



WOMEN *for* WOMEN
International

**Consolidated Financial Statements and
Supplemental Information**

For the Year Ended December 31, 2011

(With Summarized Financial Information for the Year Ended December 31, 2010)



**and
Report Thereon**



WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

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RAFFA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Women for Women International and Affiliates

CONSULTING

ACCOUNTING

TECHNOLOGY

Certified Public
Accountants

We have audited the accompanying consolidated statement of financial position of Women for Women International and Affiliates (collectively referred to as Women for Women) as of December 31, 2011, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of Women for Women's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Women for Women's 2010 consolidated financial statements and in our report dated June 15, 2011, we expressed an unqualified opinion on those consolidated 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 consolidated 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 Women for Women'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Women for Women as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental consolidating statements of financial position and activities are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities. 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare

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the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.



RAFFA, P.C.

Washington, DC
June 6, 2012

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

December 31, 2011

(With Summarized Financial Information as of December 31, 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,221,073	\$ 10,841,461
Contributions and grants receivable, current portion	2,313,743	3,449,953
Accounts receivable	280,241	178,876
Microcredit loans receivable, net of loan loss reserve	-	1,116,026
Investments	3,805,773	3,580,181
Prepaid expenses and deposits	516,350	822,079
Inventory	24,872	25,455
Other current assets	169,243	474,949
Total Current Assets	16,331,295	20,488,980
Contributions and grants receivable, net of current portion	636,060	347,878
Property and equipment, net	3,077,586	2,391,402
TOTAL ASSETS	<u>\$ 20,044,941</u>	<u>\$ 23,228,260</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,403,585	\$ 2,320,464
Other current liabilities	61,293	182,911
Deferred rent and lease incentives, current portion	45,499	63,365
Deferred compensation liability	66,991	44,234
Refundable grant advances	153,967	99,832
Loan payable	2,018,448	-
Total Current Liabilities	4,749,783	2,710,806
Deferred rent and lease incentives, net of current portion	391,909	431,186
Loans payable	-	3,733,981
TOTAL LIABILITIES	<u>5,141,692</u>	<u>6,875,973</u>
Net Assets		
Unrestricted		
Undesignated	7,999,704	6,656,779
Board designated	3,000,000	3,000,000
Total Unrestricted Net Assets	10,999,704	9,656,779
Temporarily restricted	3,855,295	6,695,508
Permanently restricted	48,250	-
TOTAL NET ASSETS	<u>14,903,249</u>	<u>16,352,287</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,044,941</u>	<u>\$ 23,228,260</u>

The accompanying notes are an integral part of these consolidated financial statements.

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011
(With Summarized Financial Information for the Year Ended December 31, 2010)

	Unrestricted		Total Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
	Undesignated	Board Designated					
REVENUE AND SUPPORT							
Individual contributions	\$ 21,236,478	\$ -	\$ 21,236,478	\$ 712,999	\$ 48,250	\$ 21,997,727	\$ 23,809,211
Foundation, multilateral and corporate contributions	1,606,594	-	1,606,594	5,345,302	-	6,951,896	7,731,647
Government grants	2,320,401	-	2,320,401	-	-	2,320,401	1,497,121
Microlending income	338,011	-	338,011	-	-	338,011	712,571
Donated legal and professional fees	531,176	-	531,176	-	-	531,176	424,608
Investment income	228,200	-	228,200	-	-	228,200	32,965
Other income	308,211	-	308,211	-	-	308,211	311,101
Net foreign currency transaction losses	(186,018)	-	(186,018)	-	-	(186,018)	(68,697)
Net assets released from restrictions:							
Satisfaction of program restrictions	8,898,514	-	8,898,514	(8,898,514)	-	-	-
TOTAL REVENUE AND SUPPORT	35,281,567	-	35,281,567	(2,840,213)	48,250	32,489,604	34,450,527
EXPENSES							
Program Services:							
Training and related programs	22,849,241	-	22,849,241	-	-	22,849,241	20,049,896
Microcredit lending	625,334	-	625,334	-	-	625,334	1,694,264
Media, communications and outreach	268,089	-	268,089	-	-	268,089	339,807
Total Program Services	23,742,664	-	23,742,664	-	-	23,742,664	22,083,967
Supporting Services:							
Fundraising	6,620,913	-	6,620,913	-	-	6,620,913	6,113,770
Finance and administration	3,720,137	-	3,720,137	-	-	3,720,137	4,534,842
TOTAL EXPENSES	34,083,714	-	34,083,714	-	-	34,083,714	32,732,579
CHANGE IN NET ASSETS	1,197,853	-	1,197,853	(2,840,213)	48,250	(1,594,110)	1,717,948
Foreign currency translation gains	145,072	-	145,072	-	-	145,072	38,097
NET ASSETS, BEGINNING OF YEAR	6,656,779	3,000,000	9,656,779	6,695,508	-	16,352,287	14,596,242
NET ASSETS, END OF YEAR	\$ 7,999,704	\$ 3,000,000	\$ 10,999,704	\$ 3,855,295	\$ 48,250	\$ 14,903,249	\$ 16,352,287

The accompanying notes are an integral part of these consolidated financial statements.

