




SHARED INTEREST

2002 ANNUAL REPORT



WE PARTICULARLY APPRECIATE THE EFFORTS OF SHARED INTEREST, WHOSE WORK SINCE 1994 HAS HELPED US CONSOLIDATE OUR ACHIEVEMENT OF POLITICAL DEMOCRACY THROUGH SOCIO-ECONOMIC DEVELOPMENT THAT MAKES A DIFFERENCE IN THE LIVES OF ORDINARY PEOPLE. YOUR CONTRIBUTION TOWARD MAKING AVAILABLE CREDIT, CREATING JOBS, ENCOURAGING SMALL BUSINESS AND PROVIDING AFFORDABLE HOMES AND VIABLE COMMUNITIES FOR ECONOMICALLY DISENFRANCHISED SOUTH AFRICANS WILL BE PARTICULARLY REMEMBERED. YOUR UNFLAGGING PARTNERSHIP — AS NECESSARY NOW AS IT WAS IN 1994 — HAS HELPED US DEVELOP NEW STRATEGIES AND TOOLS TO GIVE SUBSTANCE AND SHAPE TO THE VISION AND ENERGIES OF OUR PEOPLE. WE LOOK FORWARD TO CONTINUING THAT WORK, WHICH IS BASED ON A SHARED INTEREST.

— H. E. Nelson Rolihlahla Mandela
Former President of South Africa
May 6, 2003

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,

For the past year, it has been particularly challenging to focus public attention on South Africa – and Africa – as that spotlight has been eclipsed by so many anguishing events in other parts of the world. And yet, Shared Interest’s partners and projects have stood in vivid contrast to the conflict and devastation elsewhere. During the past 12 months, we and our South African colleagues at the Thembani International Guarantee Fund have issued guarantees that have established new community lending institutions, agreements with South African banks and innovative community projects.

As thousands of South Africans achieved these successes in their communities, we have celebrated them in the United States, and honored some of the acclaimed leaders and dear friends who have helped so many of us keep our eyes on the prize. South Africa’s former President Nelson Mandela and his wife, Graça Machel, the former first lady of Mozambique, reminded us at the dinner we organized for them that our partnerships with the people of South and Southern Africa are as strategic and necessary as ever. They are also key to our efforts in the U.S. to envision and build a more equitable and peaceful society.

While our work this year has been further challenged by the continuing market downturn affecting donors and investors alike, we are pleased to note that for the second consecutive year, loans to Shared Interest have far outperformed the stock market. This has made them a particularly good investment, and not only in terms of financial return. They have enabled our lenders to allocate resources where they can see and measure their return in human terms, and to invest in the future of communities, a country and a continent that have so much to teach our world.

We greatly appreciate the ongoing support of our partners, investors, donors, advocates and colleagues whose enduring vision and commitment continue to make this work possible.

Sincerely,



Marco Masotti
Chair of the Board of Directors



Donna Katzin
Executive Director

South Africa: Creativity and Capacity on the Rise

Shared Interest's work in South Africa reflects both the increasing maturation and innovation in the country's efforts to bring the majority of its people into the mainstream economy. In confronting the stubborn challenges of poverty (affecting 57 percent of the population), homelessness (an estimated 2.3 million families are still await safe and secure housing) and unemployment (still hovering at the official 30 percent mark, and unofficially much higher, particularly in rural areas), Shared Interest and its partners are applying a number of productive lessons in its most recent guarantees, and working with a variety of pioneering new projects.

Shared Interest's continuing collaboration with the Thembanani International Guarantee Fund has produced an accelerating flow of new guarantee applications from emerging financial institutions seeking to supply credit for low-cost housing, small/micro-enterprise, and rural development. They reflect the increasing sophistication and creativity of new entrepreneurs, budding financial institutions and rural communities. Thembanani's enhanced outreach, relationships with formal financial institutions, and risk management practices provide the support these guarantees require.

