

**COMBINED FINANCIAL STATEMENTS**

**FRIENDSHIP BRIDGE  
AND SUBSIDIARY**

**FOR THE YEARS ENDED  
DECEMBER 31, 2008 AND 2007**

# FRIENDSHIP BRIDGE AND SUBSIDIARY

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Combined Statements of Financial Position, as of December 31, 2008 and 2007	3
EXHIBIT B - Combined Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2008 and 2007	4 - 5
EXHIBIT C - Combined Statement of Functional Expenses, for the Year Ended December 31, 2008	6 - 7
EXHIBIT D - Combined Statement of Functional Expenses, for the Year Ended December 31, 2007	8 - 9
EXHIBIT E - Combined Statements of Cash Flows, for the Years Ended December 31, 2008 and 2007	10
NOTES TO COMBINED FINANCIAL STATEMENTS	11 - 19



**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying combined statements of financial position of Friendship Bridge and its wholly owned subsidiary, Friendship Bridge - Guatemala Subsidiary (together referred to as "Friendship Bridge") as of December 31, 2008 and 2007, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These combined financial statements are the responsibility of Friendship Bridge's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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 audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Friendship Bridge as of December 31, 2008 and 2007, and its combined changes in net assets and its combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

October 13, 2009

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

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

**FRIENDSHIP BRIDGE AND SUBSIDIARY**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2008 AND 2007**

<b>ASSETS</b>	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash held in the United States	\$ 486,020	\$ 403,367
Cash held in Guatemala	<u>1,782,271</u>	<u>720,162</u>
Total cash and cash equivalents	2,268,291	1,123,529
Investments (Notes 2 and 9)	807,827	572,382
Loans receivable	2,156,822	3,239,830
Interest receivable	30,238	68,798
Prepaid expenses and other assets	<u>37,663</u>	<u>22,599</u>
Total current assets	<u>5,300,841</u>	<u>5,027,138</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	93,554	95,204
Computers and related equipment	34,042	34,414
Vehicles	<u>66,653</u>	<u>19,163</u>
	194,249	148,781
Less: Accumulated depreciation and amortization	<u>(90,099)</u>	<u>(82,128)</u>
Net property and equipment	<u>104,150</u>	<u>66,653</u>
<b>NONCURRENT ASSETS</b>		
Security deposit	<u>1,348</u>	<u>1,348</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,406,339</u></b>	<b><u>\$ 5,095,139</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Loans payable (Note 4)	\$ 194,000	\$ 82,533
Accounts payable and accrued liabilities	<u>493,574</u>	<u>330,098</u>
Total current liabilities	<u>687,574</u>	<u>412,631</u>
<b>NONCURRENT LIABILITIES</b>		
Loans payable (Note 4)	<u>1,000,000</u>	<u>1,000,000</u>
Total liabilities	<u>1,687,574</u>	<u>1,412,631</u>
<b>NET ASSETS</b>		
Unrestricted	3,440,755	3,321,678
Temporarily restricted (Note 5)	178,010	310,830
Permanently restricted (Note 10)	<u>100,000</u>	<u>50,000</u>
Total net assets	<u>3,718,765</u>	<u>3,682,508</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,406,339</u></b>	<b><u>\$ 5,095,139</u></b>

See accompanying notes to combined financial statements.

