



FRIENDS OF WWB/USA, INC.

Financial Statements

December 31, 2011

(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 balance sheet of Friends of WWB/USA, Inc. (the Organization) as of December 31, 2011, 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 2010 financial statements, and, in our report dated May 23, 2011, 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, 2011, 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.

KPMG LLP

May 11, 2012

FRIENDS OF WWB/USA, INC.

Balance Sheet

December 31, 2011

(With comparative financial information as of December 31, 2010)

Assets	2011	2010
Cash and cash equivalents	\$ 333,862	431,425
Due from WWB, net (note 2)	113,320	-
Grants and contributions receivable (note 3)	125,000	96,940
Other assets	10,000	-
Total assets	<u>\$ 582,182</u>	<u>528,365</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ -	97,365
Deferred revenue	-	10,000
Total liabilities	<u>-</u>	<u>107,365</u>
Net assets:		
Unrestricted	235,441	194,835
Temporarily restricted (note 5)	342,516	221,940
Permanently restricted – income unrestricted (note 5)	4,225	4,225
Total net assets	<u>582,182</u>	<u>421,000</u>
Total liabilities and net assets	<u>\$ 582,182</u>	<u>528,365</u>

See accompanying notes to financial statements.

FRIENDS OF WWB/USA, INC.

Statement of Activities

Year ended December 31, 2011

(With summarized financial information for the year ended December 31, 2010)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>	
				<u>2011</u>	<u>2010</u>
Revenue and support:					
Grants and contributions	\$ 929,329	1,576,148	-	2,505,477	1,209,552
In-kind contributions (note 4)	7,000	-	-	7,000	43,116
Miscellaneous income	3,598	-	-	3,598	2,749
Net assets released from restrictions	<u>1,455,572</u>	<u>(1,455,572)</u>	-	-	-
Total revenue and support	<u>2,395,499</u>	<u>120,576</u>	-	<u>2,516,075</u>	<u>1,255,417</u>
Expenses and loss (notes 2 and 4):					
Program services:					
Grants and contributions to Stichting to Promote Women's World Banking	1,447,257	-	-	1,447,257	1,674,421
Program development and education	<u>444,857</u>	-	-	<u>444,857</u>	<u>38,893</u>
Total program services	1,892,114	-	-	1,892,114	1,713,314
General and administrative	28,103	-	-	28,103	13,894
Fund-raising	<u>337,736</u>	-	-	<u>337,736</u>	<u>299,542</u>
Total expenses	<u>2,257,953</u>	-	-	<u>2,257,953</u>	<u>2,026,750</u>
Loss on uncollectible grants receivable	96,940	-	-	96,940	-
Increase (decrease) in net assets	40,606	120,576	-	161,182	(771,333)
Net assets at beginning of year	<u>194,835</u>	<u>221,940</u>	<u>4,225</u>	<u>421,000</u>	<u>1,192,333</u>
Net assets at end of year	<u>\$ 235,441</u>	<u>342,516</u>	<u>4,225</u>	<u>582,182</u>	<u>421,000</u>

See accompanying notes to financial statements.

FRIENDS OF WWB/USA, INC.

Statement of Cash Flows

Year ended December 31, 2011

(With comparative financial information for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 161,182	(771,333)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
(Increase) decrease in grants and contributions receivable	(28,060)	1,050,782
Increase in due from WWB, net	(113,320)	-
Increase in other assets	(10,000)	-
(Decrease) increase in accounts payable and accrued expenses	(97,365)	76,365
(Decrease) increase in deferred revenue	(10,000)	10,000
Net cash (used in) provided by operating activities	<u>(97,563)</u>	<u>365,814</u>
Cash and cash equivalents at beginning of year	<u>431,425</u>	<u>65,611</u>
Cash and cash equivalents at end of year	<u>\$ 333,862</u>	<u>431,425</u>

See accompanying notes to financial statements.

FRIENDS OF WWB/USA, INC.

Notes to Financial Statements

December 31, 2011

(With summarized comparative financial information as of
and for the year ended December 31, 2010)

(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 2012 and had no significant financial activity distinct from the Organization at the issuance of these financial statements.

(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.

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(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, the only financial instruments measured at fair value at December 31, 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 52% and 30% of total grants and contribution revenue were generated from three top donors in 2011 and 2010, 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

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and for the year ended December 31, 2010)

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, 2010, from which the summarized information was derived.

(h) *Tax Status*

The Organization has evaluated its tax positions in 2011 and 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. The expense amounts allocated to Friends totaled \$842,781 and \$352,329 in 2011 and 2010, respectively. Expenses due to WWB payable at December 31, 2011 and 2010 were \$111,868 and \$47,747, respectively.

(3) *Grants and Contributions Receivable*

There were grants and contributions receivable of \$125,000 and \$96,940 at December 31, 2011 and 2010, respectively. All of the grants and contributions receivable at December 31, 2011 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, 2011 and 2010, in-kind contributions of \$7,000 and \$43,116 were received, respectively, for legal and other services.

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(5) Restricted Net Assets

(a) Temporarily Restricted Net Assets

At December 31, 2011 and 2010, temporarily restricted net assets were available primarily for the following:

	2011	2010
Time and purpose restricted	\$ 342,516	221,940

(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. 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, 2011 and 2010:

	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 2011 or 2010.

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

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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.

Spending Policy

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

(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, 2011 and through May 11, 2012, the date the financial statements were available to be issued and noted no additional items that would require adjustment to, or disclosure in, the 2011 financial statements.