

The Townships Project

Financial Statements

For the Year Ended December 31, 2010

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Townships Project

We have audited the accompanying financial statements of The Townships Project, which are comprised of the statement of receipts over disbursements for December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

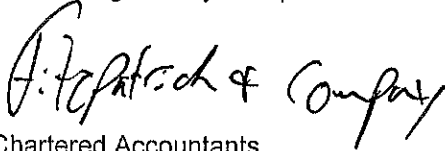
Basis for Qualified Opinion

In common with many not-for-profit organizations, the not-for-profit corporation derives revenue from donations, contributions and special projects, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Corporation and we were not able to determine whether any adjustments might be necessary to receipts or excess of receipts over disbursements.

The statement of receipts and disbursements has been prepared on the cash basis and therefore does not purport to present the results of the operations as they would have appeared had the accrual basis of accounting been applied in their presentation.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which might have been necessary had we been able to satisfy ourselves concerning the completeness of receipts and the application of the accrual basis of accounting referred to in the preceding paragraph, this financial statement presents fairly, in all material respects, the receipts and disbursements of the not-for-profit corporation for the year ended December 31, 2010, in accordance with Canadian generally accepted accounting principles.

A handwritten signature in cursive script that reads "A. J. Patrick & Company".

Chartered Accountants

Charlottetown, PE
June 09, 2011

The Townships Project

Statement of Receipts and Disbursements

For the Year Ended December 31, 2010, with comparative figures for 2009

	2010	2009
Receipts:		
Receipted donations	\$ 180,925	\$ 217,500
Unreceipted donations	29,554	36,639
	210,479	254,139
Disbursements:		
Administration		
Interest and bank charges	1,476	926
Office	1,705	2,158
Professional fees	2,972	2,959
Conferences and Meetings	448	714
Fundraising expenses	42,307	51,283
South Africa Project Expenses		
Tetla Financial Solutions		
Direct transfer	69,800	29,948
Travel, training and oversight	22,062	38,337
MFI Development		
Travel, training and oversight	13,265	38,931
Phakamani		
Direct transfers	15,000	-
Travel, training, and oversight	8,921	-
4WDrive Mobile Micro-Franchising		
Direct transfer	6,000	-
Travel, training, and oversight	44,217	-
Tembeka		
Direct transfers	-	14,405
Tsoga		
Direct transfers	-	24,667
Travel, training and oversight	-	23,695
	228,173	228,023
Excess of (disbursements over receipts) receipts over disbursements	(17,694)	26,116
Surplus, beginning of year	98,136	72,020
Surplus, end of year	\$ 80,442	\$ 98,136

The accompanying notes are an integral part of these financial statements.

The Townships Project

Notes to the Financial Statements

For the Year Ended December 31, 2010

The Townships Project is primarily engaged in funding microfinance institutions in South Africa which make repayable, interest-bearing loans to entrepreneurs, primarily women, to start or expand a small business in order to become self-supporting. The not-for-profit corporation is a registered charity under the Income Tax Act and accordingly is exempted from income taxes, provided certain requirements of the Income Tax Acts are met.

1. Significant accounting policies:

a. Revenue recognition:

The not-for-profit corporation recognizes revenue when donations are received and fundraising monies are deposited.

b. Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the statement of receipts and disbursements.

c. Foreign currency translation:

Receipts and disbursements denominated in foreign currencies are translated using the exchange rate on the day the receipt or disbursement occurred. Exchange gains or losses are included in the determination of receipt over expenses.

2. Financial Reporting Framework:

Effective January 1, 2012, Canadian private sector not-for-profit organizations will have a new financial reporting framework. These organizations may apply accounting standards for not-for-profit organizations in the CICA Handbook - Accounting (Part III) or International Financial Reporting Standards in the Handbook (Part1). The organization is currently evaluating whether to adopt International Financial Reporting Standards or to maintain their current financial reporting framework.