

FINANCIAL STATEMENTS

THE FRIENDSHIP BRIDGE

**FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010, 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, 2011 and 2010, 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

May 24, 2012

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THE FRIENDSHIP BRIDGE
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents:		
Cash held in the United States	\$ 418,646	\$ 253,318
Cash held in Guatemala	<u>384,648</u>	<u>631,663</u>
Total cash and cash equivalents	803,294	884,981
Investments (Notes 2 and 10)	829,877	761,220
Loans receivable, net (Note 3)	3,573,147	2,868,664
Interest receivable	51,878	47,826
Grants and pledges receivable	57,242	75,390
Prepaid expenses and other assets	<u>37,188</u>	<u>21,733</u>
Total current assets	<u>5,352,626</u>	<u>4,659,814</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	95,528	122,095
Computers and related equipment	140,718	135,146
Vehicles	<u>92,823</u>	<u>94,449</u>
	329,069	351,690
Less: Accumulated depreciation and amortization	<u>(178,274)</u>	<u>(176,063)</u>
Net property and equipment	<u>150,795</u>	<u>175,627</u>
NONCURRENT ASSETS		
Security deposit	11,135	2,573
Investments, net of current portion (Notes 2 and 10)	<u>21,009</u>	<u>-</u>
Total noncurrent assets	<u>32,144</u>	<u>2,573</u>
TOTAL ASSETS	<u>\$ 5,535,565</u>	<u>\$ 4,838,014</u>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Loans payable (Note 4)	\$ 349,070	\$ -
Accounts payable and accrued liabilities	<u>493,987</u>	<u>458,159</u>

Total current liabilities	<u>843,057</u>	<u>458,159</u>
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NONCURRENT LIABILITIES

Loans payable (Note 4)	<u>985,000</u>	<u>1,000,000</u>
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Total liabilities	<u>1,828,057</u>	<u>1,458,159</u>
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NET ASSETS

Unrestricted	3,369,985	3,220,992
Temporarily restricted (Note 5)	236,523	57,863
Permanently restricted (Note 11)	<u>101,000</u>	<u>101,000</u>

Total net assets	<u>3,707,508</u>	<u>3,379,855</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,535,565</u>	<u>\$ 4,838,014</u>
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THE FRIENDSHIP BRIDGE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Grants and contributions	\$ 518,583	\$ 349,422	\$ -	\$ 868,005
Interest and investment income (Note 2)	15,820	-	-	15,820
Loan interest and fees	1,344,519	-	-	1,344,519
Contributed services and materials	69,150	-	-	69,150
Events	188,962	-	-	188,962
Sales and other income	84,515	-	-	84,515
Net assets released from donor restrictions - satisfaction of donor restrictions (Note 6)	<u>195,762</u>	<u>(195,762)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,417,311</u>	<u>153,660</u>	<u>-</u>	<u>2,570,971</u>
EXPENSES				
Program Services:				
Financial Products	1,781,925	-	-	1,781,925
Education (Guatemala)	160,693	-	-	160,693
Nurses Education (Vietnam)	<u>5,654</u>	<u>-</u>	<u>-</u>	<u>5,654</u>
Total program services	<u>1,948,272</u>	<u>-</u>	<u>-</u>	<u>1,948,272</u>
Supporting Services:				
General and Administrative	202,517	-	-	202,517
Fundraising	<u>155,702</u>	<u>-</u>	<u>-</u>	<u>155,702</u>
Total supporting services	<u>358,219</u>	<u>-</u>	<u>-</u>	<u>358,219</u>
Total expenses	<u>2,306,491</u>	<u>-</u>	<u>-</u>	<u>2,306,491</u>
Changes in net assets before other item	110,820	153,660	-	264,480
OTHER ITEM				
Currency gain	63,173	-	-	63,173
Transfer of net assets (Note 5)	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Total other items	<u>38,173</u>	<u>25,000</u>	<u>-</u>	<u>63,173</u>
Changes in net assets	148,993	178,660	-	327,653
Net assets at beginning of year	<u>3,220,992</u>	<u>57,863</u>	<u>101,000</u>	<u>3,379,855</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,369,985</u>	<u>\$ 236,523</u>	<u>\$ 101,000</u>	<u>\$ 3,707,508</u>

See accompanying notes to financial statements.

