



WOMEN *for* WOMEN
International

**Consolidated Financial Statements and
Supplemental Information**

For the Year Ended December 31, 2010

(With Summarized Financial Information for the Year Ended December 31, 2009)



**and
Report Thereon**



WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

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Accountants

INDEPENDENT AUDITOR'S REPORT

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

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, 2010, 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 2009 consolidated financial statements and in our report dated August 31, 2010, 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 consolidated 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, 2010, 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 purposes of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental consolidating information is presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual entities. The basic consolidating information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic consolidated financial statements taken as a whole.



RAFFA, P.C.

Washington, DC
June 15, 2011

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2010
(With Summarized Financial Information as of December 31, 2009)

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,841,461	\$ 11,506,572
Contributions and grants receivable, current portion	3,449,953	2,725,360
Accounts receivable	178,876	218,652
Microcredit loans receivable, net of allowance	1,116,026	1,845,153
Investments	3,580,181	659,063
Prepaid expenses and deposits	822,079	444,887
Inventory	25,455	28,292
Other current assets	474,949	203,573
	20,488,980	17,631,552
Contributions and grants receivable, net of current portion	347,878	-
Property and equipment, net	2,391,402	1,760,990
	\$ 23,228,260	\$ 19,392,542
	\$ 23,228,260	\$ 19,392,542
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,320,464	\$ 1,723,450
Other current liabilities	182,911	198,798
Deferred rent and lease incentives, current portion	63,365	60,260
Deferred compensation liability	44,234	16,653
Refundable grant advances	99,832	54,464
	2,710,806	2,053,625
Deferred rent and lease incentives, net of current portion	431,186	475,890
Loans payable	3,733,981	2,266,785
	6,875,973	4,796,300
	6,875,973	4,796,300
Net Assets		
Unrestricted		
Undesignated	6,656,779	7,599,750
Board designated	3,000,000	2,327,424
	9,656,779	9,927,174
Temporarily restricted	4,669,068	4,669,068
	16,352,287	14,596,242
	16,352,287	14,596,242
TOTAL NET ASSETS	16,352,287	14,596,242
	\$ 23,228,260	\$ 19,392,542
TOTAL LIABILITIES AND NET ASSETS	\$ 23,228,260	\$ 19,392,542
	\$ 23,228,260	\$ 19,392,542

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, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)

	Unrestricted			Temporarily Restricted	2010 Total	2009 Total
	Undesignated	Board Designated	Total Unrestricted			
REVENUE AND SUPPORT						
Individual contributions	\$ 22,400,119	\$ 800,000	\$ 23,200,119	\$ 609,092	\$ 23,809,211	\$ 20,300,761
Foundation, multilateral and corporate contributions	1,467,789	-	1,467,789	6,263,858	7,731,647	7,283,588
Government grants	1,497,121	-	1,497,121	-	1,497,121	412,163
Microlending income	712,571	-	712,571	-	712,571	596,465
Donated legal and professional fees	424,608	-	424,608	-	424,608	881,947
Investment income	32,965	-	32,965	-	32,965	26,911
Other income	311,101	-	311,101	-	311,101	219,617
Net foreign currency transaction gains (losses)	(68,697)	-	(68,697)	-	(68,697)	207,107
Net assets released from restrictions:						
Satisfaction of board designations	127,424	(127,424)	-	-	-	-
Satisfaction of program restrictions	4,846,510	-	4,846,510	(4,846,510)	-	-
TOTAL REVENUE AND SUPPORT	<u>31,751,511</u>	<u>672,576</u>	<u>32,424,087</u>	<u>2,026,440</u>	<u>34,450,527</u>	<u>29,928,559</u>
EXPENSES						
Program Services:						
Sponsorship and related programs	20,049,896	-	20,049,896	-	20,049,896	16,180,921
Microcredit lending	1,694,264	-	1,694,264	-	1,694,264	1,082,909
Media, communications and outreach	339,807	-	339,807	-	339,807	421,122
Total Program Services	<u>22,083,967</u>	<u>-</u>	<u>22,083,967</u>	<u>-</u>	<u>22,083,967</u>	<u>17,684,952</u>
Supporting Services:						
Fundraising	6,113,770	-	6,113,770	-	6,113,770	4,527,633
Finance and administration	4,534,842	-	4,534,842	-	4,534,842	2,494,925
TOTAL EXPENSES	<u>32,732,579</u>	<u>-</u>	<u>32,732,579</u>	<u>-</u>	<u>32,732,579</u>	<u>24,707,510</u>
CHANGE IN NET ASSETS	<u>(981,068)</u>	<u>672,576</u>	<u>(308,492)</u>	<u>2,026,440</u>	<u>1,717,948</u>	<u>5,221,049</u>
Foreign currency translation gains (losses)	38,097	-	38,097	-	38,097	(26,406)
NET ASSETS, BEGINNING OF YEAR	<u>7,599,750</u>	<u>2,327,424</u>	<u>9,927,174</u>	<u>4,669,068</u>	<u>14,596,242</u>	<u>9,401,599</u>
NET ASSETS, END OF YEAR	<u>\$ 6,656,779</u>	<u>\$ 3,000,000</u>	<u>\$ 9,656,779</u>	<u>\$ 6,695,508</u>	<u>\$ 16,352,287</u>	<u>\$ 14,596,242</u>

