KPMG

FRIENDS OF WWB/USA, INC.

Financial Statements and Schedules

December 31, 2012

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Friends of WWB/USA, Inc.:

We have audited the accompanying financial statements of Friends of WWB/USA, Inc. (the Organization), which comprise the balance sheet as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of WWB/USA, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the Organization's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

June 6, 2013

FRIENDS OF WWB/USA, INC.

Balance Sheet

December 31, 2012
(with comparative financial information as of December 31, 2011)

Assets		**2012**	**2011**
Cash and cash equivalents	$	1,337,244	333,862
Due from WWB, net (note 2)		—	113,320
Grants and contributions receivable (note 3)		83,690	125,000
Other assets		—	10,000
Total assets	$	1,420,934	582,182
Liabilities and Net Assets			
Liabilities:			
Due to WWB (note 2)	$	731,264	—
Total liabilities		731,264	—
Net assets:			
Unrestricted		260,517	235,441
Temporarily restricted (note 5)		424,928	342,516
Permanently restricted – income unrestricted (note 5)		4,225	4,225
Total net assets		689,670	582,182
Total liabilities and net assets	$	1,420,934	582,182

See accompanying notes to financial statements.

FRIENDS OF WWB/USA, INC.

Statement of Activities

Year ended December 31, 2012
(with summarized financial information for the year ended December 31, 2011)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2012	Total 2011
Revenue and support:					
Grants and contributions	$ 731,831	2,663,127	—	3,394,958	2,505,477
In-kind contributions (note 4)	24,000	—	—	24,000	7,000
Miscellaneous income	1,709	—	—	1,709	3,598
Net assets released from restrictions	2,580,715	(2,580,715)	—	—	—
Total revenue and support	3,338,255	82,412	—	3,420,667	2,516,075
Expenses and loss (notes 2 and 4):					
Program services:					
Grants and contributions to Stitching to Promote Women's World Banking	2,388,786	—	—	2,388,786	1,447,257
Program development and education	278,020	—	—	278,020	444,857
Total program services	2,666,806	—	—	2,666,806	1,892,114
General and administrative	46,566	—	—	46,566	28,103
Fund-raising	549,807	—	—	549,807	337,736
Total expenses	3,263,179	—	—	3,263,179	2,257,953
Loss on uncollectible grants receivable	50,000	—	—	50,000	96,940
Increase in net assets	25,076	82,412	—	107,488	161,182
Net assets at beginning of year	235,441	342,516	4,225	582,182	421,000
Net assets at end of year	$ 260,517	424,928	4,225	689,670	582,182

See accompanying notes to financial statements.

FRIENDS OF WWB/USA, INC.

Statement of Cash Flows

Year ended December 31, 2012
(with comparative financial information for the year ended December 31, 2011)

		2012	2011
Cash flows from operating activities:			
Increase in net assets	$	107,488	161,182
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:			
Decrease (increase) in grants and contributions receivable		41,310	(28,060)
Decrease (increase) in due from WWB		113,320	(113,320)
Decrease (increase) in other assets		10,000	(10,000)
Decrease in accounts payable and accrued expenses		—	(97,365)
Increase (decrease) in due to WWB		731,264	(10,000)
Net cash provided by (used in) operating activities		1,003,382	(97,563)
Cash and cash equivalents at beginning of year		333,862	431,425
Cash and cash equivalents at end of year	$	1,337,244	333,862

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Friends of WWB/USA, Inc. (Friends or the Organization) is a nonprofit corporation whose purpose is to support programs of Stitching to Promote Women's World Banking (WWB), an affiliated organization. WWB's mission is to be a network of leaders in building low-income women's assets, participation, and power by building financial systems that work for the majority. Friends acts in cooperation with WWB. The principal activity of Friends is the solicitation, receipt, and administration of grants and contributions on behalf of WWB. Friends has a separate board of directors and maintains its legal and financial independence. The management of Friends and WWB is shared. Friends has been classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

In February 2011, Friends established WWB Holding Management No. 1 LLC. (WWB Holding), a limited partnership in Canada. WWB Holding and its related entities will provide equity capital and management expertise to establish new microfinance institutions (MFIs) or acquire a controlling position in very small, high-potential MFIs in emerging countries with underserved markets. WWB Holding is anticipated to be fully operational and begin activity in 2013 and had no significant financial activity distinct from the Organization during 2012.

(a) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

(b) Basis of Presentation

Net assets and revenues, gains, losses, and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Friends and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of Friends and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization. The donors of these assets permit the Organization to use the income earned on the related investments for general purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets, if any, are reported as net assets released from restrictions. The donor-restricted gifts received on behalf of WWB are reported as temporarily restricted or permanently restricted net assets held on behalf of WWB.

(Continued)

(c) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement.

Cash and cash equivalents at December 31, 2012 and 2011 are measured at cost, which approximates fair value, and are classified as Level 1.

