

CONSOLIDATED FINANCIAL STATEMENTS

**THE FRIENDSHIP BRIDGE
AND SUBSIDIARY**

**FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

THE FRIENDSHIP BRIDGE AND SUBSIDIARY

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Friendship Bridge and Subsidiary
Lakewood, Colorado

We have audited the accompanying consolidated statements of financial position of The Friendship Bridge and its wholly owned subsidiary, Friendship Bridge - Guatemala (together referred to as "The Friendship Bridge") as of December 31, 2009 and 2008, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of The Friendship Bridge's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Friendship Bridge's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Friendship Bridge as of December 31, 2009 and 2008, and its consolidated changes in net assets and its consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

August 6, 2010

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

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THE FRIENDSHIP BRIDGE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009 AND 2008

ASSETS	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents:		
Cash held in the United States	\$ 327,340	\$ 486,020
Cash held in Guatemala	<u>1,356,857</u>	<u>1,782,271</u>
Total cash and cash equivalents	1,684,197	2,268,291
Investments (Notes 2 and 10)	859,775	807,827
Loans receivable	1,881,476	2,156,822
Interest receivable	35,349	30,238
Prepaid expenses and other assets	<u>29,632</u>	<u>37,663</u>
Total current assets	<u>4,490,429</u>	<u>5,300,841</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	200,907	93,554
Computers and related equipment	75,136	34,042
Vehicles	<u>3,774</u>	<u>66,653</u>
	279,817	194,249
Less: Accumulated depreciation and amortization	<u>(124,620)</u>	<u>(90,099)</u>
Net property and equipment	<u>155,197</u>	<u>104,150</u>
NONCURRENT ASSETS		
Security deposit	<u>2,573</u>	<u>1,348</u>
TOTAL ASSETS	<u>\$ 4,648,199</u>	<u>\$ 5,406,339</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loans payable (Note 4)	\$ -	\$ 194,000
Accounts payable and accrued liabilities	<u>413,101</u>	<u>493,574</u>
Total current liabilities	<u>413,101</u>	<u>687,574</u>
NONCURRENT LIABILITIES		
Loans payable (Note 4)	<u>1,000,000</u>	<u>1,000,000</u>
Total liabilities	<u>1,413,101</u>	<u>1,687,574</u>
NET ASSETS		
Unrestricted	3,122,477	3,440,755
Temporarily restricted (Note 5)	11,621	178,010
Permanently restricted (Note 11)	<u>101,000</u>	<u>100,000</u>
Total net assets	<u>3,235,098</u>	<u>3,718,765</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,648,199</u>	<u>\$ 5,406,339</u>

See accompanying notes to consolidated financial statements.

THE FRIENDSHIP BRIDGE AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 337,827	\$ 228,314	\$ 1,000	\$ 567,141
Interest and investment income (Note 2)	17,809	-	-	17,809
Loan interest and fees	1,024,801	-	-	1,024,801
Contributed services and materials	28,036	-	-	28,036
Other	261,873	-	-	261,873
Net assets released from donor restrictions - satisfaction of donor restrictions (Note 6)	<u>394,703</u>	<u>(394,703)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,065,049</u>	<u>(166,389)</u>	<u>1,000</u>	<u>1,899,660</u>
EXPENSES				
Program Services:				
Loans and Women's Education Program	1,561,868	-	-	1,561,868
Children's Education Program	65,209	-	-	65,209
Nurses Education Program	14,824	-	-	14,824
Other Medical Programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total program services	<u>1,641,901</u>	<u>-</u>	<u>-</u>	<u>1,641,901</u>
Supporting Services:				
General and Administrative	276,866	-	-	276,866
Fundraising	<u>237,828</u>	<u>-</u>	<u>-</u>	<u>237,828</u>
Total supporting services	<u>514,694</u>	<u>-</u>	<u>-</u>	<u>514,694</u>
Total expenses	<u>2,156,595</u>	<u>-</u>	<u>-</u>	<u>2,156,595</u>
Changes in net assets before other item	(91,546)	(166,389)	1,000	(256,935)
OTHER ITEM				
Currency loss	<u>(226,732)</u>	<u>-</u>	<u>-</u>	<u>(226,732)</u>
Changes in net assets	(318,278)	(166,389)	1,000	(483,667)
Net assets at beginning of year	<u>3,440,755</u>	<u>178,010</u>	<u>100,000</u>	<u>3,718,765</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,122,477</u>	<u>\$ 11,621</u>	<u>\$ 101,000</u>	<u>\$ 3,235,098</u>

See accompanying notes to consolidated financial statements.