Catalysts for Innovation

To unlock the creativity of the rural and micro-finance sectors, Shared Interest and Thembanani are using their flexible guarantees, which are well suited to facilitating finance for a variety of diverse development projects. This model has enabled the two organizations to address the needs and circumstances of particular communities, microfinance institutions and participating banks. A case in point is this year's R3 million guarantee to the Bee Foundation. Shared Interest's guarantee has facilitated a precedent-setting project designed to provide livelihoods for 10,000 families in the most remote rural areas of Mpumalanga and Limpopo Provinces during a three year period. By providing each new beekeeper with training and 50 hives buzzing with African bees, the project will have a significant economic impact on families and communities yet to be included in South Africa's economic transformation.



Bee Foundation employees packaging honey.

NOTE:

1 US Dollar converted to 8.56 South African rand on December 31, 2002

In addition, the project will help to insure the survival of the African bee and flora; provide support for local farmers (black and white) who need the bees to pollinate their crops; and facilitate basic and clinical research on the utilization of bee by-products for medicinal purposes, including the treatment of tuberculosis. In the process, Bee Foundation is building partnerships with several large mining conglomerates (that are donating the use of their land reserves to the new beekeepers), local farmers, and the University of Pretoria, which is providing technical support and conducting the research on the bees.

Solid Foundations

In the low-cost housing sector, Shared Interest and Thembani have put their experience to work in this year's guarantee to an up and coming housing finance institution called SEBRA (Support Empower Bridge Reconstruct Account (Pty) Limited). Issued in collaboration with the National Urban Reconstruction and Housing Agency (NURCHA), this R10,500,000 guarantee is providing access to credit for new black contractors – many for the first time. During its first six months the guarantee resulted in the launch of 23 housing projects, the completion of 1,102 new low-cost houses and the approval of an additional 2,243 homes. As of December 31, 2002, Shared Interest guarantees had facilitated the construction of more than 62,000 units of low-cost housing across all of South Africa's nine provinces.

This guarantee focuses on emerging contractors building projects up to 250 houses each. The new agreement applies a number of lessons learned from its predecessor guarantee to African Contractors Finance

SEE **South Africa** ON PAGE 4

Tankiso Morule

Tankiso is one of the successful emerging developers working with SEBRA in the Free State. She heads People First Construction (Pty) Ltd., and is currently in the process of building 250 low-cost homes in Bloemfontein, with the assistance of an emerging contractor, Khofu Construction. Having worked as the ANC's local membership officer, and



Tankiso Morule

leader of the Women's League during the 1980's and early 1990's, Tankiso was elected to the provincial legislature in 1995, where she served on the Housing Committee. Looking back, she recalled, "I was bored to tears."

Today, as an emerging developer, she is responsible for obtaining low-cost housing contracts from the government, identifying future residents and helping them secure subsidies, and planning and ultimately operating the projects. Her political contacts and no-nonsense manner are helping her overcome challenges such as conflicts between the national ministry responsible for overall subsidies and provincial housing authorities who allocate the land for the new houses. When local delays and other difficulties arise, she uses her skills and experience to resolve them. "I know which buttons to press, who to see and how to negotiate."

Tankiso has three children aged ten, 20 and 23 – and one grandchild – as well as her own enduring ambitions. "In five years I would like to be a full-fledged developer," she said firmly. "That's my dream."

Constance Dayimane

"I never thought I'd have a house of my own," Constance Dayimane remarked thoughtfully. Like hundreds of others, Constance left the Transkei in 1994



Constance Dayimane

and came to Turflaagte, just outside of Bloemfontein, in search of the job she was sure awaited her, one that eludes her still. She came with her husband

and three children ranging in age from five to 11. "We stayed in that shack for eight years, and hoped. But I never thought I'd have a house of my own," she mused, glancing at the corrugated shack that still stands in her backyard, where her brother-in-law now lives. In 2001, Constance was placed on the waiting list for subsidized housing. One year later, she and her family moved into their new home, built by an emerging contractor, with the help of a guarantee from NURCHA and Shared Interest.

