

FINANCIAL STATEMENTS

THE FRIENDSHIP BRIDGE

**FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

THE FRIENDSHIP BRIDGE

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Friendship Bridge
Lakewood, Colorado

We have audited the accompanying statements of financial position of The Friendship Bridge as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of The Friendship Bridge's management. Our responsibility is to express an opinion on these 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 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 financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of The Friendship Bridge as of December 31, 2010 and 2009, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

April 29, 2011

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THE FRIENDSHIP BRIDGE
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents:		
Cash held in the United States	\$ 253,318	\$ 327,340
Cash held in Guatemala	<u>631,663</u>	<u>1,356,857</u>
Total cash and cash equivalents	884,981	1,684,197
Investments (Notes 2 and 10)	761,220	859,775
Loans receivable, net (Note 3)	2,868,664	1,881,476
Interest receivable	47,826	35,349
Grants and pledges receivable	75,390	-
Prepaid expenses and other assets	<u>21,733</u>	<u>29,632</u>
Total current assets	<u>4,659,814</u>	<u>4,490,429</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	215,307	200,907
Computers and related equipment	132,609	75,136
Vehicles	<u>3,774</u>	<u>3,774</u>
	351,690	279,817
Less: Accumulated depreciation and amortization	<u>(176,063)</u>	<u>(124,620)</u>
Net property and equipment	<u>175,627</u>	<u>155,197</u>
NONCURRENT ASSETS		
Security deposit	<u>2,573</u>	<u>2,573</u>
TOTAL ASSETS	<u>\$ 4,838,014</u>	<u>\$ 4,648,199</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>458,159</u>	\$ <u>413,101</u>
NONCURRENT LIABILITIES		
Loans payable (Note 4)	<u>1,000,000</u>	<u>1,000,000</u>
Total liabilities	<u>1,458,159</u>	<u>1,413,101</u>
NET ASSETS		
Unrestricted	3,220,992	3,122,477
Temporarily restricted (Note 5)	57,863	11,621
Permanently restricted (Note 11)	<u>101,000</u>	<u>101,000</u>
Total net assets	<u>3,379,855</u>	<u>3,235,098</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,838,014</u>	<u>\$ 4,648,199</u>

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Grants and contributions	\$ 498,631	\$ 91,857	\$ -	\$ 590,488
Interest and investment income (Note 2)	33,357	-	-	33,357
Loan interest and fees	1,142,448	-	-	1,142,448
Contributed services and materials	15,797	-	-	15,797
Sales and other income	180,940	-	-	180,940
Net assets released from donor restrictions - satisfaction of donor restrictions (Note 6)	<u>45,615</u>	<u>(45,615)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,916,788</u>	<u>46,242</u>	<u>-</u>	<u>1,963,030</u>
EXPENSES				
Program Services:				
Financial Products	1,408,814	-	-	1,408,814
Education (Guatemala)	66,130	-	-	66,130
Nurses Education (Vietnam)	<u>10,675</u>	<u>-</u>	<u>-</u>	<u>10,675</u>
Total program services	<u>1,485,619</u>	<u>-</u>	<u>-</u>	<u>1,485,619</u>
Supporting Services:				
General and Administrative	276,436	-	-	276,436
Fundraising	<u>151,322</u>	<u>-</u>	<u>-</u>	<u>151,322</u>
Total supporting services	<u>427,758</u>	<u>-</u>	<u>-</u>	<u>427,758</u>
Total expenses	<u>1,913,377</u>	<u>-</u>	<u>-</u>	<u>1,913,377</u>
Changes in net assets before other item	3,411	46,242	-	49,653
OTHER ITEM				
Currency gain (loss)	<u>95,104</u>	<u>-</u>	<u>-</u>	<u>95,104</u>
Changes in net assets	98,515	46,242	-	144,757
Net assets at beginning of year	<u>3,122,477</u>	<u>11,621</u>	<u>101,000</u>	<u>3,235,098</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,220,992</u>	<u>\$ 57,863</u>	<u>\$ 101,000</u>	<u>\$ 3,379,855</u>

See accompanying notes to financial statements.

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 337,827	\$ 228,314	\$ 1,000	\$ 567,141
17,809	-	-	17,809
1,024,801	-	-	1,024,801
28,036	-	-	28,036
261,873	-	-	261,873
<u>394,703</u>	<u>(394,703)</u>	<u>-</u>	<u>-</u>
<u>2,065,049</u>	<u>(166,389)</u>	<u>1,000</u>	<u>1,899,660</u>
1,561,868	-	-	1,561,868
65,209	-	-	65,209
<u>14,824</u>	<u>-</u>	<u>-</u>	<u>14,824</u>
<u>1,641,901</u>	<u>-</u>	<u>-</u>	<u>1,641,901</u>
276,866	-	-	276,866
<u>237,828</u>	<u>-</u>	<u>-</u>	<u>237,828</u>
<u>514,694</u>	<u>-</u>	<u>-</u>	<u>514,694</u>
<u>2,156,595</u>	<u>-</u>	<u>-</u>	<u>2,156,595</u>
(91,546)	(166,389)	1,000	(256,935)
<u>(226,732)</u>	<u>-</u>	<u>-</u>	<u>(226,732)</u>
(318,278)	(166,389)	1,000	(483,667)
<u>3,440,755</u>	<u>178,010</u>	<u>100,000</u>	<u>3,718,765</u>
<u>\$ 3,122,477</u>	<u>\$ 11,621</u>	<u>\$ 101,000</u>	<u>\$ 3,235,098</u>