**FRIENDSHIP BRIDGE AND SUBSIDIARY**

**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<b>2008</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>SUPPORT AND REVENUE</b>				
Grants and contributions	\$ 805,047	\$ 237,989	\$ 50,000	\$ 1,093,036
Interest and investment income (Note 2)	2,883	-	-	2,883
Loan interest and fees	1,006,857	-	-	1,006,857
Contributed services and materials	30,784	-	-	30,784
Other	210,539	-	-	210,539
Net assets released from donor restrictions - satisfaction of donor restrictions (Note 6)	<u>370,809</u>	<u>(370,809)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,426,919</u>	<u>(132,820)</u>	<u>50,000</u>	<u>2,344,099</u>
<b>EXPENSES</b>				
Program Services:				
Loans and Women's Education Program	1,589,474	-	-	1,589,474
Children's Education Program	145,293	-	-	145,293
Nurses Education Program	25,914	-	-	25,914
Other Medical Programs	<u>7,060</u>	<u>-</u>	<u>-</u>	<u>7,060</u>
Total program services	<u>1,767,741</u>	<u>-</u>	<u>-</u>	<u>1,767,741</u>
Supporting Services:				
General and Administrative	213,734	-	-	213,734
Fundraising	<u>326,367</u>	<u>-</u>	<u>-</u>	<u>326,367</u>
Total supporting services	<u>540,101</u>	<u>-</u>	<u>-</u>	<u>540,101</u>
Total expenses	<u>2,307,842</u>	<u>-</u>	<u>-</u>	<u>2,307,842</u>
Changes in net assets	119,077	(132,820)	50,000	36,257
Transfer of net assets	-	-	-	-
Net assets at beginning of year	<u>3,321,678</u>	<u>310,830</u>	<u>50,000</u>	<u>3,682,508</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 3,440,755</u></b>	<b><u>\$ 178,010</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 3,718,765</u></b>

See accompanying notes to combined financial statements.

<b>2007</b>			
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 663,697	\$ 749,805	\$ -	\$ 1,413,502
18,064	-	-	18,064
1,198,545	-	-	1,198,545
124,241	-	-	124,241
161,658	-	-	161,658
<u>445,155</u>	<u>(445,155)</u>	<u>-</u>	<u>-</u>
<u>2,611,360</u>	<u>304,650</u>	<u>-</u>	<u>2,916,010</u>
1,155,694	-	-	1,155,694
76,809	-	-	76,809
63,208	-	-	63,208
<u>17,500</u>	<u>-</u>	<u>-</u>	<u>17,500</u>
<u>1,313,211</u>	<u>-</u>	<u>-</u>	<u>1,313,211</u>
80,191	-	-	80,191
<u>325,649</u>	<u>-</u>	<u>-</u>	<u>325,649</u>
<u>405,840</u>	<u>-</u>	<u>-</u>	<u>405,840</u>
<u>1,719,051</u>	<u>-</u>	<u>-</u>	<u>1,719,051</u>
892,309	304,650	-	1,196,959
-	(50,000)	50,000	-
<u>2,429,369</u>	<u>56,180</u>	<u>-</u>	<u>2,485,549</u>
<b><u>\$ 3,321,678</u></b>	<b><u>\$ 310,830</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 3,682,508</u></b>

See accompanying notes to combined financial statements.

**FRIENDSHIP BRIDGE AND SUBSIDIARY**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Program Services</b>				
	<b>Loans and Women's Education Program</b>	<b>Children's Education Program</b>	<b>Nurses Education Program</b>	<b>Other Medical Programs</b>	<b>Total Program Services</b>
Salaries and benefits (Note 8)	\$ 514,891	\$ 26,881	\$ -	\$ -	\$ 541,772
Printing and production	10,405	-	-	-	10,405
Professional fees	47,529	-	-	-	47,529
Rent and utilities (Note 7)	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	28,139	85,728	350	-	114,217
Dues and subscriptions	2,115	-	-	-	2,115
Training	12,483	28	-	-	12,511
Hospitality	1,772	233	46	-	2,051
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	36,452	16,226	-	-	52,678
<b>TOTAL</b>	<b>\$ 1,589,474</b>	<b>\$ 145,293</b>	<b>\$ 25,914</b>	<b>\$ 7,060</b>	<b>\$ 1,767,741</b>

See accompanying notes to combined financial statements.

<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	16,065	18,314	132,531
-	-	-	2,115
972	1,889	2,861	15,372
3,874	20,260	24,134	26,185
-	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>65,690</u>
<b><u>\$ 213,734</u></b>	<b><u>\$ 326,367</u></b>	<b><u>\$ 540,101</u></b>	<b><u>\$ 2,307,842</u></b>

See accompanying notes to combined financial statements.



