



WOMEN *for* **WOMEN**
International

**Consolidated Financial Statements and
Supplemental Information**

For the Year Ended December 31, 2013

(With Summarized Financial Information for the Year Ended December 31, 2012)



**and
Report Thereon**



WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Women for Women International and Affiliates (collectively referred to as Women for Women), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Women for Women as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Women for Women's 2012 consolidated financial statements, and our report dated July 3, 2013, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, DC
July 2, 2014

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2013
(With Summarized Financial Information as of December 31, 2012)

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,722,806	\$ 8,345,834
Contributions and grants receivable	1,393,749	1,479,195
Accounts receivable	1,186,723	821,954
Investments	3,598,780	3,838,076
Prepaid expenses and deposits	437,028	1,946,987
Inventory	26,441	25,382
Other current assets	171,776	151,365
Total Current Assets	17,537,303	16,608,793
Contributions and grants receivable, net of current portion	-	716,420
Property and equipment, net	4,083,951	3,057,362
TOTAL ASSETS	\$ 21,621,254	\$ 20,382,575
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,950,109	\$ 1,966,174
Other current liabilities	150,352	74,163
Deferred rent and lease incentives, current portion	142,751	150,204
Deferred compensation liability	-	33,372
Refundable grant advances	120,892	269,564
Loan payable	1,678,493	1,811,255
Total Current Liabilities	4,042,597	4,304,732
Deferred rent and lease incentives, net of current portion	1,886,033	1,142,649
TOTAL LIABILITIES	5,928,630	5,447,381
Net Assets		
Unrestricted		
Undesignated	8,069,694	7,475,286
Board designated	3,000,000	3,000,000
Total Unrestricted Net Assets	11,069,694	10,475,286
Temporarily restricted	4,562,180	4,399,158
Permanently restricted	60,750	60,750
TOTAL NET ASSETS	15,692,624	14,935,194
TOTAL LIABILITIES AND NET ASSETS	\$ 21,621,254	\$ 20,382,575

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, 2013

(With Summarized Financial Information for the Year Ended December 31, 2012)

	Unrestricted		Total Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
	Undesignated	Board Designated					
REVENUE AND SUPPORT							
Individual contributions	\$ 20,137,979	\$ -	\$ 20,137,979	\$ 140,968	\$ -	\$ 20,278,947	\$ 20,410,718
Foundation, multilateral and corporate contributions	1,622,018	-	1,622,018	4,757,809	-	6,379,827	7,692,054
Donated legal and professional fees	991,460	-	991,460	-	-	991,460	2,342,582
U.S. government grants	948,043	-	948,043	-	-	948,043	1,819,582
Lease termination income	877,842	-	877,842	-	-	877,842	-
Other income	125,731	-	125,731	-	-	125,731	701,373
Investment income (loss)	(90,371)	-	(90,371)	-	-	(90,371)	152,348
Net foreign currency transaction losses	(137,979)	-	(137,979)	-	-	(137,979)	(71,386)
Net assets released from restrictions:							
Satisfaction of program restrictions	4,735,755	-	4,735,755	(4,735,755)	-	-	-
TOTAL REVENUE AND SUPPORT	29,210,478	-	29,210,478	163,022	-	29,373,500	33,047,271
EXPENSES							
Program Services:							
Training and related programs	19,425,635	-	19,425,635	-	-	19,425,635	20,839,133
Media, communications and outreach	643,349	-	643,349	-	-	643,349	842,038
Total Program Services	20,068,984	-	20,068,984	-	-	20,068,984	21,681,171
Supporting Services:							
Finance and administration	2,350,805	-	2,350,805	-	-	2,350,805	4,226,283
Fundraising	6,206,001	-	6,206,001	-	-	6,206,001	7,117,144
TOTAL EXPENSES	28,625,790	-	28,625,790	-	-	28,625,790	33,024,598
CHANGE IN NET ASSETS	584,688	-	584,688	163,022	-	747,710	22,673
Foreign currency translation gains	9,720	-	9,720	-	-	9,720	9,272
NET ASSETS, BEGINNING OF YEAR	7,475,286	3,000,000	10,475,286	4,399,158	60,750	14,935,194	14,903,249
NET ASSETS, END OF YEAR	\$ 8,069,694	\$ 3,000,000	\$ 11,069,694	\$ 4,562,180	\$ 60,750	\$ 15,692,624	\$ 14,935,194

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, 2013

(With Summarized Financial Information for the Year Ended December 31, 2012)