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Services			Total Program Services
	Financial Products	Education (Guatemala)	Nurses Education (Vietnam)	
Salaries and benefits (Note 9)	\$ 819,899	\$ 38,928	\$ -	\$ 858,827
Printing and production	646	1,955	-	2,601
Professional fees	12,616	-	-	12,616
Rent and utilities (Note 8)	78,611	-	-	78,611
Accounting and audit	-	-	-	-
Insurance	12,355	-	-	12,355
Depreciation and amortization	1,714	-	859	2,573
Telecommunications	45,437	171	100	45,708
Travel and transportation	80,435	7,063	3,000	90,498
Consulting fees	41,222	-	-	41,222
Postage and delivery	1,389	-	-	1,389
Supplies	21,379	17,740	642	39,761
Training	11,947	697	-	12,644
Hospitality	3,427	-	500	3,927
Insight trips	17,226	-	4,729	21,955
Interest expense	50,000	-	-	50,000
Equipment	17,775	-	-	17,775
Grants	40,000	-	-	40,000
Meetings and conferences	345	-	-	345
Donated legal support and training services	1,687	-	845	2,532
Events	-	-	-	-
Bad debts and allowances (Note 3)	127,230	-	-	127,230
Other	23,474	(424)	-	23,050
TOTAL	\$ 1,408,814	\$ 66,130	\$ 10,675	\$ 1,485,619

See accompanying notes to financial statements.

<u>Supporting Services</u>			
<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 111,831	\$ 79,898	\$ 191,729	\$ 1,050,556
1,665	5,969	7,634	10,235
-	-	-	12,616
8,507	6,087	14,594	93,205
58,509	-	58,509	58,509
1,014	726	1,740	14,095
54,504	1,012	55,516	58,089
2,442	1,819	4,261	49,969
8,741	8,401	17,142	107,640
22,655	16,211	38,866	80,088
1,038	2,769	3,807	5,196
2,375	6,089	8,464	48,225
279	16	295	12,939
1,384	1,348	2,732	6,659
-	5,572	5,572	27,527
-	-	-	50,000
-	-	-	17,775
-	-	-	40,000
-	-	-	345
1,392	996	2,388	4,920
-	14,409	14,409	14,409
-	-	-	127,230
<u>100</u>	<u>-</u>	<u>100</u>	<u>23,150</u>
<u>\$ 276,436</u>	<u>\$ 151,322</u>	<u>\$ 427,758</u>	<u>\$ 1,913,377</u>

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Services			Total Program Services
	Financial Products	Education (Guatemala)	Nurses Education (Vietnam)	
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 and 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 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 financial statements.

THE FRIENDSHIP BRIDGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 144,757	\$ (483,667)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	58,089	34,521
Increase (decrease) in the provision for uncollectible loans	18,069	(479,168)
Loans directly written-off	109,161	682,160
Stock donations	(5,061)	(35,049)
Loan guarantee funds absorbed	10,326	11,555
Currency (gain) loss on loan portfolio	(109,790)	196,383
Contributions restricted for long-term investment	-	(1,000)
Realized loss on sales of investments	-	93
Unrealized gain on investments	(5,453)	(7,761)
(Increase) decrease in:		
Interest receivable	(12,477)	(5,111)
Grants and pledges receivable	(75,390)	-
Prepaid expenses and other assets	7,899	8,031
Security deposit	-	(1,225)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>45,058</u>	<u>(80,473)</u>
Net cash provided (used) by operating activities	<u>185,188</u>	<u>(160,711)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(78,519)	(85,568)
Proceeds from sales of investments	846,000	769,955
Purchase of investments	<u>(736,931)</u>	<u>(779,186)</u>
Net cash provided (used) by investing activities	<u>30,550</u>	<u>(94,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan capital issued to beneficiaries	(6,217,114)	(4,645,165)
Loan capital collected from beneficiaries	5,202,160	4,509,581
Repayments on individual loans	-	(194,000)
Contributions restricted for long-term investment	<u>-</u>	<u>1,000</u>
Net cash used by financing activities	<u>(1,014,954)</u>	<u>(328,584)</u>
Net decrease in cash and cash equivalents	(799,216)	(584,094)
Cash and cash equivalents at beginning of year	<u>1,684,197</u>	<u>2,268,291</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 884,981</u>	<u>\$ 1,684,197</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 50,000</u>	<u>\$ 36,302</u>

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

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 financial statements issued for the years ended December 31, 2010 and 2009. The adoption of FASB ASC 105 did not impact The Friendship Bridge's 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 \$631,663 and \$1,356,857 of cash and cash equivalents on hand and invested in financial institutions in Guatemala as of December 31, 2010 and 2009, respectively. The majority of funds invested abroad are 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.