**FRIENDSHIP BRIDGE AND SUBSIDIARY**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Program Services</b>				<b>Total Program Services</b>
	<b>Loans and Women's Education Program</b>	<b>Children's Education Program</b>	<b>Nurses Education Program</b>	<b>Other Medical Programs</b>	
Salaries and benefits (Note 8)	\$ 484,026	\$ 10,325	\$ -	\$ -	\$ 494,351
Printing and production	9,331	-	-	-	9,331
Professional fees	23,627	-	-	-	23,627
Rent and utilities (Note 7)	38,846	476	-	-	39,322
Insurance	1,522	87	-	-	1,609
Depreciation and amortization	16,198	1,257	-	-	17,455
Telecommunications	12,937	148	-	-	13,085
Travel and transportation	35,737	1,162	9,902	-	46,801
Consulting fees	6,766	698	4,750	-	12,214
Postage and delivery	390	31	12	-	433
Supplies	14,987	90	3,366	-	18,443
Dues and subscriptions	1,671	-	-	-	1,671
Training	12,798	220	-	-	13,018
Hospitality	652	48	61	-	761
Insight trips	56,617	1,558	-	-	58,175
Bank fees	5,295	-	-	-	5,295
Interest expense	22,993	-	-	-	22,993
Equipment	13,425	-	-	-	13,425
Grants	-	-	-	1,000	1,000
Donated legal support and training services	31,170	537	45,117	16,500	93,324
Scholarships	648	57,863	-	-	58,511
Retreats	7,689	-	-	-	7,689
Bad debts and allowances (Note 3)	335,343	-	-	-	335,343
Other	<u>23,026</u>	<u>2,309</u>	<u>-</u>	<u>-</u>	<u>25,335</u>
<b>TOTAL</b>	<b><u>\$ 1,155,694</u></b>	<b><u>\$ 76,809</u></b>	<b><u>\$ 63,208</u></b>	<b><u>\$ 17,500</u></b>	<b><u>\$ 1,313,211</u></b>

See accompanying notes to combined financial statements.

<u>Supporting Services</u>			
<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 57,992	\$ 166,309	\$ 224,301	\$ 718,652
-	-	-	9,331
-	-	-	23,627
4,543	11,982	16,525	55,847
759	3,153	3,912	5,521
1,312	-	1,312	18,767
1,417	40,239	41,656	54,741
1,805	5,146	6,951	53,752
4,950	44,157	49,107	61,321
395	7,385	7,780	8,213
1,230	11,091	12,321	30,764
-	-	-	1,671
85	726	811	13,829
606	9,640	10,246	11,007
-	-	-	58,175
-	-	-	5,295
-	-	-	22,993
-	-	-	13,425
-	-	-	1,000
5,097	25,821	30,918	124,242
-	-	-	58,511
-	-	-	7,689
-	-	-	335,343
-	-	-	25,335
<u>\$ 80,191</u>	<u>\$ 325,649</u>	<u>\$ 405,840</u>	<u>\$ 1,719,051</u>

See accompanying notes to combined financial statements.

## FRIENDSHIP BRIDGE AND SUBSIDIARY

COMBINED COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 36,257	\$ 1,196,959
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	29,398	18,767
Provision for uncollectible loans	195,949	310,660
Loans directly written-off	366,883	24,683
Stock donations	(71,450)	(116,407)
Contributions restricted for long-term investment	(50,000)	-
Realized (gain) loss on sales of investments	(444)	1,670
Unrealized loss (gain) on investments	22,806	(586)
Loss on disposal of fixed assets	21,630	-
(Increase) decrease in:		
Grants receivable	-	65,000
Interest receivable	38,560	(68,798)
Prepaid expenses and other assets	(15,064)	(15,638)
Security deposit	-	(1,348)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>163,474</u>	<u>265,642</u>
Net cash provided by operating activities	<u>737,999</u>	<u>1,680,604</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(88,524)	(50,858)
Proceeds from sales of investments	71,895	109,704
Purchase of investments	<u>(258,251)</u>	<u>(122,787)</u>
Net cash used by investing activities	<u>(274,880)</u>	<u>(63,941)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of loans	(4,766,841)	(8,594,820)
Collections on loans receivable	5,287,017	6,614,350
Proceeds from private placement loan	-	1,000,000
Proceeds from individual loans	175,396	83,562
Repayments on individual loans	(63,929)	(1,029)
Contributions restricted for long-term investment	<u>50,000</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>681,643</u>	<u>(897,937)</u>
Net increase in cash and cash equivalents	1,144,762	718,726
Cash and cash equivalents at beginning of year	<u>1,123,529</u>	<u>404,803</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,268,291</u></b>	<b><u>\$ 1,123,529</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest Paid	<b><u>\$ 29,544</u></b>	<b><u>\$ 22,993</u></b>

See accompanying notes to combined financial statements.

