



FRIENDS OF WWB/USA, INC.

Financial Statements and Schedules

December 31, 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

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

We have audited the accompanying balance sheet of Friends of WWB/USA, Inc. (the Organization) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements, and, in our report dated May 11, 2010, we expressed an unqualified opinion on those financial statements.

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 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 Organization'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 audit provides 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 Friends of WWB/USA, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2010 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 basic financial statements taken as a whole.

KPMG LLP

May 23, 2011

FRIENDS OF WWB/USA, INC.

Balance Sheet

December 31, 2010

(With comparative financial information as of December 31, 2009)

Assets	2010	2009
Cash and cash equivalents	\$ 431,425	65,611
Grants and contributions receivable (note 3)	96,940	1,147,722
Total assets	<u>\$ 528,365</u>	<u>1,213,333</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 97,365	21,000
Deferred revenue	10,000	—
Total liabilities	<u>107,365</u>	<u>21,000</u>
Net assets:		
Unrestricted	194,835	46,219
Temporarily restricted (note 5)	221,940	1,141,889
Permanently restricted – income unrestricted (note 5)	4,225	4,225
Total net assets	<u>421,000</u>	<u>1,192,333</u>
Total liabilities and net assets	<u>\$ 528,365</u>	<u>1,213,333</u>

See accompanying notes to financial statements.

FRIENDS OF WWB/USA, INC.

Statement of Activities

Year ended December 31, 2010

(With summarized financial information for the year ended December 31, 2009)

	Unrestricted	Temporarily restricted	Permanently restricted	Total	
				2010	2009
Revenue and support:					
Grants and contributions	\$ 618,650	590,902	—	1,209,552	1,782,948
In-kind contributions (note 4)	43,116	—	—	43,116	10,000
Miscellaneous income	2,749	—	—	2,749	1,240
Net assets released from restrictions	1,510,851	(1,510,851)	—	—	—
Total revenue and support	<u>2,175,366</u>	<u>(919,949)</u>	<u>—</u>	<u>1,255,417</u>	<u>1,794,188</u>
Expenses and loss (notes 2 and 4):					
Program services:					
Grants and contributions to Stitching to Promote Women's World Banking	1,674,421	—	—	1,674,421	2,400,530
Program development and education	38,893	—	—	38,893	80,497
Total program services	<u>1,713,314</u>	<u>—</u>	<u>—</u>	<u>1,713,314</u>	<u>2,481,027</u>
General and administrative	13,894	—	—	13,894	11,499
Fund-raising	299,542	—	—	299,542	195,492
Total expenses	<u>2,026,750</u>	<u>—</u>	<u>—</u>	<u>2,026,750</u>	<u>2,688,018</u>
Increase (decrease) in net assets	148,616	(919,949)	—	(771,333)	(893,830)
Net assets at beginning of year	46,219	1,141,889	4,225	1,192,333	2,086,163
Net assets at end of year	<u>\$ 194,835</u>	<u>221,940</u>	<u>4,225</u>	<u>421,000</u>	<u>1,192,333</u>

See accompanying notes to financial statements.

FRIENDS OF WWB/USA, INC.

Statement of Cash Flows

Year ended December 31, 2010

(With comparative financial information for the year ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (771,333)	(893,830)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Decrease in grants and contributions receivable	1,050,782	789,718
Increase (decrease) in accounts payable and accrued expenses	76,365	(11,963)
Increase in deferred revenue	10,000	—
Net cash provided by (used in) operating activities	<u>365,814</u>	<u>(116,075)</u>
Cash and cash equivalents at beginning of year	<u>65,611</u>	<u>181,686</u>
Cash and cash equivalents at end of year	<u>\$ 431,425</u>	<u>65,611</u>

See accompanying notes to financial statements.

FRIENDS OF WWB/USA, INC.

Notes to Financial Statements

December 31, 2010

(With summarized comparative financial information as of
and for the year ended December 31, 2009)

(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.

(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.

(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

FRIENDS OF WWB/USA, INC.

Notes to Financial Statements

December 31, 2010

(With summarized comparative financial information as of
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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.

Fair value measurements primarily affect cash and cash equivalents, which 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 30% and 69% of total grants and contribution revenue were generated from three top donors in 2010 and 2009, 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

FRIENDS OF WWB/USA, INC.

Notes to Financial Statements

December 31, 2010

(With summarized comparative financial information as of
and for the year ended December 31, 2009)

Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

(h) Tax Status

The Organization has evaluated its tax positions in 2010 and noted that there were 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. Expenses due to WWB payable at December 31, 2010 were \$47,747. No expenses due to WWB were payable at December 31, 2009. The expense amounts allocated to Friends totaled \$352,329 and \$287,488 in 2010 and 2009, respectively.