"Before the rain used to come into the house and run out under the walls," Constance recalled as she swept the spotless floor under her neatly arranged furniture. "Now it is so much better. We are no longer wet."

South Africa FROM PAGE 3

Company, part of African Bank, including heightened internal controls and hands-on management by NURCHA and SEBRA. SEBRA conducts project feasibility reviews with the new contractors, and follows up with continuing oversight during the life of their loans. In addition, NURCHA requires SEBRA to play a proactive role in the projects' financial administration by paying workers and suppliers directly upon completion of their specified activities, and managing the contractors' repayments of their loans. Finally, the guarantee reduces the risk incurred by the guarantors by capping the amount of capital that can be lent out at any given time.

This year's total value of new guarantees issued by Shared Interest was R17,500,000 — up from R5,830,000 issued during 2001. The dramatically accelerated rate of guarantee placement, coupled with the growing number of new guarantees in the pipeline, and compounded by the rising value of the rand (which appreciated 31 percent with respect to the dollar during 2002) challenge Shared Interest to focus significant attention on raising new guarantee capital during the coming year.



PHOTO: NORMAN BUCKHAM

Newly trained emerging entrepreneurs extracting honey.

Passing the Torch

At the end of the year, Shared Interest expressed its abiding appreciation of the tireless efforts of Anne Hess, June Makela, Prexy Nesbitt and Robert Zevin, who stepped down from the Board of Directors after years of pioneering leadership. The Board then enthusiastically appointed the following new members: **Eddie Bergman, Price Cobbs, Jennifer Davis, Linnie McLean** and **Rev. Mangedwa Nyathi**.



Eddie Bergman

"It is indeed an honor to join the Shared Interest Board, a group of individuals truly committed to the development of the new South Africa. Shared Interest utilizes an innovative approach to bridge the divide between the "haves" and "have-nots" by providing credit guarantees to individuals who otherwise would not have access to such resources, and plays a uniquely vital role in promoting sustainable development."

EDDIE BERGMAN is the Co-Founder and Executive Director of Miracle Corners of the World, Inc., a nongovernmental organization dedicated to grassroots youth and entrepreneurial development through the empowerment of self-sustainability, with projects in the U.S., Tanzania, and South Africa.



Price Cobbs

"I joined the board because I share an interest in the African continent, and a specific interest in South Africa and its people. Shared Interest is the bridge connecting the economic and social struggles shared between South Africans and Black Americans."

PRICE COBBS, Ph.D. is an internationally recognized psychiatrist and management consultant. He founded Pacific Management Systems, which provides organizations with consultation services focusing on leadership and executive development, diversity as a business imperative, effective communications and the psychology of networking. Among Dr. Cobbs' writings are *Black Rage*, *The Jesus Bag*, and *Cracking the Corporate Code: The Revealing Success Stories of 32 African-American Executives*.



Jennifer Davis

"I grew up in South Africa, a society so deeply divided, racist and discriminatory, that its glittering gold and diamonds brought only misery for most of its men, women and children. I was in high school when the

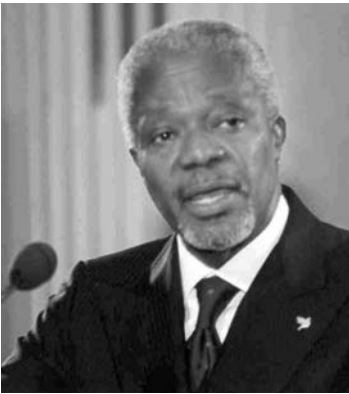
Nationalist Party came to power, enforcing policies of deliberate black dispossession, and generating consequent intensifying popular resistance. Those years shaped my future - an engagement in the struggle for justice which eventually brought me to the U.S., and three decades of organizing to build anti-apartheid support for forces struggling for self-determination and democracy. We have seen victories - the greatest, perhaps, the millions of Black South Africans who voted for the first time ever in 1994, electing Nelson Mandela their President in a new democratic state. But political democracy can only be a beginning. Now the next struggle has to transform lives, to end grinding poverty, illiteracy, and disease; to engage people in work that moves them out of tar-paper shacks into houses with electricity and water; to expand the horizon of possibility for children at last able to go to school. Shared Interest has the vision to take up some of the challenges required to achieve such transformation, and I am happy to join its work now, as our struggle continues."