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 498,631	\$ 91,857	\$ -	\$ 590,488
33,357	-	-	33,357
1,142,448	-	-	1,142,448
15,797	-	-	15,797
-	-	-	-
180,940	-	-	180,940
<u>45,615</u>	<u>(45,615)</u>	<u>-</u>	<u>-</u>
<u>1,916,788</u>	<u>46,242</u>	<u>-</u>	<u>1,963,030</u>
1,408,814	-	-	1,408,814
66,130	-	-	66,130
<u>10,675</u>	<u>-</u>	<u>-</u>	<u>10,675</u>
<u>1,485,619</u>	<u>-</u>	<u>-</u>	<u>1,485,619</u>
276,436	-	-	276,436
<u>151,322</u>	<u>-</u>	<u>-</u>	<u>151,322</u>
<u>427,758</u>	<u>-</u>	<u>-</u>	<u>427,758</u>
<u>1,913,377</u>	<u>-</u>	<u>-</u>	<u>1,913,377</u>
3,411	46,242	-	49,653
95,104	-	-	95,104
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>95,104</u>	<u>-</u>	<u>-</u>	<u>95,104</u>
98,515	46,242	-	144,757
<u>3,122,477</u>	<u>11,621</u>	<u>101,000</u>	<u>3,235,098</u>
<u>\$ 3,220,992</u>	<u>\$ 57,863</u>	<u>\$ 101,000</u>	<u>\$ 3,379,855</u>

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Services			Total Program Services
	Financial Products	Education (Guatemala)	Nurses Education (Vietnam)	
Salaries and benefits (Note 9)	\$ 936,812	\$ 108,411	\$ 827	\$ 1,046,050
Printing and production	7,165	2,867	-	10,032
Professional fees	13,768	-	-	13,768
Occupancy (Note 8)	92,320	4,741	87	97,148
Accounting and audit	20,098	-	-	20,098
Insurance	11,669	731	9	12,409
Depreciation and amortization	61,889	3,040	35	64,964
Telecommunications	32,858	1,044	13	33,915
Travel and transportation	69,051	8,065	4,468	81,584
Consulting fees	80,446	12,190	63	92,699
Supplies	22,326	2,023	13	24,362
Training	20,397	2,134	-	22,531
Hospitality	1,807	630	-	2,437
Insight trips	7,259	2,533	-	9,792
Interest expense (Note 4)	50,682	-	-	50,682
Equipment	24,379	61	-	24,440
Grants	-	-	-	-
Donated legal support and training services	28,572	9,874	127	38,573
Events	-	-	-	-
Bad debts and allowances (Note 3)	41,760	-	-	41,760
Software and other fees	219,927	913	12	220,852
Advertising	8,364	-	-	8,364
Credit checks	21,533	-	-	21,533
Other	8,843	1,436	-	10,279
TOTAL	\$ 1,781,925	\$ 160,693	\$ 5,654	\$ 1,948,272

See accompanying notes to financial statements.