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011
(With Summarized Financial Information for the Year Ended December 31, 2010)

	Program Services			Support Services		2011 Total	2010 Total	
	Training and Related Programs	Microcredit Lending	Media, Communications and Outreach	Total Program Services	Finance and Administration			Fundraising
Salary, temporary labor and benefits	\$ 8,379,206	\$ 352,249	\$ 107,337	\$ 8,838,792	\$ 2,283,394	\$ 1,751,209	\$ 12,873,395	\$ 11,531,931
Training stipends	5,284,688	-	-	5,284,688	-	-	5,284,688	4,772,919
Professional service fees	1,312,693	119,756	61,300	1,493,749	456,489	308,420	2,258,658	2,365,426
Bad debt expense	-	-	-	-	355	-	355	1,864,952
Training, staff development and program expenses	2,161,231	(68,890)	-	2,092,341	23,705	1,312	2,117,358	1,859,733
Printing, production, postage and delivery	612,902	-	7,711	620,613	39,422	2,612,134	3,272,169	3,067,791
Travel and meals	1,613,206	55,396	55,980	1,724,582	98,264	280,973	2,103,819	1,796,380
Rent and facilities	1,352,326	47,071	-	1,399,397	215,706	109,901	1,725,004	1,500,880
Donated services	186,303	-	-	186,303	203,506	141,367	531,176	424,608
Bank and merchant account service fees	291,468	2,023	-	293,491	30,979	270,409	594,879	817,080
Office and other expenses	604,056	61,635	35,578	701,269	159,647	76,430	937,346	802,647
Depreciation and amortization	421,986	8,580	-	430,566	77,436	58,123	566,125	400,560
Information technology and communications	533,848	-	46	533,894	121,685	81,998	737,577	621,646
Equipment rental and maintenance	25,558	-	-	25,558	9,516	7,731	42,805	105,662
Special events	69,770	-	137	69,907	33	920,906	990,846	646,960
Interest expense	-	47,514	-	47,514	-	-	47,514	153,404
TOTAL EXPENSES	<u>\$ 22,849,241</u>	<u>\$ 625,334</u>	<u>\$ 268,089</u>	<u>\$ 23,742,664</u>	<u>\$ 3,720,137</u>	<u>\$ 6,620,913</u>	<u>\$ 34,083,714</u>	<u>\$ 32,732,579</u>

The accompanying notes are an integral part of these consolidated financial statements.

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

(With Summarized Financial Information for the Year Ended December 31, 2010)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,594,110)	\$ 1,717,948
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in microcredit loan loss reserve	(140,407)	1,861,431
Depreciation and amortization	566,125	400,560
Unrealized (gain) loss on investments	(161,730)	78,971
Realized losses	52	-
Forgiven loan	(100,000)	-
Gain on revaluation of foreign assets and liabilities	145,072	38,097
Gain on sale of property and equipment	(6,029)	(7,239)
Donated stock	(94,815)	(90,832)
Contributions restricted for long-term investments	(48,250)	-
Loss on impairment of fixed assets	15,056	-
Changes in assets and liabilities:		
Contributions and grants receivable	848,028	(1,072,471)
Accounts receivable	(101,365)	39,776
Investments - 457(b) plan	(22,757)	(27,581)
Prepaid expenses and deposits	305,729	(377,192)
Inventory	583	2,837
Other current assets	175,534	(271,376)
Accounts payable and accrued expenses	83,121	597,014
Other current liabilities	(121,618)	(15,887)
Deferred rent and lease incentives	(57,143)	(41,599)
Deferred compensation liability	22,757	27,581
Refundable grant advances	54,135	45,368
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(232,032)</u>	<u>2,905,406</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disbursements of microcredit loans receivable	(775,214)	(5,324,547)
Repayments of microcredit loans receivable	1,382,875	4,192,243
Purchases of investments	(159,513)	(3,067,496)
Proceeds from maturities and sales of investments	213,171	185,820
Purchases of property and equipment	(1,302,129)	(1,050,146)
Proceeds from sale of property and equipment	10,144	26,413
NET CASH USED IN INVESTING ACTIVITIES	<u>(630,666)</u>	<u>(5,037,713)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	48,250	-
Payments on loans payable	(805,940)	-
Proceeds from issuance of loans payable	-	1,467,196
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(757,690)</u>	<u>1,467,196</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,620,388)</u>	<u>(665,111)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,841,461</u>	<u>11,506,572</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,221,073</u>	<u>\$ 10,841,461</u>