JENNIFER DAVIS has been researching, writing and speaking on economic and political issues in Africa and the U.S. for over 20 years as Executive Director of the Africa Fund and the American Committee on Africa - the oldest anti-apartheid organization in the U.S. Now working as an independent consultant, Ms. Davis provides expert advice to clients including the United Nations Development Fund for Women and the United Nations Populations Fund.

In Celebration

Shared Interest hosted two major celebrations during the first half of the year. On February 18, Shared Interest assembled 350 guests at New York City's Waldorf=Astoria Hotel to honor actor Danny Glover, Essence magazine's editorial director, Susan L. Taylor, and South African jazz icon, Hugh Masekela. The evening opened with an address by UN Secretary General Kofi Annan, followed by a message from the dinner's honorary chair, Archbishop Emeritus Desmond Tutu. Presenting the awards were Harry Belafonte, novelist Walter Moseley, actress Cicely Tyson, and South Africa's Ambassador to the United States, Sheila Sisulu. The creativity, compassion and courage of the evening's honorees—and presenters—continue to galvanize global support to end apartheid and build a new South Africa.

On May 6, Shared Interest was honored to host H.E. Nelson Mandela and his wife, Graça Machel. The two participated in a private dinner at the Stanhope Hotel, benefiting the Nelson Mandela Foundation and the Community Development Foundation of Mozambique. Shared Interest also hosted smaller events around the country to introduce Themban's CEO Buzwe Yafele to colleagues and supporters in Detroit, Chicago and Boston (at a house party hosted by Elaine Klemen) and San Francisco (at a reception hosted by Walden Asset Management). In November, Shared Interest celebrated "The Art of Reconciliation" at a reception in San Francisco at Twiga Gallery with newly appointed South African Consul General in Los Angeles, Dr. Glaudine Mtshali, and held a private viewing in New York's ArtFirst Contemporary Art gallery of acclaimed South African artist Karel Nel, prior to his opening at the Metropolitan Museum of Art.



TOP: Walter Moseley, Danny Glover and Harry Belafonte; ABOVE LEFT: UN Secretary General Kofi Annan; ABOVE RIGHT: Hugh Masekela.



LEFT: Susan L. Taylor.

BELOW: H.E. Sheila Sisulu, H.E. Nelson Mandela, Donna Katzin, Graça Machel and Marco Masotti.



PHOTOS: GIDEON MANASSEH

PHOTO: JENNY WARBURG

New Development Tools for the Diaspora

In the U.S., Shared Interest continues to forge links across communities of supporters, channeling energy from the anti-apartheid work of decades past into the building blocks of South Africa's future. Shared Interest has focused particular attention on extending the use of community investment tools further across the African Diaspora, and deeper into philanthropically-minded communities seeking a modest financial return on their investments in charitable and community enterprises.

In 2002 Shared Interest cemented partnerships with a variety of faith-based, civic and corporate entities and organizations, including the Progressive National Black Baptist Convention, a vital historically black denomination with more than 1,800 churches and a total membership of 2.5 million. This collaboration allows the Convention to build its own capital base by accepting charitable contributions, which it lends to Shared Interest in order to put its vision of economic justice and freedom to work in South Africa. This year South African Ambassador and Honorary Shared Interest Board Chair Sheila Sisulu addressed several thousand PNBC leaders at their annual Convention, where she highlighted the importance of investing in grassroots communities and sustaining partnerships between African-Americans and South Africans for nation building.