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, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)

	Program Services			Supporting Services			2010 Total	2009 Total
	Sponsorship and Related Programs	Microcredit Lending	Media, Communications and Outreach	Total Program Services	Fundraising	Finance and Administration		
Salary and benefits	\$ 7,095,921	\$ 723,358	\$ 176,572	\$ 7,995,851	\$ 1,849,755	\$ 1,686,325	\$ 11,531,931	\$ 8,905,486
Sponsorship distributions	4,772,919	-	-	4,772,919	-	-	4,772,919	4,253,335
Professional service fees	1,357,661	69,152	73,050	1,499,863	283,373	582,190	2,365,426	1,319,722
Printing and productions	267,803	-	-	267,803	2,078,503	6,363	2,352,669	1,563,389
Bad debt expense	-	564,952	-	564,952	-	1,300,000	1,864,952	44,321
Training, staff development and program expenses	1,839,652	4,201	75	1,843,928	1,052	14,753	1,859,733	1,966,302
Travel	1,247,196	137,249	63,811	1,448,256	173,094	175,030	1,796,380	905,198
Rent and utilities	1,078,275	72,792	-	1,151,067	126,762	223,051	1,500,880	1,265,834
Bank and merchant account service fees	651,794	1,861	-	653,655	138,690	24,735	817,080	582,778
Office expenses and other	603,065	(47,304)	26,269	582,030	85,790	134,827	802,647	932,099
Postage and delivery	213,382	-	-	213,382	493,798	7,942	715,122	684,106
Special events	72,118	-	-	72,118	573,356	1,486	646,960	409,742
Information technology and communication	415,540	-	30	415,570	81,038	125,038	621,646	392,475
Donated legal and professional fees	41,606	-	-	41,606	181,502	201,500	424,608	881,947
Depreciation and amortization expense	297,260	21,037	-	318,297	40,432	41,831	400,560	327,986
Interest expense	3,521	146,966	-	150,487	-	2,917	153,404	195,490
Equipment rental and maintenance	92,183	-	-	92,183	6,625	6,854	105,662	77,300
TOTAL	\$ 20,049,896	\$ 1,694,264	\$ 339,807	\$ 22,083,967	\$ 6,113,770	\$ 4,534,842	\$ 32,732,579	\$ 24,707,510

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, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)
Increase (Decrease) in Cash and Cash Equivalents