The accompanying notes are an integral part of these consolidated financial statements.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011
(With Summarized Financial Information for the Year Ended December 31, 2010)
Increase (Decrease) in Cash and Cash Equivalents

Continued

	2011	2010
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ -	\$ 131,418
Donated stock	\$ 94,815	\$ 90,832
NONCASH FINANCING ACTIVITIES		
Assets of Afghanistan Microfinance organization accepted as partial payment on loans payable:		
Loans receivable transferred to MISFA	\$ 648,772	\$ -
Fixed assets transferred to MISFA	30,649	-
Other assets transferred to MISFA	232,173	-
Other liabilities assumed by MISFA	(102,001)	-
Total Assets of Afghanistan Microfinance Organization Accepted as Partial Payment on Loans Payable	\$ 809,593	\$ -
Forgiveness of loans	\$ 100,000	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

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WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

1. Organization and Summary of Significant Accounting Policies

Organization

Women for Women International US

Women for Women International US (Women for Women US) was founded in 1993. Women for Women US is a humanitarian organization dedicated to providing women survivors of war, civil strife, and other conflicts with the tools and resources needed to move from crisis and poverty into stability and self-sufficiency. Women for Women US was founded to help women overcome the horrors of war in ways that help them rebuild their lives, families and communities. Through a tiered program that begins with direct financial and emotional support, Women for Women US fosters awareness and understanding of women's rights; offers vocational and business skills training; and provides access to income generation support that helps women restart their lives in ways that are independent, productive and secure. Women for Women US has operations in Afghanistan, Bosnia and Herzegovina, the Democratic Republic of the Congo, Iraq, Kosovo, Nigeria, Rwanda and Sudan. These activities are funded primarily through individual contributions and foundation, multilateral, government and corporate grants.

Women for Women International United Kingdom

Women for Women International United Kingdom (Women for Women UK) was established and received its charitable status in 2006. Women for Women UK was formed to build Women for Women US's presence and reputation in Great Britain and Europe. Women for Women UK is working to diversify the overall organizational funding and supporter base and raise public awareness about the importance of women's participation in post-conflict reconstruction and development. These activities are funded primarily through individual contributions and foundation grants.

Women for Women International, Afghanistan Microfinance

Women for Women US began its Microcredit Lending Program in Afghanistan in July 2004. Women for Women International, Afghanistan Microfinance (Afghanistan MCO) was one of the first organizations to receive funding from Microfinance Investment and Support Facility for Afghanistan (MISFA), which was established by the World Bank. In July 2007, Afghanistan MCO was formed under the laws of Afghanistan as a separate legal entity with an issued share capital of 100 shares. Women for Women US owns 96% of these shares. Until June 2011, Afghanistan MCO was one of four organizations in Afghanistan that offered loans exclusively to women and provided affordable microcredit loans that help women restart their lives in ways that are independent, productive and secure. In June 2011, the Afghanistan Microfinance Program assigned its loan portfolio and other assets to MISFA as partial payment for the outstanding loans payable owed to MISFA. Although the legal entity structure has been preserved, Afghanistan MCO is no longer functioning as a viable going concern and does not

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

Women for Women International, Afghanistan Microfinance (continued)

intend to engage in microfinance operations in the future. Women for Women US has no obligation to repay Afghanistan MCO's remaining outstanding loans of the Afghanistan MCO. The loans will continue to be shown as a liability until the debts are forgiven or otherwise formally discharged by MISFA. See Note 14 for additional discussion about these transactions.

Principles of Consolidation

The consolidated financial statements include the accounts of Women for Women US, Women for Women UK, and Afghanistan MCO (collectively referred to as Women for Women). These entities have been consolidated due to the presence of common control and economic interest, as required under accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in the consolidation.

Cash and Cash Equivalents

Women for Women considers money market funds and certificates of deposit purchased with an original maturity of less than three months to be cash equivalents.

Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment are stated at cost. Office furniture, computers and other equipment and vehicles are being depreciated on a straight-line basis over their estimated useful lives of five years. Depreciation on the building commenced during 2011, when the building was put in use and will be amortized over an estimated useful life of 20 years. Web development (including costs incurred during the application stage related to the development of the website) is amortized on a straight-line basis over an estimated useful life of three years. Internally developed software is amortized on a straight-line basis over an estimated useful life of five years. Maintenance and repair costs are charged to expense as incurred. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining life of the related lease. Expenditures for major repairs and improvements are capitalized. At the time property and equipment is retired or otherwise disposed of, the property and equipment and the related accumulated depreciation or amortization accounts are disposed of, and the property and equipment and the related accumulated depreciation or amortization accounts are eliminated from their respective accounts, with the resulting gain or loss, if any, credited or charged to operating revenue or expenses. Women for Women uses a capitalization threshold of \$2,500.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments consist of certificates of deposit with an original maturity date of three months or more, equities, mutual funds, money market funds part of the investment portfolio and bonds. The investments are recorded in the accompanying consolidated financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Also included in investments is \$66,991 of investments related to the deferred compensation liability.

Classification of Net Assets

The net assets of Women for Women are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of Women for Women's operations. Unrestricted net assets also include board-designated net assets that have been designated by the Board of Directors to start a reserve fund.
- Temporarily restricted net assets are specifically restricted by donors for various programs or use in future periods.
- Permanently restricted net assets represent funds requiring that the gift be held in perpetuity and that only the investment earnings be expended for the purposes designated by the donors.

Revenue Recognition

Unrestricted contributions are recognized as revenue in the period received or when unconditional promises are made. Contributions and grants receivable represent amounts unconditionally committed by individuals or grantors that have not been received by Women for Women as of the end of the fiscal year.

Women for Women reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Women for Women receives grants from governments and foundations in exchange for services. Revenue from these grants is recognized as direct costs are incurred on the basis of direct costs plus allowable indirect costs and based on the percentage of the task completed. Revenue recognized on these grants for which billings have not been presented to the grantor and cash has not been received from the grantor is reflected as contributions and grants receivable in the accompanying consolidated statement of financial position. Funds received, but not yet expended, under these grants are reflected as refundable grant advances in the accompanying consolidated statement of financial position.

Donated Professional Services

Women for Women receives professional services from companies and is not charged for these services. In accordance with accounting standards related to contributions, Women for Women recognizes revenue and corresponding expenses for donated professional services based on management's estimate of the cost that Women for Women would have incurred if these services had not been donated. During the year ended December 31, 2011, Women for Women received donated legal, advertising and architectural services with an estimated value of \$531,176. This amount is included in donated services in the accompanying consolidated statement of functional expenses based on the functional areas benefited.

Women for Women benefits from the dedicated service of a number of volunteers. Volunteers have contributed more than 3,434 hours of service for the year ended December 31, 2011. The value of this contributed time is not reflected in the accompanying consolidated statement of activities because it does not meet the necessary criteria for recognition under US generally accepted accounting principles (GAAP).

Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Transactions in Foreign Currencies

Women for Women conducts many of its programs through field offices in foreign countries and, accordingly, transacts in the local currencies of those countries. These foreign currency transactions are translated into US dollars at the appropriate exchange rates when each transaction is executed. The resulting gain (loss) is reflected in the accompanying consolidated statement of activities as net foreign currency transaction gains (losses). The US dollar is

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

1. Organization and Summary of Significant Accounting Policies (continued)

Transactions in Foreign Currencies (continued)

considered the functional and reporting currency of Women for Women US. The functional currencies of Women for Women UK and Afghanistan MCO are the local currencies of the respective countries and are translated into US dollars at current exchange rates. The resulting translation gain (loss) is shown in the accompanying consolidated financial statements as a separate component of the change in net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities and consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct costs and an allocated portion of shared costs. Women for Women's major programs are as follows for the year ended December 31, 2011:

Training and related programs – The training programs foster awareness and understanding of women's rights; offers vocational and business skills training; and provides access to income generation support that helps women restart their lives in ways that are independent, productive and secure. Participants may also be linked with a sponsor. Sponsorship links women around the world with women survivors of war in the countries and regions in which Women for Women operates. Each sponsor contributes \$30 per month, a portion of which is given to her "sponsored sister" as a training stipend and supports her participation in yearlong rights awareness education and job skills training programs. Sponsors and sisters may also exchange letters, providing emotional support to a woman who has lost everything due to war.

Microcredit lending program – Until June 2011, the microcredit lending program provided small loans to women in Afghanistan. Afghanistan MCO requires all of the borrowers to form solidarity groups of three to 10 members that will act as cosigners for each other's loans. Interest and/or service fees are computed at a flat interest rate of 15% of the original loan amount and are then repaid in equal amounts over the life of the loan. A payment plan is scheduled for an average of nine months. Women for Women meets with the borrowers on a semimonthly or monthly basis to collect the loan repayments. Additional information about this program is included in Note 14.