2008			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 805,047	\$ 237,989	\$ 50,000	\$ 1,093,036
2,883	-	-	2,883
1,006,857	-	-	1,006,857
30,784	-	-	30,784
210,539	-	-	210,539
<u>370,809</u>	<u>(370,809)</u>	<u>-</u>	<u>-</u>
<u>2,426,919</u>	<u>(132,820)</u>	<u>50,000</u>	<u>2,344,099</u>
1,567,090	-	-	1,567,090
145,293	-	-	145,293
25,914	-	-	25,914
<u>7,060</u>	<u>-</u>	<u>-</u>	<u>7,060</u>
<u>1,745,357</u>	<u>-</u>	<u>-</u>	<u>1,745,357</u>
213,734	-	-	213,734
<u>326,367</u>	<u>-</u>	<u>-</u>	<u>326,367</u>
<u>540,101</u>	<u>-</u>	<u>-</u>	<u>540,101</u>
<u>2,285,458</u>	<u>-</u>	<u>-</u>	<u>2,285,458</u>
141,461	(132,820)	50,000	58,641
<u>(22,384)</u>	<u>-</u>	<u>-</u>	<u>(22,384)</u>
119,077	(132,820)	50,000	36,257
<u>3,321,678</u>	<u>310,830</u>	<u>50,000</u>	<u>3,682,508</u>
<u>\$ 3,440,755</u>	<u>\$ 178,010</u>	<u>\$ 100,000</u>	<u>\$ 3,718,765</u>

See accompanying notes to consolidated financial statements.

THE FRIENDSHIP BRIDGE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Services			
	Loans and Women's Education Program	Children's Education Program	Nurses Education Program	Total Program Services
Salaries and benefits (Note 9)	\$ 785,275	\$ 47,277	\$ -	\$ 832,552
Printing and production	12,506	330	-	12,836
Professional fees	96,316	-	-	96,316
Rent and utilities (Note 8)	74,430	2,461	-	76,891
Accounting/audit	-	-	-	-
Insurance	6,499	119	-	6,618
Depreciation and amortization	129	53	-	182
Telecommunications	55,174	1,440	492	57,106
Travel and transportation	52,350	1,605	14,332	68,287
Consulting fees	45,117	7,185	-	52,302
Postage and delivery	98	-	-	98
Repairs and maintenance	48,497	635	-	49,132
Supplies	27,558	2,368	-	29,926
Dues and subscriptions	2,387	-	-	2,387
Training	5,915	-	-	5,915
Hospitality	2,394	59	-	2,453
Insight trips	12,665	441	-	13,106
Bank fees	9,507	-	-	9,507
Interest expense	34,973	-	-	34,973
Equipment	12,088	102	-	12,190
Donated legal support and training services	28,036	-	-	28,036
Retreats	19,840	441	-	20,281
Events	-	-	-	-
Bad debts and allowances (Note 3)	202,992	-	-	202,992
Other	27,122	693	-	27,815
TOTAL	\$ 1,561,868	\$ 65,209	\$ 14,824	\$ 1,641,901

See accompanying notes to consolidated financial statements.

<u>Supporting Services</u>			
<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 102,646	\$ 114,172	\$ 216,818	\$ 1,049,370
1,530	7,011	8,541	21,377
-	-	-	96,316
6,373	5,544	11,917	88,808
55,645	-	55,645	55,645
303	368	671	7,289
34,176	163	34,339	34,521
6,006	2,681	8,687	65,793
3,596	6,041	9,637	77,924
51,545	32,958	84,503	136,805
1,243	4,480	5,723	5,821
-	-	-	49,132
5,473	34,066	39,539	69,465
-	-	-	2,387
900	314	1,214	7,129
1,509	4,847	6,356	8,809
1,413	1,192	2,605	15,711
-	-	-	9,507
4,247	-	4,247	39,220
261	316	577	12,767
-	-	-	28,036
-	-	-	20,281
-	23,675	23,675	23,675
-	-	-	202,992
-	-	-	27,815
<u>\$ 276,866</u>	<u>\$ 237,828</u>	<u>\$ 514,694</u>	<u>\$ 2,156,595</u>

See accompanying notes to consolidated financial statements.