Supporting Services			
General and Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 125,662	\$ 72,644	\$ 198,306	\$ 1,244,356
774	6,962	7,736	17,768
-	-	-	13,768
8,111	4,689	12,800	109,948
16,444	-	16,444	36,542
1,428	825	2,253	14,662
5,326	3,079	8,405	73,369
2,038	1,178	3,216	37,131
5,094	2,945	8,039	89,623
9,549	5,520	15,069	107,768
1,936	1,119	3,055	27,417
3,683	-	3,683	26,214
195	1,755	1,950	4,387
784	7,053	7,837	17,629
-	-	-	50,682
-	-	-	24,440
-	-	-	-
19,433	11,144	30,577	69,150
-	31,821	31,821	31,821
-	-	-	41,760
1,781	1,030	2,811	223,663
-	-	-	8,364
-	-	-	21,533
279	3,938	4,217	14,496
\$ 202,517	\$ 155,702	\$ 358,219	\$ 2,306,491

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
Occupancy (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
Supplies	22,768	17,740	642	41,150
Training	11,947	697	-	12,644
Hospitality	3,427	-	500	3,927
Insight trips	17,226	-	4,729	21,955
Interest expense (Note 4)	50,000	-	-	50,000
Equipment	17,775	-	-	17,775
Grants	40,000	-	-	40,000
Donated legal support and training services	1,687	-	845	2,532
Events	-	-	-	-
Bad debts and allowances (Note 3)	127,230	-	-	127,230
Other	23,819	(424)	-	23,395
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
3,413	8,858	12,271	53,421
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
1,392	996	2,388	4,920
-	14,409	14,409	14,409
-	-	-	127,230
<u>100</u>	<u>-</u>	<u>100</u>	<u>23,495</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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 327,653	\$ 144,757
Adjustments to reconcile provided in net assets to net cash provided by operating activities:		
Depreciation and amortization	73,369	58,089
Increase in the provision for uncollectable loans	15,639	18,069
Loans directly written-off	26,121	109,161
Stock donations	(9,713)	(5,061)
Loan guarantee funds absorbed	64,677	10,326
Currency gain on loan portfolio	(70,450)	(109,790)
Realized loss on sales of investments	6,908	-
Unrealized gain on investments	(3,684)	(5,453)
(Increase) decrease in:		
Interest receivable	(4,052)	(12,477)
Grants and pledges receivable	18,148	(75,390)
Prepaid expenses and other assets	(15,455)	7,899
Security deposit	(8,562)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>35,828</u>	<u>45,058</u>
Net cash provided by operating activities	<u>456,427</u>	<u>185,188</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(48,537)	(78,519)
Proceeds from sales of investments	630,788	846,000
Purchase of investments	<u>(713,965)</u>	<u>(736,931)</u>
Net cash (used) provided by investing activities	<u>(131,714)</u>	<u>30,550</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan capital issued to beneficiaries	(7,358,450)	(6,217,114)
Loan capital collected from beneficiaries	6,617,980	5,202,160
Cash received from investors/lendees	<u>334,070</u>	<u>-</u>
Net cash used by financing activities	<u>(406,400)</u>	<u>(1,014,954)</u>
Net decrease in cash and cash equivalents	(81,687)	(799,216)
Cash and cash equivalents at beginning of year	<u>884,981</u>	<u>1,684,197</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 803,294</u>	<u>\$ 884,981</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 51,459</u>	<u>\$ 50,000</u>

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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 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*.

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. Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). The Friendship Bridge maintains a portion of its cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by FDIC under this Act.

The Friendship Bridge had \$384,648 and \$631,663 of cash and cash equivalents on hand and invested in financial institutions in Guatemala as of December 31, 2011 and 2010, 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 fair 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, 2011 AND 2010

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, 2011 and 2010, 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, 2011 AND 2010

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 \$69,150 and \$15,797 during the years ended December 31, 2011 and 2010, 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, 2011 and 2010 of \$1.00 = \$7.81 Quetzal and \$1.00 = \$8.01 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, 2011 AND 2010