Media, communications and outreach program – The media, communications and outreach program creates allies and advocates for socially excluded women in conflict-ridden societies. The program provides updates on situations and current events in post-conflict societies and personal stories of women living in post-conflict societies. The program seeks to educate Women for Women's supporters about the challenges women face in rebuilding their lives, families and communities in the aftermath of war.

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WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

2. Investments

Women for Women's investments, at fair value, are as follows as of December 31, 2011:

Government securities – mutual funds	\$ 3,180,438
Certificates of deposit	546,916
Equities	51,635
Money market funds	13,631
Bonds	<u>13,153</u>
Total	<u>\$ 3,805,773</u>

Investment returns are summarized as follows:

Unrealized gains	\$ 161,730
Interest and dividend income	66,522
Realized losses	<u>(52)</u>
Total	<u>\$ 228,200</u>

3. Contributions and Grants Receivable

Contributions and grants receivable consisted of the following as of December 31, 2011:

Foundation, government and corporate contributions	\$ 2,793,070
Individual contributions – other	<u>156,733</u>
Total Contributions and Grants Receivable	2,949,803
Less: Amount Due in 1-5 Years	<u>(636,060)</u>
Contributions and Grants Receivable, Current Portion	<u>\$ 2,313,743</u>

As of December 31, 2011, contributions and grants receivable are considered fully collectible.

4. Fair Value Measurements

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore, a fair value

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

4. Fair Value Measurements (continued)

measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on unadjusted, quoted market prices in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining fair value.

As of December 31, 2011, only Women for Women investments, as described in Note 2 of these consolidated financial statements, were measured at fair value on a recurring basis.

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

4. Fair Value Measurements (continued)

The following table summarizes Women for Women's assets measured at fair value on a recurring basis as of December 31, 2011:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Government securities –				
mutual funds	\$ 3,180,438	\$ 3,180,438	\$ -	\$ -
Certificates of deposit	546,916	-	546,916	-
Money market funds	13,631	13,631	-	-
Equities:				
Small-cap	10,658	10,658	-	-
Specialty	362	362	-	-
International	6,680	6,680	-	-
Large-cap	25,539	25,539	-	-
Mid-cap	<u>8,396</u>	<u>8,396</u>	<u>-</u>	<u>-</u>
Total Equities	<u>51,635</u>	<u>51,635</u>	<u>-</u>	<u>-</u>
Bonds	<u>13,153</u>	<u>-</u>	<u>13,153</u>	<u>-</u>
Total Assets	<u>\$ 3,805,773</u>	<u>\$ 3,245,704</u>	<u>\$ 560,069</u>	<u>\$ -</u>

Women for Women used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Government securities – mutual funds – Government securities – mutual funds are valued at the net asset value (NAV) of shares held at year-end, which is a quoted price in an active market.

Certificates of deposit – Are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable characteristics.

Equities – Where quoted prices are available in an active market, investments and other assets are classified within Level 1 of the valuation hierarchy. Level 1 investments include publicly traded equities and mutual funds.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

4. Fair Value Measurements (continued)

Bonds – These investments are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable characteristics, as provided by a third party using a computerized valuation formula. These investments are classified within Level 2 of the valuation hierarchy.

5. Conditional Grants

Women for Women was awarded a four-year conditional grant amounting to \$15,000,000 and a three-year conditional grant amounting to \$1,256,976 during the years ended December 31, 2009 and 2010, respectively. The grants are contingent upon Women for Women's achievement of certain goals and milestones mutually agreed to between Women for Women and the donors. Payments will be made to Women for Women at various times through the year ending December 31, 2012, based on the goals and milestones established in the grant agreements. For the year ended December 31, 2011, Women for Women recognized \$4,168,992 in revenue under these grants, which is included in foundation, multilateral and corporate contributions revenue in the accompanying consolidated statement of activities. The remaining balance related to these grants of \$4,168,992 will be recognized in future periods when it is definite that Women for Women will be able to meet the goals and milestones that have been established in the grant agreements.

6. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consisted of the following as of December 31, 2011:

Vehicles	\$ 1,187,834
Land and building	1,160,127
Leasehold improvements	602,560
Internally developed software	567,294
Computers and other equipment	527,434
Web development	342,185
Office furniture	<u>263,924</u>
Total Property and Equipment	4,651,358
Less: Accumulated Depreciation and Amortization	<u>(1,573,772)</u>
Property and Equipment, Net	<u>\$ 3,077,586</u>

Depreciation and amortization expense was \$566,125 for the year ended December 31, 2011.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

7. Loans Payable

Afghanistan MCO entered into several loan agreements to help fund its microloan programs in Afghanistan. In June 2011, Afghanistan MCO assigned its loan portfolio and other assets to MISFA as partial payment for the amount outstanding on the loans payable to MISFA. The remaining loans payable will continue to be shown as liabilities until the debts are forgiven or otherwise formally discharged. Although the legal entity structure has been preserved, Afghanistan MCO is no longer functioning as a viable going concern and does not intend to engage in microfinance operations in the future.

As of December 31, 2011, Afghanistan MCO was obligated under the following loan payable agreement, which has been converted to US dollar equivalents for presentation in the consolidated financial statements:

In February 2009, Afghanistan MCO renegotiated its old loan with MISFA and entered into a new loan agreement with MISFA for a loan of up to Af 300 million (which is equivalent to approximately \$6.6 million US as of December 31, 2011) for its microcredit lending program in Afghanistan. The terms of the agreement require Afghanistan MCO to pay a quarterly interest charge of 5% per annum to MISFA on any outstanding funds. Interest expense for this loan totaled \$47,514 for the year ended December 31, 2011. The balance reflects the remaining principal due after the estimated fair value of the assets assigned to MISFA have been deducted. Any excess collections on the loans receivable will be applied against this balance, but it is not expected that the balance can ever be fully repaid. As of May 2011, MISFA stopped accruing interest on this loan, and as of June 1, 2011, Women for Women could no longer borrow funds from this loan.

\$ 2,018,448

Total Loans Payable – Due on Demand

\$ 2,018,448

8. Operating Lease

Women for Women leases its office space in Washington, DC, under a noncancelable operating lease. The lease provides for fixed annual rent increases of 2.25%. The lease expires in July 2016. Women for Women is responsible for its proportionate share of the real estate taxes and operating and maintenance costs of the landlord. The lease provided incentives for building out the space, which totaled \$602,560. Under US GAAP, all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. The difference between the US GAAP rent expense and the required lease payments is reflected as deferred

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

8. Operating Lease (continued)

rent and lease incentives in the accompanying consolidated statement of financial position. Women for Women also leases office space in various countries for its foreign field offices with initial noncancelable lease terms of less than one year.

Future minimum lease payments under this agreement are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2012	\$ 504,806
2013	516,164
2014	527,776
2015	539,653
2016	<u>318,891</u>
Total	<u>\$ 2,407,290</u>

Rent expense was \$1,141,266 for the year ended December 31, 2011, and is included in rent and facilities in the accompanying consolidated statement of functional expenses.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following activities as of December 31, 2011:

Training and related programs:	
Women's Opportunity Center and Income Generation Strategy	\$ 1,875,594
Socially-Excluded and Vulnerable Women	821,373
Other programs	570,744
10,000 Women Initiative	420,268
Everest Trek	<u>167,316</u>
Total	<u>\$ 3,855,295</u>

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

10. Risks and Commitments

Office of Management and Budget Circular A-133

Women for Women has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2011, in compliance with Circular A-133 issued by the US Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or state agencies of the independent auditor's reports will not have a material effect on Women for Women's financial position as of December 31, 2011, or its results of operations for the year then ended.

Provisional Indirect Cost Rates

Billings under cost-reimbursable government contracts and grants are calculated using provisional rates that permit the recovery of indirect costs. These rates are subject to audit by the US Department of State (State). The audit results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery for amounts billed in excess of the actual rates, or may allow for additional billings for unbilled indirect costs. State audits costs related to US government contracts and grants in accordance with Circular A-122, issued by the OMB. State has yet to audit the costs and indirect cost rates for the year ended December 31, 2011. Management believes that cost disallowances, if any, arising from State's audit for 2011 will not have a material effect on Women for Women's financial position as of December 31, 2011, or its results of operations for the year then ended.

Foreign Operations

Women for Women has operations in several foreign countries. These foreign operations maintain cash accounts and fixed assets. In addition, the inventory and portions of the prepaid expenses, receivables and other assets are related to activities in these foreign countries. The future of these programs may be adversely affected by a number of potential factors, such as currency devaluations, terrorist activity or changes in the political climate. As of December 31, 2011, assets in these countries totaled approximately \$6,457,000, representing approximately 32% of Women for Women's total consolidated assets.