**FRIENDSHIP BRIDGE AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

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

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations".

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

Cash and cash equivalents -

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, 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.

Investments -

Investments are recorded at market value. Unrealized gains and losses are included in investment income in the Combined 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 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, 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, Friendship Bridge releases the temporarily restricted net assets from restrictions to unrestricted net assets.

**FRIENDSHIP BRIDGE AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

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

Income taxes -

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

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, Friendship Bridge is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, Friendship Bridge has not implemented those provisions in the 2008 combined financial statements.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, Friendship Bridge continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for 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 and 2007, Friendship Bridge has no uncertain tax positions that qualify for either recognition or disclosure in the combined financial statements.

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 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 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 Combined 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 Friendship Bridge.

**FRIENDSHIP BRIDGE AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

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

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 combined financial statements.

Donated services and in-kind contributions -

Statement of Financial Accounting Standards (SFAS) No. 116 requires that the value of services provided by individuals with specialized skills be recognized in Friendship Bridge's financial statements. SFAS No. 116 also requires that other donated items such as equipment and certain unbilled expenditures be recognized by Friendship Bridge as current support (and expense). In-kind contributions recorded in the accompanying combined 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 \$30,784 and \$124,241 during the years ended December 31, 2008 and 2007, respectively.

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 combined financial statements.

Use of estimates -

The preparation of the combined 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 combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined 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 Combined Statements of Financial Position and translated into U.S. Dollars using the exchange rate in effect at December 31, 2008 and 2007 of \$1.00 = \$7.80 Quetzal and \$1.00 = \$7.60 Quetzal, respectively. All revenues and expenses transacted in Guatemala are reported in the accompanying Combined Statements of Activities and Changes in Net Assets and have been translated to U.S. Dollars using an exchange rate of \$1.00 = \$7.80 Quetzal during 2008 and \$1.00 = \$7.60 Quetzal during 2007.

**FRIENDSHIP BRIDGE AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

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

Fair value measurements -

Friendship Bridge adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, entitled *Fair Value Measurements*. SFAS No. 157 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. Friendship Bridge accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Risks and uncertainties -

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 combined financial statements.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2008 and 2007:

	2008		2007	
	Cost	Market Value	Cost	Market Value
Equities	\$ 18,393	\$ 11,031	\$ 14,979	\$ 15,147
Bonds	510,000	510,037	168,000	168,033
Mutual funds	42,698	27,803	21,897	22,282
Cash and money market funds	<u>258,956</u>	<u>258,956</u>	<u>366,920</u>	<u>366,920</u>
	<b><u>\$ 830,047</u></b>	<b><u>\$ 807,827</u></b>	<b><u>\$ 571,796</u></b>	<b><u>\$ 572,382</u></b>

Included in interest and investment income are the following:

	2008	2007
Interest and dividends	\$ 25,245	\$ 19,148
Realized gain (loss) on sales of investments	444	(1,670)
Unrealized (loss) gain on investments	<u>(22,806)</u>	<u>586</u>
<b>TOTAL INTEREST AND INVESTMENT INCOME</b>	<b><u>\$ 2,883</u></b>	<b><u>\$ 18,064</u></b>

**FRIENDSHIP BRIDGE AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**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%. Interest is due on a bi-weekly schedule, and loan principal is due monthly. Friendship Bridge requires no collateral for these loans.

During the year ended December 31, 2008, 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.

During the year ended December 31, 2007, Friendship Bridge recorded \$335,343 of bad debts based on a \$310,660 increase in the loan loss allowance from 2006 and direct write-offs of loans during the current year totaling \$24,683. As of December 31, 2007, the total loans receivable balance, net of the allowance of \$359,981 (which represents 10.00% of the gross portfolio balance of \$3,599,811), aggregated \$3,239,830.