In addition, Shared Interest extended its work with religious and socially responsible investors the Social Investment Forum and the National Association of Treasurers of Religious Institutes. Shared Interest was also an exhibitor at the 2002 Urban Ministries conference in which there were 1300 Black church leaders represented from around the country. Expanding its international partnerships, Shared Interest conducted a successful workshop on Developing Effective Linkages between Micro-Finance Institutions and the Formal Banking Sector" at the "Microcredit Summit +5" conference in November.

Passing the Torch



Linnie McLean

"Shared Interest is about the socioeconomic development of an African country and African people, who, I believe, are poised to become a new model for socially responsible investing. To be an active participant in creating a new democracy through my work with Shared Interest was more than I dared to hope."

LINNIE MCLEAN is Senior Vice President for Trillium Asset Management Corporation in Boston. During her twenty-year career in domestic and international banking, Ms. McLean has received numerous honors including awards from the Boston Urban Bankers Forum, the Boston YWCA and the New York City YWCA.



Mangedwa Nyathi

"Joining the Shared Interest board was a continuation of my giving back to South Africa in a tangible way. The energy and faith spent fighting apartheid is now being spent building democracy, infrastructure, and an equitable emerging economy."

REV. ANGEDWA NYATHI is Assistant to the Pastor and Liturgist at Hartford Memorial Baptist Church in Detroit, where he has been since 1976. He also serves as the first Executive Director of Hartford Agape House, a social service agency of Hartford Church.



Children in front of their new home in Chris Hani community.

With Appreciation

Shared Interest extends its deepest appreciation to the many individuals and organizations that share our interest in South Africa's equitable economic and democratic development. In 2002, our donors provided unprecedented support to our programs given the challenging market environment. We acknowledge the tremendous generosity of our many supporters, including those listed below who have contributed \$1,000 or more during the 2002 fiscal year. With this support, Shared Interest is able to amplify its efforts to build houses, create jobs, and launch small business through access to credit for South Africa's low-income communities.

Individual Contributors

John & Jennifer Chalsty
 Bill & Camille Cosby
 Margaret Covert
 Robert Fleder
 Ann Fudge
 Eugene Giscombe
 Katherine Graff
 Bruce & Amy Gutenplan
 Anne E. Hess
 Rachel Knight
 Daniel Levin
 Larry Litvak
 M. Brinton
 Lykes & Catherine Mooney
 Vincent & Anne Mai
 Marco and Tracy Masotti
 David & Eugene McKiever
 Maya Miller
 Michael Ratner & Karen Ranucci
 Frank & Jinx Roosevelt
 Dr. Julie Schecter
 Ron Shiffman
 Charles Stetson
 Larry Stowell
 Carol Tolan
 Rodney & Susan Wagner
 George & Joyce Wein
 Canon Frederick Williams
 Marsha Wulff
 Robert Zevin

Institutions

American International Group
 Anheuser-Busch Companies
 Annie Audrey Ragin Foundation
 Bank of New York
 Bergman Family Charitable Trust
 Bloomberg
 Boehm Foundation
 BP Foundation
 Carnegie Corporation
 Catholic Healthcare West
 Citigroup Foundation
 Coca-Cola Company
 DJB Foundation
 Edwin Gould Foundation for Children
 Essence Communications, Inc.
 First Church in Cambridge Congregation
 Flying Eagle Woman Fund for Peace
 Forest City Ratner Companies
 Funding Exchange
 Glickenhau Foundation
 Hayground School
 Helen Keller International
 International Foundation
 Inverness Counsel, Inc.
 Johnson & Johnson
 JPMorgan Chase Foundation
 Laurie T. Dewey Foundation
 Lowe Marshall Trust
 National Urban League
 Nelson Mandela Foundation
 Overbrook Foundation
 The Riverside Church of New York
 Samuel Foundation
 Scandia Foundation
 Showtime Networks
 The Summer Fund
 United Methodist Church – Women's Division

Special Thanks

Shared Interest is particularly grateful for the gracious support and assistance we have received this year from:

Shane Adler
 Choate Hall & Stewart
 Elaine Klemen
 Larry Taylor
 Mountain Muse Communications
 Walden Asset Management
 Betsy Nachbaur
 Smith Barney
 Twiga
 Jenny Warburg
 Nick Zlonis

In Memoriam: Charles P. Stetson, Sr.