	Program Services			Support Services		2013 Total	2012 Total
	Training and Related Programs	Media, Communications and Outreach	Total Program Services	Finance and Administration	Fundraising		
Salary, temporary labor and benefits	\$ 6,822,903	\$ 463,293	\$ 7,286,196	\$ 3,137,001	\$ 1,605,612	\$ 12,028,809	\$ 12,726,197
Training stipends	3,770,400	-	3,770,400	-	-	3,770,400	4,037,251
Printing, production, postage and delivery	717,957	29,134	747,091	27,909	2,334,688	3,109,688	2,836,776
Rent and facilities	697,052	-	697,052	698,976	168,556	1,564,584	1,473,007
Professional service fees	561,295	30,466	591,761	611,016	119,241	1,322,018	2,226,227
Training, staff development and program expenses	1,184,097	-	1,184,097	13,231	3,559	1,200,887	1,696,741
Travel and meals	680,176	9,621	689,797	97,373	208,105	995,275	1,596,474
Special events	36,352	48,954	85,306	2,365	842,270	929,941	866,367
Depreciation, amortization and disposal of assets	328,864	-	328,864	501,744	-	830,608	975,649
Information technology and communications	296,341	1,171	297,512	381,755	2,049	681,316	784,875
Bank and merchant account service fees	77,006	-	77,006	492,169	-	569,175	541,594
Office and other expenses	253,213	15,422	268,635	212,673	83,997	565,305	832,420
Bad debt expense	39,926	-	39,926	6	-	39,932	25,095
Equipment rental and maintenance	1,009	-	1,009	25,383	-	26,392	63,343
Allocation of common costs	3,485,406	45,288	3,530,694	(3,988,697)	458,003	-	-
SUBTOTAL EXPENSES	18,951,997	643,349	19,595,346	2,212,904	5,826,080	27,634,330	30,682,016
Donated legal and professional fees	473,638	-	473,638	137,901	379,921	991,460	2,342,582
TOTAL EXPENSES	\$ 19,425,635	\$ 643,349	\$ 20,068,984	\$ 2,350,805	\$ 6,206,001	\$ 28,625,790	\$ 33,024,598

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, 2013

(With Summarized Financial Information for the Year Ended December 31, 2012)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 747,710	\$ 22,673
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	774,010	819,729
Unrealized (gains) losses on investments	15,165	(18,384)
Realized losses on investments	163,429	19,559
Gain on revaluation of foreign assets and liabilities	(9,720)	(9,272)
Loss on disposal of property and equipment	56,614	155,920
Contributions restricted for long-term investments	-	(12,500)
Changes in assets and liabilities:		
Contributions and grants receivable	801,866	754,188
Accounts receivable	(668,461)	(541,713)
Investments - 457(b) plan	33,372	33,619
Prepaid expenses and deposits	1,509,959	(1,430,637)
Inventory	(1,059)	(510)
Other current assets	(20,411)	17,878
Accounts payable and accrued expenses	(16,065)	(437,411)
Other current liabilities	56,884	12,870
Deferred rent and lease incentives	735,931	855,445
Deferred compensation liability	(33,372)	(33,619)
Refundable grant advances	(148,672)	115,597
	<u>3,997,180</u>	<u>323,432</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,923,716)	(2,850,174)
Proceeds from maturities and sales of investments	4,047,264	2,783,077
Purchases of property and equipment	(1,857,213)	(936,881)
	<u>(1,733,665)</u>	<u>(1,003,978)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	-	12,500
Payments/recoveries on loans payable	113,457	(207,193)
	<u>113,457</u>	<u>(194,693)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,376,972	(875,239)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,345,834</u>	<u>9,221,073</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,722,806</u>	<u>\$ 8,345,834</u>

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

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2013

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 South Sudan. These activities are funded primarily through individual and foundation contributions, government and corporate grants and multilateral agreements.

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 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. In May 2013, the trustees of Women for Women UK established a new company, WFWI Services (UK) Ltd. Women for Women UK is the sole member of WFWI Services (UK) Ltd, a general trading company which sells Women for Women International Cookbooks. The financial statements of Women for Women Services (UK) Ltd have not been included in the consolidated financial statements as the activity is not material.

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. Women for Women US is working with the government of Afghanistan to formally dissolve Afghanistan MCO. Although the legal entity structure has been preserved, Afghanistan MCO is no longer functioning as a viable

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2013

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

Organization (continued)

Women for Women International, Afghanistan Microfinance (continued)

going concern and does not 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 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 7 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. Buildings are being 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.

Investments

Investments consist of certificates of deposit with an original maturity date of three months or more, equities, mutual funds, and interest-bearing cash deposits for investment purpose. 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.