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,717,948	\$ 5,221,049
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in microcredit loan loss reserve	1,861,431	28,552
Depreciation and amortization expense	400,560	327,986
Unrealized loss on investments	78,971	-
Loss (gain) on revaluation of foreign assets/liabilities	38,097	(26,406)
Gain on sales of property and equipment	(7,239)	(1,652)
Donated stock	(90,832)	(422,055)
Changes in assets and liabilities:		
Contributions and grants receivable	(1,072,471)	675,337
Accounts receivable	39,776	(156,344)
Prepaid expenses and deposits	(377,192)	(136,463)
Investments - 457(b) plan	(27,581)	(16,653)
Inventory	2,837	3,525
Other current assets	(271,376)	(121,759)
Accounts payable and accrued expenses	597,014	809,679
Other current liabilities	(15,887)	168,466
Deferred rent and lease incentives	(41,599)	(31,226)
Deferred compensation liability	27,581	16,653
Refundable grant advances	45,368	(352,005)
	<u>2,905,406</u>	<u>5,986,684</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Disbursements of microcredit loans receivable	(5,324,547)	(3,753,609)
Repayments of microcredit loans receivable	4,192,243	3,014,776
Purchases of investments	(3,067,496)	(642,410)
Proceeds from maturities and sales of investments	185,820	1,025,496
Purchases of property and equipment	(1,050,146)	(593,135)
Proceeds from sale of property and equipment	26,413	13,146
	<u>(5,037,713)</u>	<u>(935,736)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of line of credit	-	(1,000,000)
Payments on loans payable	-	(3,506,526)
Proceeds from issuance of loans payable	1,467,196	3,258,500
	<u>1,467,196</u>	<u>(1,248,026)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(665,111)	3,802,922
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,506,572</u>	<u>7,703,650</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,841,461</u>	<u>\$ 11,506,572</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 131,418</u>	<u>\$ 195,490</u>
Donated Stock	<u>\$ 90,832</u>	<u>\$ 422,055</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, 2010

1. Organization and Summary of Significant Accounting Policies

Organization

Women for Women International U.S. (Women for Women U.S.)

Women for Women U.S. was founded in 1993. Women for Women U.S. is a humanitarian organization dedicated to providing women survivors of war, civil strife, and other conflicts with tools and resources needed to move from crisis and poverty into stability and self-sufficiency. Women for Women U.S. 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 U.S. 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 U.S. has operations in Afghanistan, Bosnia and Herzegovina, the Democratic Republic of Congo, Iraq, Kosovo, Nigeria, Sudan, and Rwanda. These activities are funded primarily through individual contributions and foundation, multilateral, government and corporate grants.

Women for Women International United Kingdom (Women for Women UK)

Women for Women UK was established and received its charitable status in 2006. Women for Women UK was formed to build Women for Women U.S.'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 (Afghanistan MCO)

Women for Women U.S. began its Microcredit Lending Program in Afghanistan in July 2004. 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, Women for Women, 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 U.S. owns 96% of these shares. Afghanistan MCO is one of four organizations in Afghanistan that offers loans exclusively to women and provides affordable microcredit loans that help women restart their lives in ways that are independent, productive and secure. The target group of clients is women with relatively low levels of income who use microcredit loans to implement their business ideas for self-financing and self-employment. These activities are funded primarily through microcredit lending and investment income and loans from financial institutions.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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

Principles of Consolidation

The consolidated financial statements include the accounts of Women for Women U.S., 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. Included in cash and cash equivalents is cash held by Women for Women for its microcredit revolving loan program, which represents the cash available for loans to women. As of December 31, 2010, the balance in these cash accounts available for loans amounted to \$371,092.

Microcredit Loans Receivable

Women for Women records loans receivable when the loan funds are disbursed. An allowance for loan losses is estimated and recorded based on Women for Women's historical bad debt experience and management's judgment. Interest income is recognized on the accrual basis using the effective yield method and interest is accrued until the loan is deemed uncollectible and written off. A loan becomes overdue when a scheduled payment is missed. The allowance for doubtful loans receivable is evaluated by management at year-end is based on historical experience and specifically identified questionable receivables.

