to make increasingly innovative guarantees, Shared Interest has raised its guarantee loss reserve from \$117,343 on December 31, 1999 to \$173,103 on December 31, 2000. During the year one guarantee beneficiary, Ithala Bank, made a call of \$43,167 on a Shared Interest guarantee. The call resulted from the failure of a number of small business clients in KwaZulu-Natal. Shared Interest utilized funds from its guarantee loss reserve fund to cover the call and immediately replenished the fund from its operating surplus. As of December 31, Shared Interest's reserves covered more than 10 percent of the value of its outstanding guarantees and guarantee commitments.

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 Shared Interest's 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" or by making credit card donations. 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.



Leading the Way: The African Century Challenge

The year 2000 marked a vote of confidence for Shared Interest's work in South Africa. Individuals were generous in their response to our new initiative, the African Century Challenge. Once again, the number of investors who donate back a portion of their interest grew, marking progress towards Shared Interest's goal of making the social investment fund self-sufficient. Institutions weighed in as well, participating as donors, event sponsors, and pledged African Century Challenge supporters.

Foundations

Boehm Foundation
Citigroup Foundation
Ford Foundation
The Funding Exchange
Lowe-Marshall Trust
Public Welfare Foundation
Annie Audrey Ragin Foundation
The Rudin Foundation
Stairstep Foundation

Religious & Community Organizations

8th Day Center for Justice
African Scientific Research Museum Institute
The Christ Church
Claremont United Church of Christ
Committed Christians
Dominican Sisters of Hope
The Episcopal Church
First Congregational Church
The Glenmary Home Missioners
Global Ministries
(United Church of Christ/Disciples of Christ)
Interfaith Center on Corporate Responsibility
The MOBE Institute
Presbyterian Hunger Fund
Protestant Episcopal Church Domestic &
Foreign Missionary Society
Sisters of St. Agnes
Sisters of St. Joseph of Orange
Stony Island Community Center
United Methodist Church Women's Division
UNITE!
The U.S. Fund for Leadership Training in South Africa

Corporations

ABSA Bank Limited
ABN-AMRO
AEA Investors
The Aidoo Group
Alliance Capital Management
Anchor Mortgage Company
Bates Designs
The Calvert Group
The Chase Manhattan Bank
Christian Brothers Investment Services
Citibank
Draft Worldwide
Essence Communications
Financial Designs of Illinois
Flowers Communications Group
General Mills
Heaven-Hi Originals, Inc.
H.J. Heinz Company
Independent News & Media
Jadt Food Group
Johnson & Johnson
The Kenwood Group
Lincoln South Central Real Estate Corp.
Lucent Technologies
Lyceum Group
J.P. Morgan & Company
Murray Enterprises
Lucky Ngema & Friends
Near the Pier Development Institute
North Star Fund
Northern Trust Bank
Pfizer, Inc.
Progressive Asset Management
Rasco Graphics
St. Paul Companies
SASOL North America, Inc.
Sesame Workshop
South African Economic Council
SouthShore Bank
Thomas Auto Mall
Time Warner, Inc.
Trico Properties
Urban Prescriptives
Valuation Specialists
Walden Asset Management
Woodlawn Community Development Corporation
Zephyr Management

Special Thanks to:

Central Lutheran Church
Choate Hall & Stewart
Detroit Summer
Kathy Engel
Film Forum
HBO
International Leadership Institute
Iris Films
JPD Communications
MADRE
Minnesota Film Center
Museum of African Art
NBH Executive Consulting
Northern Trust Bank
Solomon Smith Barney



SHARED INTEREST, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2000

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 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:

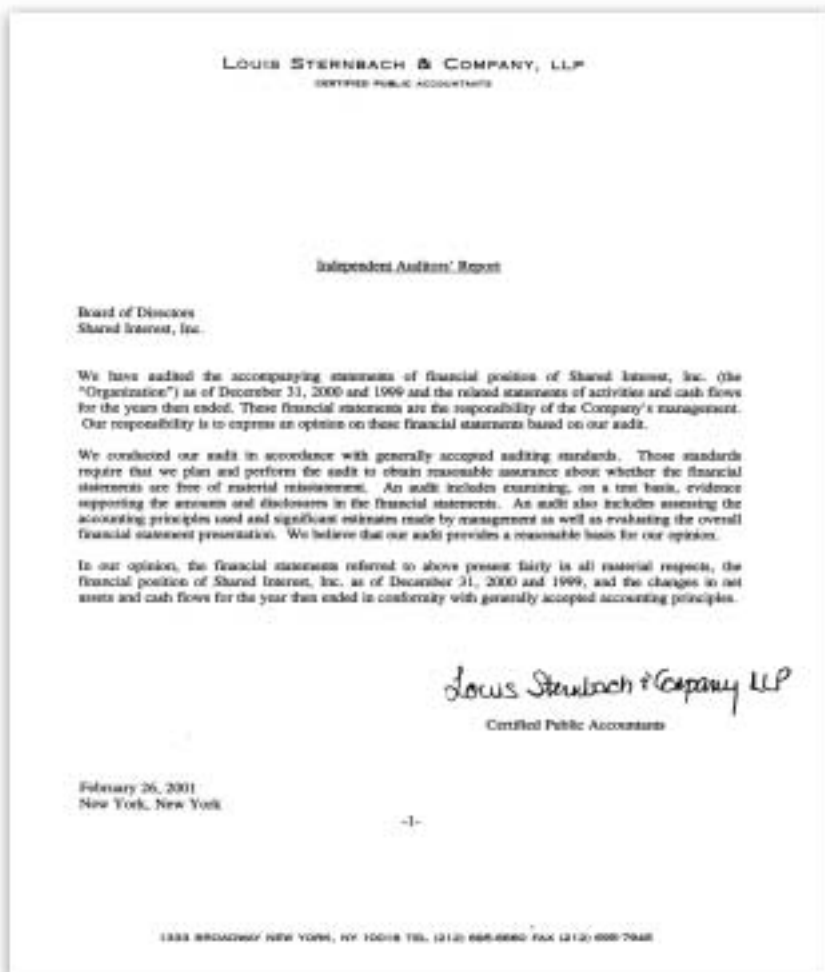
The financial statements of the Organization have been prepared on the accrual basis and conform to generally accepted principles as applicable to not-for-profit organizations.

(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.



Statement of Financial Position as of December 31

	2000	1999
Current Assets		
Cash	\$85,915	\$80,495
Investments	6,272,162	5,165,594
Investments-Guarantee Loss Reserve Fund	173,102	117,343
Accrued interest receivable	68,556	56,605
Contribution and special event income receivable	14,645	-0-
Other receivable	-0-	1,000
Computer equipment (net of accumulated depreciation of \$4,979)	5,423	5,404
Total Current Assets	\$6,619,803	\$5,426,441
Liabilities		
Accounts payable and accrued expenses	\$38,806	\$21,707
Accrued interest payable to noteholders	32,202	28,295
Promissory notes payable	5,798,500	4,986,000
Total Liabilities	5,869,508	5,036,002
Commitments and Contingencies		
Net assets		
Unrestricted	750,295	390,439
Total Liabilities and Net Assets	\$6,619,803	\$5,426,441



(ii) Temporarily restricted:

As of December 31, 2000, the Organization had no restriction on any of its assets.

(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 December 31, 2000, investment income amounted to \$569,540, of which \$193,671 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 GUARANTEE LOSS RESERVE FUND

The Guarantee Loss Reserve Fund was created by the Board of Shared Interest out of its unrestricted net assets for the purpose of maintaining funds to cover potential defaults by borrowers on loans guaranteed by TIGF.

TIGF also maintains a reserve fund for the same purpose. In the event that a TIGF guarantee is called, the loss incurred by TIGF is