THE FRIENDSHIP BRIDGE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services				
	Loans and Women's Education Program	Children's Education Program	Nurses Education Program	Other Medical Programs	Total Program Services
Salaries and benefits (Note 9)	\$ 514,891	\$ 26,881	\$ -	\$ -	\$ 541,772
Printing and production	10,405	-	-	-	10,405
Professional fees	47,529	-	-	-	47,529
Rent and utilities (Note 8)	46,655	1,930	-	-	48,585
Accounting/audit	-	-	-	-	-
Insurance	2,155	242	-	-	2,397
Depreciation and amortization	-	-	-	-	-
Telecommunications	24,305	557	-	-	24,862
Travel and transportation	40,070	1,174	22,879	1,000	65,123
Consulting fees	92,562	9,563	2,600	-	104,725
Postage and delivery	547	70	39	-	656
Repairs and maintenance	15,264	364	-	-	15,628
Supplies	28,659	85,728	350	-	114,737
Dues and subscriptions	2,115	-	-	-	2,115
Training	12,483	28	-	-	12,511
Hospitality	1,252	233	46	-	1,531
Insight trips	40,129	1,916	-	-	42,045
Bank fees	14,181	-	-	-	14,181
Interest expense	29,544	-	-	-	29,544
Equipment	54,313	151	-	-	54,464
Grants	-	-	-	6,060	6,060
Donated legal support and training services	-	-	-	-	-
Scholarships	-	226	-	-	226
Retreats	13,131	4	-	-	13,135
Bad debts and allowances (Note 3)	562,832	-	-	-	562,832
Other	14,068	16,226	-	-	30,294
TOTAL	\$ 1,567,090	\$ 145,293	\$ 25,914	\$ 7,060	\$ 1,745,357

<u>Supporting Services</u>			
<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 96,976	\$ 178,122	\$ 275,098	\$ 816,870
-	-	-	10,405
-	-	-	47,529
4,441	13,050	17,491	66,076
175	-	175	175
408	2,137	2,545	4,942
29,398	-	29,398	29,398
11,185	14,951	26,136	50,998
1,000	7,750	8,750	73,873
47,275	58,140	105,415	210,140
745	5,014	5,759	6,415
-	-	-	15,628
2,249	30,441	32,690	147,427
-	-	-	2,115
972	1,889	2,861	15,372
3,874	5,884	9,758	11,289
-	7,976	7,976	50,021
-	-	-	14,181
-	-	-	29,544
345	1,013	1,358	55,822
-	-	-	6,060
1,679	-	1,679	1,679
-	-	-	226
-	-	-	13,135
-	-	-	562,832
<u>13,012</u>	<u>-</u>	<u>13,012</u>	<u>43,306</u>
<u>\$ 213,734</u>	<u>\$ 326,367</u>	<u>\$ 540,101</u>	<u>\$ 2,285,458</u>

See accompanying notes to consolidated financial statements.

THE FRIENDSHIP BRIDGE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (483,667)	\$ 36,257
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	34,521	29,398
(Decrease) increase in the provision for uncollectible loans	(479,168)	195,949
Loans directly written-off	682,160	366,883
Stock donations	(35,049)	(71,450)
Loan guarantee funds absorbed	11,555	-
Currency loss on loan portfolio	196,383	92,548
Contributions restricted for long-term investment	(1,000)	(50,000)
Realized loss (gain) on sales of investments	93	(444)
Unrealized (gain) loss on investments	(7,761)	22,806
Loss on disposal of fixed assets	-	21,630
(Increase) decrease in:		
Interest receivable	(5,111)	38,560
Prepaid expenses and other assets	8,031	(15,064)
Security deposit	(1,225)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>(80,473)</u>	<u>163,474</u>
Net cash provided (used) by operating activities	<u>(160,711)</u>	<u>830,547</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(85,568)	(88,524)
Proceeds from sales of investments	769,955	71,895
Purchase of investments	<u>(779,186)</u>	<u>(258,251)</u>
Net cash used by investing activities	<u>(94,799)</u>	<u>(274,880)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan capital issued to beneficiaries	(4,645,165)	(4,766,841)
Loan capital collected from beneficiaries	4,509,581	5,194,469
Proceeds from individual loans	-	175,396
Repayments on individual loans	(194,000)	(63,929)
Contributions restricted for long-term investment	<u>1,000</u>	<u>50,000</u>
Net cash provided (used) by financing activities	<u>(328,584)</u>	<u>589,095</u>
Net increase (decrease) in cash and cash equivalents	(584,094)	1,144,762
Cash and cash equivalents at beginning of year	<u>2,268,291</u>	<u>1,123,529</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>1,684,197</u>	\$ <u>2,268,291</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ <u>36,302</u>	\$ <u>30,031</u>