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2013

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

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.

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 or 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

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2013

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

Donated Professional Services (continued)

these services had not been donated. During the year ended December 31, 2013, Women for Women received donated legal, advertising and architectural services with an estimated value of \$991,460. This amount is included in donated services in the accompanying consolidated statement of functional expenses based on the functional areas receiving the benefit.

Women for Women benefits from the dedicated service of a number of volunteers. Volunteers have contributed more than 1,950 hours of service for the year ended December 31, 2013. 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 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, 2013:

Training and related programs – The training programs foster awareness and understanding of women's rights; offer vocational and business skills training; and provide 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, whose contribution of \$30 per month supports the training and

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2013

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

Functional Allocation of Expenses (continued)

links women around the world with women survivors of war in the countries and regions in which Women for Women operates. The monthly sponsorship gift is combined with gifts from other sponsors, contributors, government and foundation grants, and goods donated by companies to fund Women for Women's work. Sponsors and sisters may also exchange letters, providing emotional support to a woman who has lost everything due to war.

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.

Change in Accounting Principle

Women for Women adopted the Financial Accounting Standards Board Accounting Standards Update 2012-05, *Statement of Cash Flows: Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires the recognition of donated securities that have no donor-imposed restriction and that are nearly immediately converted into cash, as cash from operating activities. During the year ended December 31, 2013, Women for Women received \$175,044 of donated securities that were nearly immediately converted into cash and recognized as cash from operating activities in the accompanying consolidated statement of cash flows. The statement of cash flows for the year ended December 31, 2012, which previously reported \$114,414 of donated securities as investing activities, has been adjusted to report this amount in operating activities.

2. Investments

Women for Women's investments, at fair value, are as follows as of December 31, 2013:

Mutual funds	\$ 2,931,346
Certificates of deposit	507,615
Interest-bearing cash deposits	158,439
Equities	<u>1,380</u>
Total	<u>\$ 3,598,780</u>

Investment returns (losses) are summarized as follows:

Unrealized losses	\$ (15,165)
Interest and dividend income	88,223
Realized losses	<u>(163,429)</u>
Total	<u>\$ (90,371)</u>

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

3. Contributions and Grants Receivable

Contributions and grants receivable consisted of the following as of December 31, 2013:

Foundation, government and corporate contributions	\$ 1,259,984
Individual contributions	<u>133,765</u>
Total Contributions and Grants Receivable	<u>\$ 1,393,749</u>

As of December 31, 2013, contributions and grants receivable are considered fully collectible and are due within one year.

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 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.

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

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, 2013, aggregated by the fair value hierarchy level with which those measurements were made:

	Total <u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Bond Funds	\$ 2,931,346	\$ 2,931,346	\$ -	\$ -
Total Mutual Funds	<u>2,931,346</u>	<u>2,931,346</u>	<u>-</u>	<u>-</u>
Certificates of deposit	507,615	-	507,615	-
Interest-bearing cash deposit	158,439	158,439	-	-
Equities:				
Basic Material	1,015	1,015	-	-
Healthcare	255	255	-	-
Services	110	110	-	-
Total Equities	<u>1,380</u>	<u>1,380</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 3,598,780</u>	<u>\$ 3,091,165</u>	<u>\$ 507,615</u>	<u>\$ -</u>

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

Mutual funds – Valued at the net asset value (NAV) of shares held at year-end, which is a quoted price in an active market. These investments are classified within Level 1 of the valuation hierarchy.

Certificates of deposit – Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable characteristics. These investments are classified within Level 2 of the valuation hierarchy.

Interest-bearing cash deposits – The carrying value of interest-bearing cash deposits approximates fair value as the cash earns interest at prevailing market interest rates.

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.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2013

5. Conditional Grants

During the year ended December 31, 2013, Women for Women was awarded several three-year conditional grants totaling \$13,395,392 and a two-year conditional grant totaling \$1,483,920. These 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, 2015 based on the goals and milestones established in the grant agreements. For the year ended December 31, 2013, Women for Women recognized \$4,744,565 in revenue under these grants, which is included in foundation, multilateral and corporate contributions revenue in the accompanying consolidated statement of activities.

6. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consisted of the following as of December 31, 2013:

Land and building	\$ 1,938,917
Vehicles	1,218,875
Leasehold improvements	953,366
Internally developed software	600,644
Computers and other equipment	761,243
Web development	347,660
Office furniture	<u>621,254</u>
Total Property and Equipment	6,441,959
Less: Accumulated Depreciation and Amortization	<u>(2,358,008)</u>
Property and Equipment, Net	<u>\$ 4,083,951</u>

Depreciation and amortization expense was \$774,010 for the year ended December 31, 2013.