(3) Grants and Contributions Receivable

There were grants and contributions receivable of \$96,940 and \$1,147,722 at December 31, 2010 and 2009, respectively. All of the grants and contributions receivable at December 31, 2010 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 and where these services are an essential part of the Organization's activities. These amounts are recognized as both support and expense in the accompanying financial statements. For the years ended December 31, 2010 and 2009, in-kind contributions consisted of \$43,116 and \$10,000, respectively, for legal and other services.

(5) Restricted Net Assets

(a) Temporarily Restricted Net Assets

At December 31, 2010 and 2009, temporarily restricted net assets were available primarily for the following:

	<u>2010</u>	<u>2009</u>
Time and purpose restricted	\$ 221,940	1,141,889

(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. These funds are invested by the Organization. As required by GAAP, net assets are classified and reported based upon the existence or absence of donor-imposed restrictions.

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Notes to Financial Statements

December 31, 2010

(With summarized comparative financial information as of
and for the year ended December 31, 2009)

The Organization has no board-designated endowment funds. The following represents the net asset classes of the Organization's donor-restricted funds at December 31, 2010 and 2009:

	<u>Unrestricted restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted fund	\$ —	4,225	4,225
Total	<u>\$ —</u>	<u>4,225</u>	<u>4,225</u>

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 during 2010 and 2009.

Interpretation of Relevant Law

During 2010, WWB management adopted the policies under New York Prudent Management of Institutional Funds Act (NYPMIFA) as signed into Law in New York State in September 2010. As a result of NYPMIFA, 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 in a manner consistent with the standard of prudence prescribed by NYPMIFA. There was no impact on the 2010 financial statements of the Organization.

Spending Policy

The Organization has a policy that allows the use of 100% of the Fund's income each year.

(6) Subsequent Events

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.

In connection with the preparation of the financial statements, the Organization evaluated subsequent events after the balance sheet date of December 31, 2010 and through May 23, 2011, the date the financial statements were available to be issued and noted no additional items that would require adjustment to, or disclosure in, the 2010 financial statements.

FRIENDS OF WWB/USA, INC.

Schedule of Functional Expenses

Year ended December 31, 2010

(With summarized comparative financial information for the year ended December 31, 2009)

	<u>Grants and contributions</u>	<u>Program development and education</u>	<u>General and administrative</u>	<u>Fund-raising</u>	<u>Total</u>	
					<u>2010</u>	<u>2009</u>
Personnel costs	\$ —	22,706	5,801	114,826	143,333	118,110
Consultants, legal, accounting, and auditing	—	6,205	3,102	70,808	80,115	29,468
Travel, workshops, and meetings	—	7,710	3,855	87,986	99,551	120,499
Grants to Stitching to Promote Women's World Banking	1,674,421	—	—	—	1,674,421	2,400,530
Other	—	2,272	1,136	25,922	29,330	19,411
Total expenses	\$ <u>1,674,421</u>	<u>38,893</u>	<u>13,894</u>	<u>299,542</u>	<u>2,026,750</u>	<u>2,688,018</u>

See accompanying independent auditors' report.

FRIENDS OF WWB/USA, INC.
 Grants and Contributions Receivable Rollforward
 Year ended December 31, 2010

	Receivable balance at December 31, 2009	2010 Grants and contributions	2010 Cash receipts, net	2010 Multiyear grant discount adjustment	Receivable balance at December 31, 2010
Accenture	\$ 538,500	—	441,560	—	96,940
Nike Foundation	603,389	—	603,389	—	—
Tarsadia Foundation (Singgod Found.)	—	20,000	20,000	—	—
JPMorgan Chase Foundation	—	75,000	75,000	—	—
Western Union Foundation	—	10,000	10,000	—	—
Stuart Family Total expenses	—	25,000	25,000	—	—
McGraw-Hill Co.	—	40,000	40,000	—	—
The Proctor & Gamble	—	50,000	50,000	—	—
Tomberg Foundation (Schwab Charitable Fund)	—	15,300	15,300	—	—
Citi Bank	—	200,000	200,000	—	—
Citigroup	—	20,000	20,000	—	—
JPMorgan Chase Bank N.A.	—	90,000	90,000	—	—
Goldman Sachs	—	45,602	45,602	—	—
Other foundations	—	63,670	63,670	—	—
Other corporations	—	221,239	221,239	—	—
Individuals	100	323,741	323,841	—	—
Deutsche Bank	5,733	10,000	14,753	(980)	—
	<u>\$ 1,147,722</u>	<u>1,209,552</u>	<u>2,259,354</u>	<u>(980)</u>	<u>96,940</u>

See accompanying independent auditors' report.