(d) Grants and Contributions

Grants and contributions, which include unconditional promises to give, are recognized as revenues in the period received. Grants and contributions not expected to be received within one year are discounted at a risk-adjusted rate. Amortization of the discount is recorded as additional grants and contributions revenue.

For Friends, approximately 68% and 52% of total grants and contribution revenue were generated from three top donors in 2012 and 2011, respectively.

(e) Cash and Cash Equivalents

Friends considers all highly liquid debt instruments with maturities of three months or less at the time of purchase to be cash equivalents.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(g) Prior Year Information

The statement of activities is presented with prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

(h) Tax Status

The Organization recognizes the effects of income tax positions only if those positions are more likely than not to be sustained. The Organization has evaluated its tax positions in 2012 and 2011, and has determined that there are no significant uncertain tax positions and that it will continue to be exempt from income taxes.

(2) Allocation of Expenses

Expenses allocated between Friends and WWB relating to the New York office include expenses for personnel, travel, and overhead. The expense amounts allocated to Friends totaled $874,393 and $810,696 in 2012 and 2011, respectively.

(3) Grants and Contributions Receivable

There were grants and contributions receivable of $83,690 and $125,000 at December 31, 2012 and 2011, respectively. All of the grants and contributions receivable at December 31, 2012 were due in less than one year.

(4) In-Kind Contributions

In-kind contributions are recorded where there is an objective basis upon which to value these contributions. These amounts are recognized as both support and expense in the accompanying financial statements. For the years ended December 31, 2012 and 2011, in-kind contributions of $24,000 and $7,000 were received, respectively, for legal and other services.

(5) Restricted Net Assets

(a) Temporarily Restricted Net Assets

At December 31, 2012 and 2011, temporarily restricted net assets were available primarily for the following:

	2012	2011
WWB program support	$ 424,928	342,516

(b) Permanently Restricted Net Assets

The Organization's permanently restricted net assets consist of funds that have been established to support the Organization's mission. As required by GAAP, net assets are classified and reported based upon the existence or absence of donor-imposed restrictions. The Organization has no board-designated endowment funds.

The following table represents the net asset classes of the Organization's donor-restricted funds at December 31, 2012 and 2011:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted fund	$	—	—	4,225	4,225
Total	$	—	—	4,225	4,225

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are to be reported in unrestricted net assets as of year-end. There were no deficiencies in the donor-restricted funds as of December 31, 2012 or 2011.

Interpretation of Relevant Law

The Organization 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. GAAP requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets to be classified as temporarily restricted net assets until appropriated for expenditure.

(6) Subsequent Events

In connection with the preparation of the financial statements, the Organization evaluated subsequent events after the balance sheet date of December 31, 2012 and through June 6, 2013, the date the financial statements were available to be issued, and noted no additional items that would require adjustment to, or disclosure in, the 2012 financial statements.

Schedule 1

FRIENDS OF WWB/USA, INC.

Schedule of Functional Expenses

Year ended December 31, 2012
(with summarized comparative financial information for the year ended December 31, 2011)

		Grants and contributions	Program development and education	General and administrative	Fund-raising		Total 2012	Total 2011
Personnel costs	$	—	176,820	14,048	223,885		414,753	561,234
Consultants, legal, accounting, and auditing		—	39,483	22,084	157,294		218,861	105,984
Travel, workshops, and meetings		—	56,394	6,802	152,782		215,978	114,316
Grants to Stitching to Promote Women's World Banking		2,388,786	—	—	—		2,388,786	1,447,257
Other		—	5,323	3,632	15,846		24,801	29,162
	$	2,388,786	278,020	46,566	549,807		3,263,179	2,257,953
Provision for uncollectible grants receivable							50,000	96,940
Total expenses						$	3,313,179	2,354,893

See accompanying independent auditors' report.

Schedule 2

FRIENDS OF WWB/USA, INC.

Grants and Contributions Receivable Rollforward

Year ended December 31, 2012

		Receivable balance at December 31, 2011	2012 Grants and contributions	2012 Cash receipts, net	2012 Multiyear grant discount and other adjustment	Receivable balance at December 31, 2012
Vitol*	$	50,000	—	—	(50,000)	—
Cisco		75,000	—	75,000	—	—
Barclays		—	150,000	150,000	—	—
Anonymous			224,000	224,000	—	—
Kuwait America Foundation		—	1,584,126	1,584,126	—	—
Stuart Family Foundation		—	75,000	75,000	—	—
McGraw-Hill Co.		—	40,000	40,000	—	—
Citigroup		—	500,000	500,000	—	—
Moody's		—	165,000	100,000	—	65,000
Other foundations		—	39,800	34,800	—	5,000
Other corporations		—	226,238	226,238	—	—
Individuals		—	390,794	377,104	—	13,690
	$	125,000	3,394,958	3,386,268	(50,000)	83,690

* Adjustment represents a loss on an uncollectible grant receivable.

See accompanying independent auditors' report.