See accompanying notes to consolidated financial statements.

THE FRIENDSHIP BRIDGE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Friendship Bridge and Subsidiary (together referred to as The Friendship Bridge) was incorporated as a Colorado non-profit corporation on March 20, 1990. The Friendship Bridge provides microcredit and education to help women and their families create their own solutions to poverty. The Friendship Bridge's primary focus is the Women and Children of Guatemala. The Friendship Bridge's primary sources of revenue are grants, public contributions and interest on microcredit loans.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

The consolidated financial statements include the accounts of The Friendship Bridge and its wholly owned subsidiary, Friendship Bridge - Guatemala (together referred to as "The Friendship Bridge"). All material intercompany transactions are eliminated in consolidation.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, The Friendship Bridge has updated references to GAAP in its consolidated financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact The Friendship Bridge's consolidated financial position or results of operations.

Cash and cash equivalents -

The Friendship Bridge considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, The Friendship Bridge maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

The Friendship Bridge had \$1,356,857 and \$1,782,271 of cash and cash equivalents on hand and invested in financial institutions in Guatemala as of December 31, 2009 and 2008, respectively. The majority of funds invested abroad is uninsured.

Loans receivable -

Loans receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the loan beneficiary.

THE FRIENDSHIP BRIDGE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Investments -

Investments are recorded at market value. Unrealized and realized gains and losses are included in investment income in the Consolidated Statements of Activities and Changes in Net Assets.

Property and equipment -

Property and equipment (with an acquisition value greater than \$1,500) are stated at cost. Property and equipment (including vehicles) are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Donations of property and equipment are recorded as current support at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, The Friendship Bridge reports expirations of donor restrictions when the donated or acquired assets are placed in service (or when depreciated) as instructed by the donor. At that time, The Friendship Bridge releases the temporarily restricted net assets from restrictions to unrestricted net assets.

Income taxes -

The Friendship Bridge is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Friendship Bridge - Guatemala is a locally registered tax-exempt organization in Guatemala. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Friendship Bridge is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2009, The Friendship Bridge has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Since the provisions of FASB ASC 740-10 were not effective for 2008, The Friendship Bridge utilized its prior policy of accounting for these positions, following the guidance in FASB ASC 450, *Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, The Friendship Bridge had no uncertain tax positions that qualified for either recognition or disclosure in the consolidated financial statements.

THE FRIENDSHIP BRIDGE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of The Friendship Bridge and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of The Friendship Bridge and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by The Friendship Bridge.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements.

Donated services and in-kind contributions -

FASB standards require that the value of services provided by individuals with specialized skills be recognized in The Friendship Bridge's financial statements. The FASB also requires that other donated items such as equipment and certain unbilled expenditures be recognized by The Friendship Bridge as current support (and expense). In-kind contributions recorded in the accompanying consolidated financial statements include legal support, training services and other unbilled costs which have been provided by volunteer professionals and other individuals. In-kind contributions totaled \$28,036 and \$30,784 during the years ended December 31, 2009 and 2008, respectively.