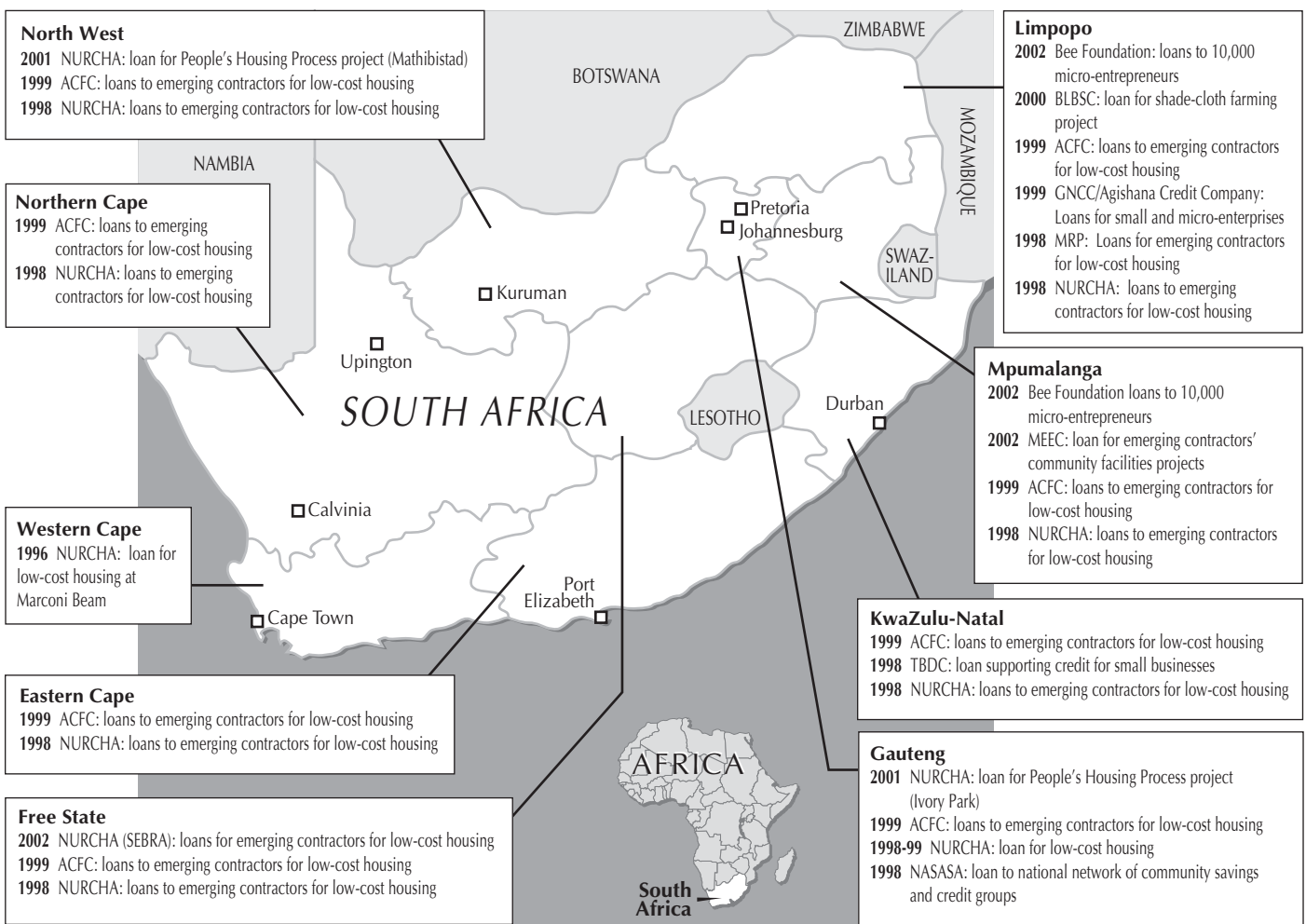
Shared Interest mourns the passing of Charlie Stetson, and honors his tireless leadership, activism, generosity and faith in the human spirit. His loss is felt deeply by our colleagues and friends at home and in South Africa.