Statement of Activities For The Year Ended December 31

	2000	1999		TOTAL
		UNRESTRICTED	TEMPORARILY	NET
		NET ASSETS	RESTRICTED	ASSETS
			NET ASSETS	
Public Support and Revenue				
Contributions	\$691,866	\$592,676	\$5,000	\$597,676
Special events revenue, net of direct expenses	(25,211)	7,138	0	7,138
In-kind contributions	5,953	15,530	0	15,530
Interest and dividend income	24,120	12,255	0	12,255
Miscellaneous income	5,052	0	0	0
Sub-total	701,780	627,599	5,000	627,599
Net realized gain on investments	6,624	305	0	305
Net unrealized gain on investments	220,209	(156,319)	0	(156,319)
Total Public Support and Revenue	928,613	471,585	5,000	476,585
Expenses				
Program Services:				
Grant to TIGF	139,587	135,927	0	135,927
Grant to South African organization	0	0	5,000	5,000
Other program services	268,215	225,175	0	225,175
Fund raising	61,112	58,583	0	58,583
General and administrative	56,676	60,240	0	60,240
Total Expenses	525,590	479,925	5,000	484,925
Increase (Decrease) in Net Assets Prior to Guarantee Loss Expenses	403,023	(8,340)	0	(8,340)
Guarantee Loss Expenses				
Payment on defaulted loan	(43,167)	(80,909)	0	(80,909)
Transfer to unrestricted net assets	0	25,000	(25,000)	0
Total Guarantee Loss Expenses	(43,167)	(55,909)	(25,000)	(80,909)
Increase (Decrease) In Net Assets	359,856	(64,249)	(25,000)	(89,249)
Net Assets – Beginning of year	390,439	454,688	25,000	479,688
Net Assets – End of year	\$750,295	\$390,439	\$0	\$390,439

Statement of Cash Flows For the Year Ended December 31

	2000	1999
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$359,856	(89,249)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation expense	2,007	1,418
Net realized and unrealized gain on investments	(220,209)	156,014
Changes in operating assets and liabilities:		
Promissory notes payable	812,500	1,465,000
Interest receivable	(11,951)	(1,852)
Other receivables	1,000	(484)
Contribution and special event income receivable	(14,645)	0
Accounts payable and accrued expenses	17,099	1,585
Accrued interest payable to noteholders	3,907	7,768
Net cash provided by operating activities	949,564	1,540,200
Cash Flows from Investing Activities		
Purchase of investments, net of redemptions	(942,118)	(\$1,566,311)
Acquisition of fixed assets	(2,026)	(3,422)
Net cash used in investing activities	(944,144)	(1,569,733)
Net Decrease in Cash	5,420	(29,533)
Cash – Beginning of year	80,495	110,028
Cash – End of year	\$85,915	\$80,495
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for: Taxes	\$0	\$0
Interest	\$115,592	\$98,391

covered by allocations from both Shared Interest's and TIGF's reserve funds. Each fund would cover its proportionate share of the loss.

In the event that a loss on a loan guarantee exceeds Shared Interest's and TIGF's risk coverage provisions, that loss may be drawn from the Shared Interest lenders' outstanding principal.

Recognizing that the guarantees carry considerable risk of non-repayment, Shared Interest and TIGF have refined their system for assessing and monitoring outstanding guarantees and providing for potential losses. TIGF monitors its outstanding guarantees and reports to Shared Interest on the risk of each outstanding guarantee on a quarterly basis. Shared Interest's policy is to maintain a guarantee loss reserve fund equal to at least 5% of its outstanding guarantees, and to increase that amount if needed on a quarterly basis to cover the level of risk reported on its outstanding guarantees.

On March 17, 2000, there was a call of \$43,167 on a Shared Interest letter of credit issued to benefit KwaZulu Finance and Investment Corporation. Although that corporation has a legal obligation to repay the loan, it had failed to do so by December 31, 2000. After Shared Interest covered the loss with a transfer from its guarantee loss reserve fund, the Board of Shared Interest replenished the guarantee loss reserve fund by the amount of the call.

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, 2000 investments consist of the following:

Cash held in brokerage accounts	\$1,812
U.S. government, international and government agency, obligations maturing at various dates through 2010	6,123,139
Listed equities and limited partnership equities	147,211
	\$6,272,162

NOTE 4 PROMISSORY NOTES

Promissory notes issued mature as follows:

Year Ending December 31,

2001	\$755,000
2002	1,886,000
2003	559,500
2004	1,420,000
2005	1,040,000
Thereafter	138,000
	\$5,798,500

The promissory notes are stated at their face amounts. The majority of the notes carry a provision evidencing the fact that the underlying principal of their 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 6.84%. As discussed in Note 1, investors are encouraged to donate a portion of their investment earnings to the Organization.

NOTE 5 INTEREST AND DIVIDEND INCOME

Interest and dividend income for the year ended December 31, 2000 totaled \$24,120. This represents interest and dividends earned on all of the organization's investments except for those supported by promissory notes. The income earned on the investments supported by promissory notes that is donated back to the organization is included as contributions.