The Friendship Bridge also receives contributions from other sources in which the value of those services cannot be reasonably determined. Accordingly, the value of those contributions has not been recorded in the accompanying consolidated financial statements.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

THE FRIENDSHIP BRIDGE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Functional currency -

The Quetzal is the functional currency of Guatemala. All assets and liabilities held in Guatemala are reported in the accompanying Consolidated Statements of Financial Position and translated into U.S. Dollars using the exchange rate in effect at December 31, 2009 and 2008 of \$1.00 = \$8.35 Quetzal and \$1.00 = \$7.80 Quetzal, respectively. All revenues and expenses transacted in Guatemala are reported in the accompanying Consolidated Statements of Activities and Changes in Net Assets and have been translated to U.S. Dollars using the average annual exchange rate. All year-end assets and liabilities (held in Guatemala) have been revalued at the current spot rates; therefore, exchange rate variances have been reflected as currency gains or losses in the accompanying Consolidated Statements of Activities and Changes in Net Assets

Risks and uncertainties -

The Friendship Bridge invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Fair value measurements -

The Friendship Bridge adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Friendship Bridge accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Certificates of deposit	\$ 570,000	\$ 570,000	\$ 510,000	\$ 510,037
Mutual funds	62,000	47,541	61,091	38,834
Cash and money market funds	<u>242,234</u>	<u>242,234</u>	<u>258,956</u>	<u>258,956</u>
TOTAL INVESTMENTS	<u>\$ 874,234</u>	<u>\$ 859,775</u>	<u>\$ 830,047</u>	<u>\$ 807,827</u>

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2. INVESTMENTS (Continued)

Included in interest and investment income are the following at December 31, 2009 and 2008:

	2009	2008
Interest and dividends	\$ 10,141	\$ 25,245
Realized (loss) gain on sales of investments	(93)	444
Unrealized gain (loss) on investments	7,761	(22,806)
TOTAL INTEREST AND INVESTMENT INCOME	\$ 17,809	\$ 2,883

3. LOANS RECEIVABLE

Loans receivable consist of loans provided to groups of impoverished women in Guatemala. The term of the loans range between six and nine months and bear interest of 24.00%. Principal and interest payments are due monthly. The Friendship Bridge requires no collateral for these loans.

During the year ended December 31, 2009, The Friendship Bridge recorded \$202,992 of bad debts based on a \$479,168 decrease in the loan loss allowance from 2008 and direct write-offs of loans during the current year totaling \$682,160. As of December 31, 2009, the total loans receivable balance, net of the allowance of \$76,763 (which represents 3.92% of the gross portfolio balance of \$1,958,239), aggregated \$1,881,476. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2008 to December 31, 2009, the total loans receivable balance experienced a \$196,383 loss on valuation at fiscal year-end.

During the year ended December 31, 2008, The Friendship Bridge recorded \$562,832 of bad debts based on a \$195,949 increase in the loan loss allowance from 2007 and direct write-offs of loans during the current year totaling \$366,883. As of December 31, 2008, the total loans receivable balance, net of the allowance of \$555,930 (which represents 20.49% of the gross portfolio balance of \$2,712,752), aggregated \$2,156,822. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2007 to December 31, 2008, the total loans receivable balance experienced a \$92,548 loss on valuation at fiscal year-end.

4. LOANS PAYABLE

On May 31, 2007, The Friendship Bridge entered into a promissory note agreement with a group of individuals for \$625,000 for the purpose of increasing its lending activities in Guatemala. On September 30, 2007, The Friendship Bridge entered into a second promissory note agreement for \$375,000. The notes bear interest of 3.00% during the first two years and 5.00% thereafter. The notes are due in two installments; \$625,000 on May 30, 2012 and \$375,000 on September 30, 2012.

The Friendship Bridge also receives short-term, non-interest bearing loans, from Kiva (an online lending service) which collects loan proceeds on behalf of the organization. Loans are repaid to Kiva when the loans are due. As of December 31, 2009, the balance due Kiva was satisfied in full. As of December 31, 2008, total loans payable under these short-term loan agreements aggregated \$194,000.

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5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Loans and Women's Education Program	\$ -	\$ 149,654
Nurses Education Program	10,363	86
Trunk Show	-	28,270
MIS Project	<u>1,258</u>	<u>-</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 11,621</u>	<u>\$ 178,010</u>

6. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

	<u>2009</u>	<u>2008</u>
Loans and Women's Education Program	\$ 311,884	\$ 324,525
Children's Education Program	35,983	17,391
Nurses Education Program	14,824	25,913
Trunk Show	28,270	2,980
MIS Project	<u>3,742</u>	<u>-</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 394,703</u>	<u>\$ 370,809</u>

7. CONTINGENCY - FOREIGN OPERATIONS

The Friendship Bridge provides education and access to microcredit for indigenous women in Guatemala. Accordingly, The Friendship Bridge maintains a significant portion of its assets within Guatemala. The future results of its programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate. As of December 31, 2009 and 2008, The Friendship Bridge had cash, property and equipment and loans receivable in Guatemala totaling \$3,573,459 and \$4,130,900, respectively, which represents 77% and 76% of The Friendship Bridge's total assets as of December 31, 2009 and 2008, respectively.