Property and Equipment and Accumulated Depreciation and Amortization

Office furniture and equipment and vehicles are stated at cost and are being depreciated on a straight-line basis over their estimated useful lives of five years. Construction-in-progress is capitalized. Depreciation commences when the building is 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 Web site) is amortized on a straight-line basis over an estimated useful life of three 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, 2010

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 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 \$44,234 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.

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 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

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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

Revenue Recognition (continued)

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.

Microcredit Lending Grants

Women for Women receives grants that provide that a portion of the funds shall be available for the Microcredit Lending Program's revolving loans and operating expenses. The terms of some of these grants include the possibility that granting agencies may request the repayment of all or a portion of the grants. Revenue is recognized when operating expenses are incurred and when the granting agency notifies Women for Women that the agency does not expect Women for Women to pay the money back.

Donated Professional Services

Women for Women receives professional services from companies and is not charged for them. 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, 2010, Women for Women received donated legal, advertising and architectural services with an estimated value of \$424,608. This amount is included in donated legal and professional fees 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 4,410 hours of service for the year ended December 31, 2010. 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 U.S. generally accepted accounting principles (GAAP).

Use of Estimates

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

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

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

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 U.S. 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 U.S. dollar is considered the functional and reporting currency of Women for Women U.S. The functional currency of Women for Women UK and Afghanistan MCO are the local currencies of the respective countries and are translated into U.S. 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, 2010:

Sponsorship and related programs – The sponsorship program links women around the world with women survivors of war in the countries and regions in which Women for Women operates. Each sponsor contributes \$27 per month, a portion of which is given to her “sponsored sister” as direct aid and supports her participation in yearlong rights awareness education and job skills training programs. Sponsors also send letters, providing emotional support to a woman who has lost everything due to war.

Microcredit lending program – The microcredit lending program provides small loans to women in Afghanistan. Afghanistan MCO requires all 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.

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.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

2. Investments

Women for Women's investments, at fair value, are as follows as of December 31, 2010:

Government securities – mutual funds	\$ 2,985,914
Equities	37,682
Bonds	9,940
Certificates of deposit	<u>546,645</u>
Total	<u>\$ 3,580,181</u>

Investment returns are summarized as follows:

Interest and dividend income	\$ 111,936
Unrealized gains (losses)	<u>(78,971)</u>
Total	<u>\$ 32,965</u>

3. Contributions and Grants Receivable

Contributions and grants receivable consisted of the following as of December 31, 2010:

Individual contributions – sponsorship program	\$ 1,109,187
Foundation, government and corporate contributions	2,217,116
Individual contributions – other	<u>471,528</u>
Total contributions and grants receivable	3,797,831
Less: Amount due in 1-5 years, net of a discount of \$2,122 using a discount rate of 3.5%	<u>(347,878)</u>
Contributions and Grants Receivable, Current Portion	<u>\$ 3,449,953</u>

As of December 31, 2010, contributions and grants receivable are considered fully collectible.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

4. Microcredit Loans Receivable and Provision for Loan Losses

Microcredit loans receivable include loans made by Women for Women through its Microcredit Lending Program in Afghanistan. These loans, which carry an annual flat interest rate of 15% of the original loan amount, mature at various times over the next year and are disbursed and repaid in the local currency.

As of December 31, 2010, microcredit loans receivable consist of the following and are due within one year:

Microcredit loans receivable	\$ 2,941,812
Less: Allowance for loan losses	<u>(1,825,786)</u>
Microcredit Loans Receivable, Net	<u>\$ 1,116,026</u>

Bad debt expense was \$1,864,952 for the year ended December 31, 2010.

5. 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.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

5. 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, 2010:

	<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	\$ 2,985,914	\$ 2,985,914	\$ -	\$ -
Certificates of deposit	546,645	-	546,645	-
Equities:				
Small-cap	12,677	12,677	-	-
International	10,209	10,209	-	-
Large-cap	7,687	7,687	-	-
Balanced	4,626	4,626	-	-
Mid-cap	<u>2,483</u>	<u>2,483</u>	<u>-</u>	<u>-</u>
Total equities	<u>37,682</u>	<u>37,682</u>	<u>-</u>	<u>-</u>
Bonds	<u>9,940</u>	<u>-</u>	<u>9,940</u>	<u>-</u>
Total Assets	<u>\$ 3,580,181</u>	<u>\$ 3,023,596</u>	<u>\$ 556,585</u>	<u>\$ -</u>

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

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.