Investment Highlights

By December 31, 2002, Shared Interest had increased its loan capital to \$6,399,760. During the year, the organization's lenders renewed loans totaling \$1,490,000 and made new loans of \$252,760. Fresh loan capital was provided by individuals as well as six faith-based organizations: Sisters of Loretto; North American Province of the Cenacle; Holy Innocents Chapel; Sisters of Mercy, Burlingame California; Claremont United Church of Christ; and the Progressive National Baptist Convention. Ten of the eleven new loans mature in five years.

At the end of the year, Shared Interest's guarantee loss reserve fund stood at \$336,932. This amount was sufficient to provide ten percent coverage for the guarantees that had been issued by December 31. During the year Shared Interest utilized \$19,379 from the fund to cover one call on a guarantee, resulting from loans that a handful of emerging contractors had failed to repay. Thembani covered its share of this loss, amounting to \$3,366. No lender lost interest or principal as a result of this call.

Guarantees Issued



LOUIS STERNBACH & COMPANY, LLP
CERTIFIED, PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Shared Interest, Inc.

We have audited the accompanying statements of financial position of Shared Interest, Inc. (a nonprofit organization) as of December 31, 2002 and 2001 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Shared Interest, Inc. as of December 31, 2002 and 2001, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Louis Sternbach & Co, LLP

Certified Public Accountants

January 27, 2003
New York, New York

1333 BROADWAY NEW YORK, NY 10018 TEL (212) 695-6660 FAX (212) 695-7945

SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

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 are 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.

(ii) Temporarily restricted:

Donor restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the

Statement of Financial Position as of December 31

	2002	2001
Current Assets		
Cash	\$88,688	\$209,708
Investments	7,416,542	6,942,543
Accrued interest receivable	52,244	49,888
Contribution and special event income receivable	22,055	76,184
Other receivables	30,068	-0-
Prepaid expenses	56,131	52,816
Computer equipment	6,540	7,788
(net of accumulated depreciation of \$10,358 and \$7,553 respectively)		
Other assets	6,594	-0-
Total Current Assets	\$7,678,862	\$7,338,927
Liabilities		
Accounts payable and accrued expenses	\$22,607	\$10,116
Accrued interest payable to noteholders	34,811	47,838
Deferred income	-0-	9,600
Promissory notes payable	6,399,760	6,322,000
Total Liabilities	\$6,457,178	\$6,389,554
Commitments and Contingencies		
Net assets		
Unrestricted	726,152	631,969
Unrestricted Board Designated Guarantee Loss Reserve	336,932	177,404
Unrestricted Board Designated Operating Reserve	140,000	140,000
Temporarily restricted	18,600	-0-
Total Net Assets	1,221,684	949,373
Total Liabilities and Net Assets	\$7,678,862	\$7,338,927

statement of activities as net assets released from restriction.

(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 income 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, 2002, investment income amounted to \$387,883, of which \$229,705 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 covered by allocations from both Shared Interest's and TIGF's reserve funds.