NOTE 6 RELATED PARTIES

The Organization granted \$139,587 in funding to TIGF, for the year ended December 31, 2000.

NOTE 7 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 8 RENT EXPENSE

The Organization sublets its office space under an agreement expiring in April 2005. For the year ended December 31, 2000, the Organization incurred rent expense of \$20,114.

NOTE 9 COMMITMENTS AND CONTINGENCIES

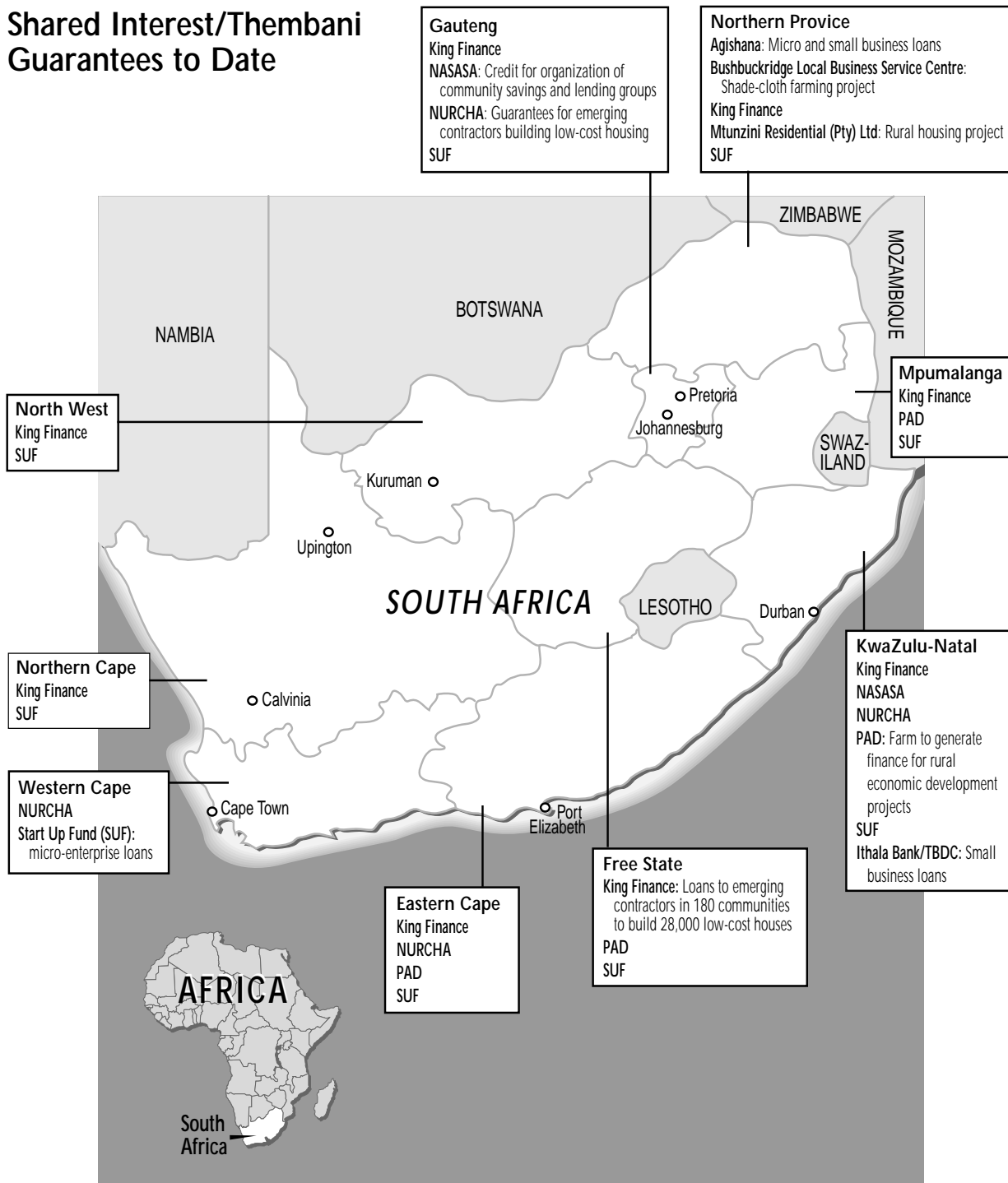
At December 31, 2000, the outstanding Shared Interest guarantees issued through TIGF amounted to \$1,269,305.