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.

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 are classified within level 2 of the valuation hierarchy.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

5. Fair Value Measurements (continued)

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

6. 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, 2010, 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 of \$8,337,984 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.

7. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consist of the following as of December 31, 2010:

Land	\$ 396,354
Construction-in-progress	387,219
Vehicles	1,025,049
Computers and other equipment	800,773
Leasehold improvements	602,560
Office furniture	275,055
Web development	<u>224,934</u>
Total property and equipment	3,711,944
Less: Accumulated depreciation and amortization	<u>(1,320,542)</u>
Property and Equipment, Net	<u>\$ 2,391,402</u>

Depreciation and amortization expense was \$400,560 for the year ended December 31, 2010.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

8. Loans Payable

Women for Women entered into several loan agreements to help fund its loan programs in Afghanistan. Many of the Afghanistan microcredit loans are revolving loan funds and allow Women for Women to draw down against the loan as needed. As of December 31, 2010, Women for Women was obligated under the following loan payable agreements, which have been converted to U.S. dollar equivalents for presentation in the consolidated financial statements:

In February 2009, Women for Women 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 U.S. as of December 31, 2010) for its Microcredit Lending Program in Afghanistan. The terms of the agreement require Women for Women to pay a quarterly interest charge of 5% per annum to MISFA on any outstanding funds. This loan is available to Women for Women through December 31, 2018. Interest expense for this loan totaled \$140,883 for the year ended December 31, 2010. \$ 3,533,981

On November 15, 2009, Women for Women entered into a loan agreement with Mennonite Economic Development Associates (MEDA) and Saron Risk Capital Fund, LLP to loan \$100,000 to its Microcredit Lending Program in Afghanistan. The terms of the agreement require Women for Women to pay 0% interest per annum to MEDA until maturity, and 1% per month on the unpaid balance after the maturity date of November 30, 2012, until the loan is paid in full. No interest was paid on this loan for the year ended December 31, 2010. 100,000

On November 15, 2009, Women for Women entered into a secured loan agreement with MEDA to loan \$100,000 to its Microcredit Lending Program in Afghanistan. The terms of the agreement require Women for Women to pay interest of 9% per annum to MEDA both before and after maturity, and 1% per month on the unpaid balance after the maturity date of November 30, 2012, until the loan is paid in full. Interest expense for this loan totaled \$9,000 for the year ended December 31, 2010. 100,000

Total Loans Payable – Long Term \$ 3,733,981

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

8. Loans Payable (continued)

Principal payments on the loans payable are due as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2011	\$ -
2012	200,000
2013	-
2014	-
2015	238,031
Thereafter	<u>3,295,950</u>
Total	<u>\$ 3,733,981</u>

Aggregate interest expense for these loans was \$149,883 for the year ended December 31, 2010.

9. 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 lease incentives for build out of the space, totaling \$602,560. Under U.S. 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 U.S. 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 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>	
2011	\$ 486,936
2012	504,806
2013	516,163
2014	527,776
2015	539,653
Thereafter	<u>318,891</u>
Total	<u>\$ 2,894,225</u>

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

9. Operating Lease (continued)

Rent expense was \$1,138,178 for the year ended December 31, 2010, and is included in rent and utilities in the accompanying consolidated statement of functional expenses.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following activities as of December 31, 2010:

Sponsorship and related programs:

Women's Opportunity Center and Income Generation Strategy	\$ 2,658,763
Sponsorships	1,605,676
Other programs	<u>2,431,069</u>
Total	<u>\$ 6,695,508</u>

11. 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, 2010, in compliance with Circular A-133 issued by the U.S. 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, 2010, 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 recovery of indirect costs. These rates are subject to audit by the U.S. 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 U.S. 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, 2010. Management believes that cost disallowances, if any, arising from State's audit for 2010 will not have a material effect on Women for Women's financial position as of December 31, 2010, or its results of operations for the year then ended.