8. LEASE COMMITMENT

The Friendship Bridge leases office space for its principal headquarters in Lakewood, Colorado under an operating lease expiring on November 30, 2012.

The Friendship Bridge also leases several offices in Guatemala under short-term leases.

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8. LEASE COMMITMENT (Continued)

Future minimum lease payments required under these leases are as follows:

<u>Year Ended December 31,</u>	
2010	\$ 29,180
2011	30,062
2012	<u>28,297</u>
	<u>\$ 87,539</u>

9. RETIREMENT PLAN

The Friendship Bridge adopted an IRC 403(b) plan (the Plan) covering all eligible U.S. employees. Under the provisions of the Plan, an eligible employee may defer up to 100% of annual compensation, with the total dollar amount limited by law. At its discretion, The Friendship Bridge may make matching contributions or elective contributions. Participants are 100% vested in all contributions to the Plan. The Friendship Bridge did not make any contributions to the Plan during the years ended December 31, 2009 and 2008.

10. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, The Friendship Bridge has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market The Friendship Bridge has the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

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10. FAIR VALUE MEASUREMENTS (Continued)

Financial assets recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to the valuation technique as follows for the years ended December 31, 2009 and 2008:

Asset Category:	2009			
	Level 1	Level 2	Level 3	Total
Investments	<u>\$ 289,775</u>	<u>\$ 570,000</u>	<u>\$ -</u>	<u>\$ 859,775</u>

Asset Category:	2008			
	Level 1	Level 2	Level 3	Total
Investments	<u>\$ 807,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 859,775</u>

11. ENDOWMENT

The Friendship Bridge has received seven contributions totaling \$101,000 (four \$12,500 contributions and one \$50,000 contribution from one donor, and two \$500 contributions from another donor) for the purpose of supporting education for the daughters of The Friendship Bridge's clients in rural Guatemala. Under the terms of the awards, the principal amount is to be invested in-perpetuity and only the earnings can be used for the aforementioned purpose.

The Friendship Bridge's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Friendship Bridge classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by The Friendship Bridge in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, The Friendship Bridge considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

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11. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of December 31, 2009:

	<u>Endowment</u>
Donor-Restricted Endowment Funds	\$ <u>101,000</u>

Endowment net asset composition by type of fund as of December 31, 2008:

	<u>Endowment</u>
Donor-Restricted Endowment Funds	\$ <u>100,000</u>

Changes in endowment net assets for the years ended December 31, 2009 and 2008:

	<u>Endowment</u>
Endowment net assets, December 31, 2007	\$ 50,000
Investment losses	(19,973)
Transfer of investment losses	19,973
Contributions	<u>50,000</u>
Endowment net assets, December 31, 2008	100,000
Investment losses	(7,800)
Transfer of investment losses	7,800
Contributions	<u>1,000</u>
ENDOWMENT NET ASSETS, DECEMBER 31, 2009	\$ <u>101,000</u>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires The Friendship Bridge to retain as fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$7,800 as of December 31, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriations for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters -

The Friendship Bridge has adopted investment and spending policies for endowment assets that attempt to provide long-term growth of principal consistent with reasonable income. The Friendship Bridge attempts to preserve the capital by minimizing the probability of loss of principal over the investment horizon. Emphasis is placed on minimizing return volatility rather than maximizing total return. The Friendship Bridge shall manage the assets with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting like capacity and familiar with such matters would use in the conduct of an entity of a like character with the like aims.

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11. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, The Friendship Bridge relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Friendship Bridge targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

Currently, The Friendship Bridge does not have a spending policy. Spending is in accordance with any donor restrictions. Accordingly, over the long-term, The Friendship Bridge expects the current spending policy to allow its endowment to grow annually. This is consistent with The Friendship Bridge's objective to maintain the purchasing power of the endowment assets held in-perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

12. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, The Friendship Bridge has evaluated events and transactions for potential recognition or disclosure through August 6, 2010, the date the consolidated financial statements were issued.