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, 2011 and 2010:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit (U.S.)	\$ 546,414	\$ 545,893	\$ 655,000	\$ 655,000
Certificates of deposit (Guatemala)	225,968	225,968	-	-
Mutual funds	36,332	33,936	43,854	37,869
Equities	25,000	23,706	24,129	21,108
Cash and money market funds	12,526	12,526	47,243	47,243
Index fund (futures contract)	<u>9,968</u>	<u>8,857</u>	<u>-</u>	<u>-</u>
TOTAL INVESTMENTS	<u>\$ 856,208</u>	<u>\$ 850,886</u>	<u>\$ 770,226</u>	<u>\$ 761,220</u>
Current portion	\$ 835,208	\$ 829,877	\$ 770,226	\$ 761,226
Noncurrent portion	<u>21,000</u>	<u>21,009</u>	<u>-</u>	<u>-</u>
TOTAL INVESTMENTS	<u>\$ 856,208</u>	<u>\$ 850,866</u>	<u>\$ 770,226</u>	<u>\$ 761,220</u>

Included in interest and investment income are the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 19,044	\$ 27,904
Realized loss on sales of investments	(6,908)	-
Unrealized gain on investments	<u>3,684</u>	<u>5,453</u>
TOTAL INTEREST AND INVESTMENT INCOME	<u>\$ 15,820</u>	<u>\$ 33,357</u>

THE FRIENDSHIP BRIDGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

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 twelve months and bear interest of 2.00% per month flat. Principal and interest payments are due monthly. The Friendship Bridge requires no collateral (other than social collateral) for these loans.

During the year ended December 31, 2011, The Friendship Bridge recorded \$41,760 of bad debts based on a \$15,639 increase in the loan loss allowance from 2010 and direct write-offs of loans during the current year totaling \$26,121. As of December 31, 2011, the total loans receivable balance, net of the allowance of \$110,471 (which represents 3.00% of the gross portfolio balance of \$3,683,618), aggregated \$3,573,147. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2010 to December 31, 2011, the total loans receivable balance experienced a \$70,450 gain on valuation at fiscal year-end.

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.

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.

On December 15, 2011, \$335,000 of the first promissory note and the entire balance (\$375,000) of the second promissory note were combined with \$275,000 of additional loan proceeds (provided by new investors) to create a new promissory note (totaling \$985,000). The new promissory note bears interest of 4.00% and is due in full on December 15, 2014. The balance remaining under the initial promissory note aggregated \$290,000 as of December 31, 2011, and is due in full on May 30, 2012.

On October 13, 2011, The Friendship Bridge received \$50,000 under a note agreement with Capital Sisters International, Inc. The note is non-interest bearing and is due in full on October 13, 2012. In accordance with generally accepted accounting principles, The Friendship Bridge has imputed interest expense totaling \$433 on the non-interest bearing loan during the year ended December 31, 2011.

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, 2011, total loans payable under these short-term loan agreements aggregated \$9,070.

Total interest expense during the year ended December 31, 2011 and 2010 under all loans payable (including imputed interest in 2011 of \$433), aggregated \$50,682 and \$50,000, respectively.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Financial Products	\$ 77,803	\$ 50,842
Nurses Education (Vietnam)	68,330	7,021
MIS Project	<u>90,390</u>	<u>-</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 236,523</u>	<u>\$ 57,863</u>

During the year ended December 31, 2011, The Friendship Bridge reclassified \$25,000 of unrestricted net assets to temporarily restricted net assets as it was determined that a contribution received in 2010 was incorrectly classified as an unrestricted gift. The Friendship Bridge elected to present this item as a 2011 reclassification instead of a prior period correction of an error.

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>2011</u>	<u>2010</u>
Financial Products	\$ 539	\$ -
Nurses Education (Vietnam)	4,468	4,242
MIS Project	25,755	1,258
Technology	160,000	40,000
Other	<u>5,000</u>	<u>115</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 195,762</u>	<u>\$ 45,615</u>

7. CONTINGENCIES

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, 2011 and 2010, The Friendship Bridge had cash, property and equipment and loans receivable in Guatemala totaling \$4,378,743 and \$3,961,091, respectively, which represent 79% and 82% of The Friendship Bridge's total assets as of December 31, 2011 and 2010, respectively.