Concentration of Credit Risk

Women for Women maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2011, Women for Women had approximately \$5,600,000 composed of demand deposits (excluding noninterest-bearing transaction accounts, which are fully insured regardless of their

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

10. Risks and Commitments (continued)

Concentration of Credit Risk (continued)

balance), savings and money market accounts, and certificates of deposit, which exceeded the maximum limit insured by the FDIC by approximately \$5,300,000. Women for Women monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents. In addition, Women for Women also holds cash in bank accounts in foreign countries. As of December 31, 2011, cash held in foreign institutions was approximately \$3,100,000.

Line of Credit

Women for Women has a \$1,000,000 unsecured revolving line of credit with a bank. The line of credit bears interest at the bank's prime rate plus 0.9% (which was 3.25% as of December 31, 2011). The line can be withdrawn at the bank's discretion and is due upon demand. As of December 31, 2011, there was no outstanding balance on this line of credit nor were amounts borrowed and paid off during the year.

11. Deferred Compensation and Pension Plan

Women for Women offers eligible employees a deferred compensation plan (the Plan), which was created in 2009 in accordance with Section 457(b) of the Internal Revenue Code. The Plan permits participants to defer a portion of their compensation on a pre-tax basis until future years. Deferred compensation and investments designated for such deferrals are available and taxable to participants or their beneficiaries only upon termination of employment, retirement, death or an unforeseeable emergency. Until paid or made available to the participant or beneficiary, all deferred amounts, investment earnings related to deferred amounts, and all property and rights purchased with these amounts are solely the property and right of Women for Women. Deferred compensation plan investments consist of equities and bonds and are recorded at fair value at December 31, 2011. As of December 31, 2011, the deferred compensation plan had a balance of \$66,991.

Women for Women sponsors a defined contribution plan for all employees. Women for Women matches employee contributions to the plan up to 5% of an employee's salary. Pension expense was \$202,008 for the year ended December 31, 2011.

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WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

12. Income Taxes

Women for Women US is exempt from the payment of taxes under Section 501(c)(3) of the Internal Revenue Code on income other than net unrelated business income. No provision for income taxes is required as of December 31, 2011, as Women for Women had no net unrelated business income. Women for Women UK is a charity incorporated in England. Afghanistan MCO is a nonprofit entity under the laws of Afghanistan and, as of December 31, 2011, no net income taxes are due.

During the year ended December 31, 2011, Women for Women adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Women for Women performed an evaluation of uncertain tax positions for the year ended December 31, 2011, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of December 31, 2011, the statute of limitations for tax years 2008 through 2010 remains open with the US federal jurisdiction or the various states and local jurisdictions in which Women for Women files tax returns. It is Women for Women's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

13. Prior Year Summarized Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US generally accepted accounting principles. Accordingly, such information should be read in conjunction with Women for Women's consolidated financial statements for the year ended December 31, 2010, from which the summarized information was derived.

14. Afghanistan MCO

During 2011, Afghanistan MCO transferred certain assets and liabilities to MISFA that aggregated \$809,593. As consideration for assignment of the assets, MISFA agreed to reduce the amount of the outstanding loan obligations discussed in Note 7 by the same amount. As a result, all of Afghanistan MCO's assets were transferred to MISFA, with a corresponding reduction in the outstanding loan balances. The loans receivable balances that were assigned to

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

14. Afghanistan MCO (continued)

MISFA and were used to reduce the loan payable amount owed by Women for Women were based on the estimated fair value of the portfolio as of May 2011, which was determined by an independent third party. MISFA is currently attempting to collect the loans receivable balance and additional amounts on the loan payable will be forgiven when additional loans are collected. It is Women for Women's understanding that the rest of the loan payable amount will eventually be forgiven, but this was not confirmed by MISFA. As a result, the remaining balance on the loan will be reported as a current liability until it can be formally forgiven by the lender or otherwise discharged and removed from the consolidated financial statements. Afghanistan MCO is still in existence as a legal entity but it is not conducting lending or other activities and has no plans to do so in the future.

15. Subsequent Events

In preparing these consolidated financial statements, Women for Women has evaluated events and transactions for potential recognition or disclosure through June 6, 2012, the date the consolidated financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the consolidated financial statements.