Additionally, TIGF has approved \$123,068 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 Note 1 and 2).

NOTE 10 COMMITMENTS AND CONTINGENCIES

On October 21, 1999, the National Urban Reconstruction and Housing Agency (NURCHA) notified Shared Interest and TIGF that it had incurred a loss of approximately \$106,000 on a guarantee issued July 24, 1998 of which approximately \$80,000 had been counter-guaranteed by a Shared Interest letter of credit on behalf of TIGF. Since NURCHA was in the process of taking legal action to recover as much as possible of the loss, it had not called on Shared Interest to cover the organization's share of this loss as of December 31, 2000. In February 2001, NURCHA called on Shared Interest and TIGF to cover their respective shares of the loss amounting to \$49,135. To cover this call, Shared Interest subsequently paid \$45,523 from its guarantee loss reserve fund, while TIGF paid \$3,612 from its guarantee loss provisions.

Shared Interest/Thembanani Guarantees to Date





Shared Interest Board of Directors

H.E. Sheila Sisulu (Honorary Chair) South Africa Ambassador to the U.S.
Marco Masotti (Chair) Partner, Paul, Weiss, Riffkind, Wharton & Garrison
Michael Bennett Executive Director, Egan Urban Center, De Paul University
Ann Burroughs Communications Consultant
Iva E. Carruthers President, Nexus Unlimited, Inc.
Fred Davie Vice President, Faith-Based Programs Public-Private Ventures
Roburt Dumas Retired, U.S. Catholic Conference
Darchelle Garner Vice President, Education & Community Service, Chicago Children's Museum
Anne H. Hess Founding Chair, MADRE
June Makela (Vice-Chair) Founding Director, Funding Exchange
Kumi Naidoo Secretary General and CEO, CIVICUS
Prexy Nesbitt Program Officer for South &
Southern Africa American Center for International Labor Solidarity (A.F.L.- C.I.O.) Johannesburg
Luther M. Ragin, Jr. (Member at Large) Director of Social Investing, F.B. Heron Foundation
Judy Rimbey, O.P. (Treasurer) Manager, Alternative Investments and Community Grants, Catholic Healthcare West
Ron Shiffman Director, Pratt Institute Center for Community and Environmental Development
Timothy H. Smith Senior Vice President, Walden Asset Management
Katherine Stearns Director of Financial Services, National Community Capital Association
Mary Tiseo Executive Director, South Africa Partners, Inc.
David Wildman (Secretary) Executive Secretary, Human Rights & Racial Justice,
General Board of Global Ministries United Methodist Church
Robert Zevin (Former Chair) Investment Advisor

Shared Interest Board of Advisors

Beate Klein Becker Creative Economy Initiative
Dr. Joan Brown Campbell Department of Religion,
Chautauqua Institute
John Chalsty Credit Swiss First Boston
Aldrage Cooper, Jr. Retired, Johnson & Johnson
Milton Davis South Shore Bank
David N. Dinkins 106th Mayor of New York City
Amy Domini Loring, Wolcott & Coolidge
Paul Dorfman Bank of America
Peggy Dulany The Synergos Institute
Marion Fremont-Smith Choate, Hall & Stewart
Ron Gault J.P. Morgan, South Africa
Danny Glover Actor
Henry Jackelen United Nations Development Program
Sharon King F.B. Heron Foundation
La June Lange Hennepin County District Court
Bill Lynch Bill Lynch Associates
Susan L. Taylor Essence Communications
Vincent Mai AEA Investors
Roberto Mizrahi South-North Development Initiative
Gus Newport Former Mayor of Berkeley
Rodney Wagner Retired, J.P. Morgan & Co., Incorporated

Shared Interest Staff

Donna Katzin Executive Director
Mary Lundy Semela Development Director
Imani Countess Outreach Director
Julaine Eberhard Finance Manager
Mary M. Mochochoko Administrator





121 W. 27th, Suite 302
New York, NY 10001

Tel (212) 337-8547

Fax (212) 337-8548

e-mail: shardintrest@igc.org

www.sharedinterest.org