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. It is Women for Women's understanding that the rest of the loans payable will eventually be forgiven, but this was not confirmed by MISFA. As a result, 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 as required under the agreement with MISFA, Afghanistan MCO is no longer functioning as a viable going concern and does not intend to engage in microfinance operations in the future.

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

7. Loans Payable (continued)

As of December 31, 2013, 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 \$5.3 million US as of December 31, 2013) 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. 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.

Total Loans Payable – Due on Demand \$ 1,678,493

8. Operating Lease

Women for Women leases its office space in Washington, DC, under a noncancellable operating lease. The lease provides for fixed annual rent increases of 2.5%, except in year six where it increases \$2.00 per square foot. The lease expires in August 2023. 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 of \$1,350,090 which were fully utilized as of December 31, 2013. 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 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 noncancellable lease terms of less than one year.

On June 14, 2012, Women for Women signed a lease termination agreement with the landlord of their previous occupied office space which stated that if Women for Women vacated the office space on or before January 31, 2013, it would be released from the lease agreement and would receive a termination fee of \$877,842. On January 14, 2013, Women for Women vacated the office space and received the termination fee which is included in lease termination income in the accompanying consolidated statement of activities.

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013**

8. Operating Lease (continued)

In September 2013, Women for Women entered into a noncancellable sublease for part of its leased office space in Washington, DC. The sublease became effective October 1, 2013 and expires in November 2016. The base rate is subject to annual increases of 4% and the sublease is secured with a \$27,697 deposit.

As of December 31, 2013, total future minimum lease payments and sublease income receipts are as follows:

<u>For the Year Ending December 31,</u>	<u>Rent Payments</u>	<u>Sublease Income</u>	<u>Net</u>
2014	\$ 761,113	\$ (167,841)	\$ 593,272
2015	780,141	(174,552)	605,589
2016	799,644	(139,989)	659,655
2017	819,635	-	819,635
2018	858,272	-	858,272
Thereafter	<u>4,300,457</u>	<u>-</u>	<u>4,300,457</u>
Total	<u>\$ 8,319,262</u>	<u>\$ (482,382)</u>	<u>\$ 7,836,880</u>

Rent expense was \$1,124,094 for the year ended December 31, 2013, 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, 2013:

Training and related programs:		
Women's Opportunity Center and Income Generation Strategy	\$	745,570
Economic and Social Development		2,498,206
Monitoring and Evaluation		306,442
General Support		<u>1,011,962</u>
Total		<u>\$ 4,562,180</u>

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, 2013, 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

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2013

10. Risks and Commitments (continued)

Office of Management and Budget Circular A-133 (continued)

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, 2013, 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, 2013. Management believes that cost disallowances, if any, arising from State's audit for 2013 will not have a material effect on Women for Women's financial position as of December 31, 2013, 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, 2013, assets in these countries totaled approximately \$5,400,000, representing approximately 25% 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, 2013, Women for Women had approximately \$8,868,000 composed of demand deposits, savings and money market accounts, and certificates of deposit, which exceeded the maximum limit insured by the FDIC by approximately \$8,066,000. 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, 2013, cash held in foreign institutions was approximately \$2,218,000.

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2013

10. Risks and Commitments (continued)

Line of Credit

Women for Women has a \$1,000,000 unsecured revolving line of credit with a bank that expires on January 3, 2015. The line of credit bears interest at the bank's prime rate, which was 3.25%, as of December 31, 2013. The line can be withdrawn at the bank's discretion and is due upon demand. As of December 31, 2013, there was no outstanding balance on this line of credit nor were amounts borrowed and paid off during the year.

11. Pension Plan

Women for Women US sponsors a defined contribution plan for all eligible US employees. Women for Women matches employee contributions to the plan up to 5% of an employee's salary. Women for Women UK sponsors a defined contribution plan for all eligible UK employees. Women for Women UK contributes up to 7% of an employee's salary. Pension expense under both plans was \$175,018 for the year ended December 31, 2013.

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, 2013, as Women for Women had no net unrelated business income. Women for Women UK is a registered charity incorporated in England and therefore is not liable for income taxes or corporation tax on income derived from its charitable activities. As of December 31, 2013, no tax was due. Afghanistan MCO is a nonprofit entity under the laws of Afghanistan and, as of December 31, 2013, no net income taxes are due.

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, 2013, 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, 2013, the statute of limitations for tax years 2010 through 2012 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.

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

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, 2012, from which the summarized information was derived.