Statement of Activities For The Year Ended December 31

	2002			2001
	UNRESTRICTED NET ASSETS	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED NET ASSETS
Public Support and Revenue				
Contributions	\$557,540	\$ -0-	\$557,540	\$861,050
Special events revenue, net of direct expenses	158,564	18,600	177,164	10,686
In-kind contributions	4,160	-0-	4,160	7,174
Interest and dividend income	33,861	-0-	33,861	37,535
Miscellaneous income	12,896	-0-	12,896	4,120
Sub-Total	767,021	18,600	785,621	920,565
Net realized loss on investments	(1,746)	-0-	(1,746)	(1,952)
Net unrealized gain on investments	161,655	-0-	161,655	112,990
Total Public Support and Revenue	926,930	18,600	945,530	1,031,603
Expenses				
Program services:				
Grant to TIGF	156,950	-0-	156,950	174,000
Other program services	366,241	-0-	366,241	454,321
Fund raising	73,263	-0-	73,263	82,932
General and administrative	57,386	-0-	57,386	75,749
Total Expenses	653,840	-0-	653,840	787,002
Increase In Net Assets Prior To Guarantee Loss Expenses	273,090	8,600	291,690	244,601
Guarantee Loss Expenses				
Payment on defaulted loan	(19,379)	-0-	(19,379)	(45,523)
Increase In Net Assets	253,711	18,600	272,311	199,078
Net Assets – Beginning of Year	949,373	-0-	949,373	750,295
Net Assets – End of year	\$1,203,084	\$18,600	\$1,221,684	\$949,373

Statement of Cash Flows For the Years Ended December 31

	2002	2001
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$272,311	199,078
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation expense	2,805	2,547
Net realized and unrealized gain on investments	(161,655)	(112,990)
Changes in operating assets and liabilities:		
Promissory notes payable	77,760	523,500
Interest receivable	(2,356)	18,668
Prepaid expenses	(3,315)	(52,816)
Other receivables	(30,068)	-0-
Contribution and special event income receivable	54,129	(61,539)
Other assets	(6,594)	-0-
Accounts payable and accrued expenses	12,491	(28,690)
Deferred income	(9,600)	9,600
Accrued interest payable to noteholders	(13,027)	15,636
Net cash provided by operating activities	192,881	513,021
Cash Flows from Investing Activities		
Purchase of investments, net of redemptions	(312,344)	(384,289)
Acquisition of fixed assets	(1,557)	(4,939)
Net Cash Used in Investing Activities	(313,901)	(389,228)
Net Increase (Decrease) in Cash	(121,020)	123,793
Cash – Beginning of year	209,708	85,915
Cash – End of year	88,688	\$209,708
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Taxes	\$ -0-	\$ -0-
Interest	\$110,041	\$143,313

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 unrestricted net assets and/or 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.

During the year 2002, Shared Interest incurred losses of \$19,379 as a result of calls on its outstanding guarantees. This loss resulted from defaults by emerging contractors who had borrowed funds for low-income housing projects from the African Contractors Finance Company (ACFC) covered by Shared Interest's guarantee to the National Urban Reconstruction and Housing Agency (NURCHA). To cover this call, Shared Interest paid \$19,379 from its guarantee loss reserve fund, while TIGF paid \$3,366 from its guarantee loss provisions.

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, 2002 investments consist of the following:

Cash held in brokerage accounts	\$169,143
U.S. government, international and government agency, obligations maturing at various dates through 2010	4,076,769
U.S. Government Agency Mutual Fund	3,073,750
Listed equities	96,880
	\$7,416,542

NOTE 4 – PROMISSORY NOTES

Promissory notes issued mature as follows:

Year Ending December 31,	2003	\$642,000
	2004	1,660,000
	2005	2,050,000
	2006	696,000
	2007	1,163,760
	Thereafter	188,000
		\$6,399,760

The promissory notes are stated at their face amounts. All of the notes used to back guarantees 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 4.00% 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, 2002 totaled \$33,861. 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 in contribution income.

NOTE 6 – RELATED PARTIES

The Organization granted \$147,814 in funding to TIGF, for the year ended December 31, 2002.

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 – COMMITMENTS AND CONTINGENCIES

At December 31, 2002, the outstanding Shared Interest guarantees issued through TIGF amounted to \$3,271,929.

The organization is obligated under a lease for its office space expiring April 30, 2008, which provides for minimum lease payments as follows:

Year Ended December 31,	2003	\$39,428
	2004	40,413
	2005	41,424
	2006	42,459
	2007	43,521
	2008	14,626
		\$221,871



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