Investments -

Investments are recorded at market value. Unrealized and realized gains and losses are included in investment income in the 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 FRIENDSHIP BRIDGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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

Property and equipment (continued) -

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. Accordingly, no provision for income taxes has been made in the accompanying 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 years ended December 31, 2010 and 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 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 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 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.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Grants and contributions 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. Grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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

Donated services and in-kind contributions -

Financial Accounting Standards Board (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 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 \$15,797 and \$28,036 during the years ended December 31, 2010 and 2009, 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 financial statements.

Use of estimates -

The preparation of the 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 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 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 Statements of Financial Position and translated into U.S. Dollars using the exchange rate in effect at December 31, 2010 and 2009 of \$1.00 = \$8.01 Quetzal and \$1.00 = \$8.35 Quetzal, respectively. All revenues and expenses transacted in Guatemala are reported in the accompanying 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 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 accompanying financial statements.

THE FRIENDSHIP BRIDGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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

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, 2010 and 2009:

	2010		2009	
	Cost	Market Value	Cost	Market Value
Certificates of deposit	\$ 655,000	\$ 655,000	\$ 570,000	\$ 570,000
Mutual funds	43,854	37,869	62,000	47,541
Equities	24,129	21,108	-	-
Cash and money market funds	<u>47,243</u>	<u>47,243</u>	<u>242,234</u>	<u>242,234</u>
TOTAL INVESTMENTS	<u>\$ 770,226</u>	<u>\$ 761,220</u>	<u>\$ 874,234</u>	<u>\$ 859,775</u>

Included in interest and investment income are the following at December 31, 2010 and 2009:

	2010	2009
Interest and dividends	\$ 27,904	\$ 10,141
Realized loss on sales of investments	-	(93)
Unrealized gain on investments	<u>5,453</u>	<u>7,761</u>
TOTAL INTEREST AND INVESTMENT INCOME	<u>\$ 33,357</u>	<u>\$ 17,809</u>

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, 2010, The Friendship Bridge recorded \$127,230 of bad debts based on a \$18,069 increase in the loan loss allowance from 2009 and direct write-offs of loans during the current year totaling \$109,161. As of December 31, 2010, the total loans receivable balance, net of the allowance of \$94,832 (which represents 3.20% of the gross portfolio balance of \$2,963,496), aggregated \$2,868,664. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2009 to December 31, 2010, the total loans receivable balance experienced a \$(109,790) gain on valuation at fiscal year-end.

THE FRIENDSHIP BRIDGE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

3. LOANS RECEIVABLE (Continued)

During the year ended December 31, 2009, The Friendship Bridge recorded \$202,992 of bad debts based on a \$479,168 increase 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.

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.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2010 and 2009:

	2010	2009
Financial Products	\$ 50,842	\$ -
Nurses Education (Vietnam)	7,021	10,363
MIS Project	-	1,258
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 57,863	\$ 11,621

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:

	2010	2009
Financial Products	\$ -	\$ 311,884
Education (Guatemala)	-	35,983
Nurses Education (Vietnam)	4,242	14,824
Trunk Show	-	28,270
MIS Project	1,258	3,742
Technology	40,000	-
Other	115	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 45,615	\$ 394,703

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
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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, 2010 and 2009, The Friendship Bridge had cash, property and equipment and loans receivable in Guatemala totaling \$3,961,091 and \$3,573,459, respectively, which represents 82% and 77% of The Friendship Bridge's total assets as of December 31, 2010 and 2009, 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.

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

Year Ended December 31,

2011	\$ 30,062
2012	<u>28,297</u>
	<u>\$ 58,359</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, 2010 and 2009.

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 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.

THE FRIENDSHIP BRIDGE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

10. FAIR VALUE MEASUREMENTS (Continued)

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 Statements of Financial Position are categorized based on the inputs to the valuation technique as follows for the years ended December 31, 2010 and 2009:

	<u>2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
Investments	\$ <u>106,220</u>	\$ <u>655,000</u>	\$ <u>-</u>	\$ <u>761,220</u>
	<u>2009</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
Investments	\$ <u>289,775</u>	\$ <u>570,000</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. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 UPMIFA.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

11. ENDOWMENT (Continued)

In accordance with UPMIFA, 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.

Endowment net asset composition by type of fund as of December 31, 2010:

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

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

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

Changes in endowment net assets for the years ended December 31, 2010 and 2008:

	<u>Endowment</u>
Endowment net assets, December 31, 2008	\$ 100,000
Investment losses	(8,746)
Transfer of investment losses	8,746
Contributions	1,000
Endowment net assets, December 31, 2009	101,000
Investment losses	(7,800)
Transfer of investment losses	7,800
ENDOWMENT NET ASSETS, DECEMBER 31, 2010	\$ <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 UPMIFA 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 and \$8,746 as of December 31, 2010 and 2009, respectively. 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.

THE FRIENDSHIP BRIDGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

11. ENDOWMENT (Continued)

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.

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 financial statements, The Friendship Bridge has evaluated events and transactions for potential recognition or disclosure through April 29, 2011, the date the financial statements were issued.