**4. LOANS PAYABLE**

On May 30, 2007, Friendship Bridge entered into a promissory note agreement with a financial institution for \$1,000,000 for the purpose of increasing its lending activities in Guatemala. The note bears interest of 3.00% during the first two years and 5.00% thereafter. The note is due in two installments; \$625,000 on May 30, 2012 and \$325,000 on September 30, 2012.

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, 2008 and 2007, total loans payable under these short-term loan agreements aggregated \$194,000 and \$82,533, respectively.

**5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Loans and Women's Education Program	\$ 149,654	\$ 310,830
Nurses Education Program	86	-
Trunk Show	<u>28,270</u>	<u>-</u>
	<u>\$ 178,010</u>	<u>\$ 310,830</u>



**FRIENDSHIP BRIDGE AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**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:

	<b>2008</b>	<b>2007</b>
Loans and Women's Education Program	\$ 324,525	\$ 346,328
Children's Education Program	17,391	25,105
Nurses Education Program	25,913	67,062
Other Medical Programs	-	6,660
Trunk Show	2,980	-
	<b>\$ 370,809</b>	<b>\$ 445,155</b>

**7. LEASE COMMITMENT**

Friendship Bridge leases office space for its principal headquarters in Evergreen, Colorado under leases expiring in 2009.

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

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

<b>Year Ended December 31, 2009</b>	<b>\$ <u>16,660</u></b>
-------------------------------------	-------------------------

**8. RETIREMENT PLAN**

Friendship Bridge adopted an IRC 403(b) plan (the Plan) covering all eligible 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, Friendship Bridge may make matching contributions or elective contributions. Participants are 100% vested in all contributions to the Plan. Friendship Bridge did not make any contributions to the Plan during the years ended December 31, 2008 and 2007.

**9. FAIR VALUE MEASUREMENTS**

In accordance with Statement of Financial Accounting Standards (SFAS) No. 157, 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.

**FRIENDSHIP BRIDGE AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**9. FAIR VALUE MEASUREMENTS (Continued)**

Investments recorded in the Combined 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 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.

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

<b>Asset Category:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investment</b>	<b><u>\$ 807,827</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 807,827</u></b>

**10. ENDOWMENT**

Friendship Bridge has received two contributions totaling \$100,000 (\$50,000 each) from a donor for the purpose of supporting education for the daughters of 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. During 2006, the original contribution of \$50,000 was incorrectly recorded as a temporarily restricted contribution; therefore, during 2007, the \$50,000 was transferred from temporarily restricted to permanently restricted net assets.

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, 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.

**FRIENDSHIP BRIDGE AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**10. ENDOWMENT (Continued)**

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 Friendship Bridge in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, 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.

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

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

Endowment net asset composition by type of fund as of December 31, 2007:

	<u>Endowment</u>
<b>Donor-Restricted Endowment Funds</b>	<b>\$ <u>50,000</u></b>

Changes in endowment net assets for the year ended December 31, 2008:

	<u>Endowment</u>
Endowment net assets, December 31, 2006	\$ 50,000
Investment income	2,203
Transfer of investment earnings	<u>(2,203)</u>
Endowment net assets, December 31, 2007	50,000
Investment losses	(19,973)
Transfer of investment losses	19,973
Contributions	<u>50,000</u>
<b>ENDOWMENT NET ASSETS, DECEMBER 31, 2008</b>	<b>\$ <u>100,000</u></b>

**FRIENDSHIP BRIDGE AND SUBSIDIARY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**10. ENDOWMENT (Continued)**

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 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 \$19,973 as of December 31, 2008. 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 -

Friendship Bridge has adopted investment and spending policies for endowment assets that attempt to provide long-term growth of principal consistent with reasonable income. 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. 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.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, 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). 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, Friendship Bridge does not have a spending policy. Spending is in accordance with any donor restrictions. Accordingly, over the long-term, Friendship Bridge expects the current spending policy to allow its endowment to grow annually. This is consistent with 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.