SUPPLEMENTAL INFORMATION

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2011

	Women for Women International US	Women for Women International UK	Women for Women International, Afghanistan Microfinance	Eliminating Entries	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 6,962,087	\$ 2,258,986	\$ -	\$ -	\$ 9,221,073
Contributions and grants receivable, current portion	1,951,805	361,938	-	-	2,313,743
Accounts receivable	279,414	827	-	-	280,241
Intercompany receivable	1,071,911	-	-	(1,071,911)	-
Microcredit loans receivable, net of loan reserve	-	-	-	-	-
Investments	3,805,773	-	-	-	3,805,773
Prepaid expenses and deposits	453,540	62,810	-	-	516,350
Inventory	24,872	-	-	-	24,872
Other current assets	110,135	59,108	-	-	169,243
Total Current Assets	14,659,537	2,743,669	-	(1,071,911)	16,331,295
Contributions and grants receivable, net of current portion	186,600	449,460	-	-	636,060
Property and equipment, net	3,071,473	6,113	-	-	3,077,586
TOTAL ASSETS	\$ 17,917,610	\$ 3,199,242	\$ -	\$ (1,071,911)	\$ 20,044,941
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable and accrued expenses	\$ 2,275,401	\$ 128,184	\$ -	\$ -	\$ 2,403,585
Intercompany payable	-	1,071,911	-	(1,071,911)	-
Other current liabilities	20,575	-	40,718	-	61,293
Deferred rent and lease incentives, current portion	45,499	-	-	-	45,499
Deferred compensation liability	66,991	-	-	-	66,991
Refundable grant advances	12,811	141,156	-	-	153,967
Loan payable	-	-	2,018,448	-	2,018,448
Total Current Liabilities	2,421,277	1,341,251	2,059,166	(1,071,911)	4,749,783
Deferred rent and lease incentives, net of current portion	391,909	-	-	-	391,909
TOTAL LIABILITIES	2,813,186	1,341,251	2,059,166	(1,071,911)	5,141,692
Net Assets					
Unrestricted					
Undesignated	9,022,252	1,036,618	(2,059,166)	-	7,999,704
Board designated	3,000,000	-	-	-	3,000,000
Total Unrestricted	12,022,252	1,036,618	(2,059,166)	-	10,999,704
Temporarily restricted	3,033,922	821,373	-	-	3,855,295
Permanently restricted	48,250	-	-	-	48,250
TOTAL NET ASSETS	15,104,424	1,857,991	(2,059,166)	-	14,903,249
TOTAL LIABILITIES AND NET ASSETS	\$ 17,917,610	\$ 3,199,242	\$ -	\$ (1,071,911)	\$ 20,044,941

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

	Women for Women International US	Women for Women International UK	Women for Women International, Afghanistan Microfinance	Eliminating Entries	Total
REVENUE AND SUPPORT					
Individual contributions	\$ 19,376,344	\$ 2,621,383	\$ -	\$ -	\$ 21,997,727
Foundation, multilateral and corporate contributions	5,039,376	1,812,531	99,989	-	6,951,896
Government grants	2,320,401	-	-	-	2,320,401
Microlending income	-	-	338,011	-	338,011
Investment income	228,200	-	-	-	228,200
Donated legal and professional fees	531,176	-	-	-	531,176
Other income	194,720	113,491	-	-	308,211
Net foreign currency transaction gains (losses)	(151,348)	28,095	(62,765)	-	(186,018)
Intercompany grant revenue	1,659,749	195,048	-	(1,854,797)	-
TOTAL REVENUE AND SUPPORT	<u>29,198,618</u>	<u>4,770,548</u>	<u>375,235</u>	<u>(1,854,797)</u>	<u>32,489,604</u>
EXPENSES					
Program Services:					
Training and related programs	22,245,398	2,458,640	-	(1,854,797)	22,849,241
Microcredit lending	-	-	625,334	-	625,334
Media, communications and outreach	268,089	-	-	-	268,089
Total Program Services	<u>22,513,487</u>	<u>2,458,640</u>	<u>625,334</u>	<u>(1,854,797)</u>	<u>23,742,664</u>
Supporting Services:					
Fundraising	5,866,682	754,231	-	-	6,620,913
Finance and administration	3,157,358	562,779	-	-	3,720,137
TOTAL EXPENSES	<u>31,537,527</u>	<u>3,775,650</u>	<u>625,334</u>	<u>(1,854,797)</u>	<u>34,083,714</u>
CHANGE IN NET ASSETS	(2,338,909)	994,898	(250,099)	-	(1,594,110)
Foreign currency translation gains (losses)	-	(31,807)	176,879	-	145,072
NET ASSETS, BEGINNING OF YEAR	<u>17,443,333</u>	<u>894,900</u>	<u>(1,985,946)</u>	<u>-</u>	<u>16,352,287</u>
NET ASSETS, END OF YEAR	<u>\$ 15,104,424</u>	<u>\$ 1,857,991</u>	<u>\$ (2,059,166)</u>	<u>\$ -</u>	<u>\$ 14,903,249</u>