14. Subsequent Events

In preparing these consolidated financial statements, Women for Women has evaluated events and transactions for potential recognition or disclosure through July 2, 2014, 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, 2013

	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	\$ 9,292,393	\$ 1,430,413	\$ -	\$ -	\$ 10,722,806
Contributions and grants receivable,	973,848	419,901	-	-	1,393,749
Accounts receivable	1,052,776	133,947	-	-	1,186,723
Intercompany receivable	658,638	-	-	(658,638)	-
Investments	3,091,165	507,615	-	-	3,598,780
Prepaid expenses and deposits	379,504	57,524	-	-	437,028
Inventory	26,441	-	-	-	26,441
Other current assets	171,776	-	-	-	171,776
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Assets	15,646,541	2,549,400	-	(658,638)	17,537,303
Property and equipment, net	4,074,379	9,572	-	-	4,083,951
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 19,720,920</u>	<u>\$ 2,558,972</u>	<u>\$ -</u>	<u>\$ (658,638)</u>	<u>\$ 21,621,254</u>
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable and accrued expenses	\$ 1,885,328	\$ 64,781	\$ -	\$ -	\$ 1,950,109
Intercompany payable	-	658,638	-	(658,638)	-
Other current liabilities	46,828	45,718	57,806	-	150,352
Deferred rent and lease incentives, current portion	142,751	-	-	-	142,751
Refundable grant advances	120,892	-	-	-	120,892
Loan payable	-	-	1,678,493	-	1,678,493
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Liabilities	2,195,799	769,137	1,736,299	(658,638)	4,042,597
Deferred rent and lease incentives, net of current portion	1,886,033	-	-	-	1,886,033
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>4,081,832</u>	<u>769,137</u>	<u>1,736,299</u>	<u>(658,638)</u>	<u>5,928,630</u>
Net Assets					
Unrestricted					
Undesignated (deficit)	8,327,056	1,478,937	(1,736,299)	-	8,069,694
Board designated	3,000,000	-	-	-	3,000,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Unrestricted (deficit)	11,327,056	1,478,937	(1,736,299)	-	11,069,694
Temporarily restricted	4,251,282	310,898	-	-	4,562,180
Permanently restricted	60,750	-	-	-	60,750
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NET ASSETS (DEFICIT)	<u>15,639,088</u>	<u>1,789,835</u>	<u>(1,736,299)</u>	<u>-</u>	<u>15,692,624</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,720,920</u>	<u>\$ 2,558,972</u>	<u>\$ -</u>	<u>\$ (658,638)</u>	<u>\$ 21,621,254</u>

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

	Women for Women International US	Women for Women International UK	Women for Women International, Afghanistan, Microfinance	Eliminating Entries	Total
REVENUE AND SUPPORT					
Individual contributions	\$ 18,276,164	\$ 2,002,783	\$ -	\$ -	\$ 20,278,947
Foundation, multilateral and corporate contributions	5,193,001	1,186,826	-	-	6,379,827
Donated legal and professional fees	991,460	-	-	-	991,460
U.S. government grants	948,043	-	-	-	948,043
Lease termination income	877,842	-	-	-	877,842
Other income	83,517	42,214	-	-	125,731
Investment income (loss)	(108,830)	18,459	-	-	(90,371)
Net foreign currency transaction loss	(118,597)	(19,382)	-	-	(137,979)
Intercompany grant revenue	1,491,438	234,257	-	(1,725,695)	-
TOTAL REVENUE AND SUPPORT	27,634,038	3,465,157	-	(1,725,695)	29,373,500
EXPENSES					
Program Services:					
Training and related programs	19,207,652	1,943,678	-	(1,725,695)	19,425,635
Media, communications and outreach	222,003	421,346	-	-	643,349
Total Program Services	19,429,655	2,365,024	-	(1,725,695)	20,068,984
Supporting Services:					
Finance and administration	2,272,685	78,120	-	-	2,350,805
Fundraising	5,539,725	666,276	-	-	6,206,001
TOTAL EXPENSES	27,242,065	3,109,420	-	(1,725,695)	28,625,790
CHANGE IN NET ASSETS	391,973	355,737	-	-	747,710
Foreign currency translation gains (losses)	(151,846)	48,109	113,457	-	9,720
NET ASSETS (DEFICIT), BEGINNING OF YEAR	15,398,961	1,385,989	(1,849,756)	-	14,935,194
NET ASSETS (DEFICIT), END OF YEAR	\$ 15,639,088	\$ 1,789,835	\$ (1,736,299)	\$ -	\$ 15,692,624