The Friendship Bridge is structured as a not-for-profit in Guatemala and does not pay income taxes. Management believes there is no clear tax law defining the tax obligations for not-for-profit organizations providing microloans and receiving interest income. During 2011, the banking regulators in Guatemala proposed a new bank regulation specifically for microfinance institutions. The main objective for the proposed regulation is to eliminate money laundering. At this time, it is anticipated that, if this regulation is adopted as proposed, The Friendship Bridge will be required to change its registration and corporate structure. The potential effect of these changes is currently under analysis.

THE FRIENDSHIP BRIDGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

7. CONTINGENCIES (continued)

If The Friendship Bridge makes changes in its corporate structure or certain elections for tax purposes, related or unrelated to the proposed legislations, there is a possibility that the tax administration will review The Friendship Bridge's tax treatment of interest received for the past four years and require payment of back taxes. Management estimates that back taxes, if required, would not exceed \$226,000. Due to the uncertainty of the applicability of the tax laws to prior years, and based on a professional opinion obtained from local professionals, The Friendship Bridge has not accrued this potential liability.

8. LEASE COMMITMENT

The Friendship Bridge leases office space for its principal headquarters in Lakewood, Colorado under an operating lease expiring on March 31, 2015. The Friendship Bridge also leases several offices in Guatemala under short-term leases; its Central Office lease commitment of \$672 is due monthly through July 31, 2015.

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

Year Ended December 31,

2012	\$ 38,728
2013	39,055
2014	39,596
2015	<u>12,642</u>
	<u>\$ 130,021</u>

Occupancy expense for the years ended December 31, 2011 and 2010 totaled \$109,948 and \$93,205, respectively.

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, 2011 and 2010.

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.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

10. FAIR VALUE MEASUREMENTS (Continued)

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.

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

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010, respectively.

- *Money market funds*—Fair value is equal to the reported net asset value of the fund.
- *Common stocks/equities*—Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds*—The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Certificates of deposit*—Generally valued at original cost plus accrued interest, which approximates fair value.
- *Interests in hedge funds, limited partnerships, private equity funds*—These instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

The table below summarizes, by level within the fair value hierarchy, The Friendship Bridge's investments as of December 31, 2011 and 2010:

	2011			
	Level 1	Level 2	Level 3	Total
Asset Category: Investments	<u>\$ 70,168</u>	<u>\$ 771,861</u>	<u>\$ 8,857</u>	<u>\$ 850,886</u>
	2010			
	Level 1	Level 2	Level 3	Total
Asset Category: Investments	<u>\$ 106,220</u>	<u>\$ 655,000</u>	<u>\$ -</u>	<u>\$ 761,220</u>

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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 women education program of The Friendship Bridge. 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. 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, 2011:

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

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

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

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

11. ENDOWMENT (Continued)

Changes in endowment net assets for the years ended December 31, 2011 and 2010:

	Endowment
Endowment net assets, December 31, 2009	\$ 101,000
Investment losses	(7,800)
Transfer of investment losses	7,800
Endowment net assets, December 31, 2010	101,000
Investment losses	(3,349)
Transfer of investment losses	3,349
ENDOWMENT NET ASSETS, DECEMBER 31, 2011	\$ <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 \$3,349 and \$7,800 as of December 31, 2011 and 2010, 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.

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.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

11. ENDOWMENT (Continued)

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 May 24, 2012, the date the financial statements were issued.

During 2012, The Friendship Bridge became aware of certain fraudulent activity with respect to its loan program (and amongst other microfinance institutions) in Guatemala. The Friendship Bridge has estimated the value of the losses to be approximately \$13,000. The Friendship Bridge is attempting to recover these losses through negotiations with the beneficiaries of its loan program. An investigation has commenced in order to determine if any additional loans are deemed uncollectable; the maximum value of any additional uncollectable loans is estimated to be \$57,000.