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

11. Risks and Commitments (continued)

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 loans receivable balances are related to activities in these 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, 2010, assets in these countries totaled approximately \$6,800,000, representing approximately 29% 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, 2010, Women for Women had approximately \$7,700,000 composed of demand deposits (excluding noninterest-bearing transaction accounts, which are fully insured regardless of their balance), savings and money market accounts, and certificates of deposit, which exceeded the maximum limit insured by the FDIC by approximately \$7,400,000. 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, 2010, cash held in foreign institutions was approximately \$2,600,000.

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, 2010. The line can be withdrawn at the bank's discretion and is due upon demand. As of December 31, 2010, there was no outstanding balance on this line of credit or amounts borrowed and paid off during the year.

12. 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

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

12. Deferred Compensation and Pension Plan (continued)

beneficiary, all deferred amounts, investment earnings related to deferred amounts, and all property and rights purchased with these amounts are solely the property and rights of Women for Women. Deferred compensation plan investments consist of equities and bonds and are recorded at fair value at December 31, 2010. As of December 31, 2010, the deferred compensation plan has a balance of \$44,234.

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 \$157,990 for the year ended December 31, 2010.

13. Income Taxes

Women for Women U.S. 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, 2010, 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, 2010, no net income taxes are due.

During the year ended December 31, 2010, 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, 2010, 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, 2010, the statute of limitations for tax years 2007 through 2009 remains open with the U.S. 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, 2010

14. 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 U.S. 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, 2009, from which the summarized information was derived.

15. Afghanistan MCO

Women for Women is in discussions with MISFA to transfer its interest in the assets of Afghanistan MCO. MISFA is in the process of performing its due diligence over the loan portfolio of Afghanistan MCO and it is expected that the assets will be assigned to MISFA in June 2011 after a final valuation is determined. As consideration for the assignment of assets, MISFA agrees to reduce the amount of the outstanding loan obligations discussed in Note 8 by the same amount. As a result, all the assets of Afghanistan MCO, as separately disclosed in the accompanying consolidating statement of financial position, will be transferred to MISFA, with a corresponding reduction in the outstanding loan balances. Based on the audited balances as of December 31, 2010, the proforma effect on the 2010 financial statements would be as follows:

Financial Statement Account	As reported in the December 31, 2010 Afghanistan MCO Financial Statements	Adjustments	Balances After Transfer of Assets and Liabilities
Cash and cash equivalents	\$ 386,350	\$ (386,350)	\$ -
Accounts receivable	\$ 1,465	\$ (1,465)	\$ -
Microcredit loans receivable	\$ 1,116,026	\$ (1,116,026)	\$ -
Prepaid expenses and deposits	\$ 47,956	\$ (47,956)	\$ -
Other current assets	\$ 284,899	\$ (284,899)	\$ -
Property and equipment	\$ 54,285	\$ (54,285)	\$ -
Accounts payable and accrued expenses	\$ 93,881	\$ (93,881)	\$ -
Other current liabilities	\$ 49,065	\$ (49,065)	\$ -
Loans payable	\$ 3,733,981	\$ (1,708,794)	\$ 2,025,187
Net assets	\$ (1,985,946)	\$ (39,241)	\$ (2,025,187)

Continued

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

16. Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

17. Subsequent Events

In preparing these consolidated financial statements, Women for Women has evaluated events and transactions for potential recognition or disclosure through June 15, 2011, 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, 2010

	<u>Women for Women International U.S.</u>	<u>Women for Women International United Kingdom</u>	<u>Women for Women International, Afghanistan Microfinance</u>	<u>Eliminating Entries</u>	<u>Total</u>
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 9,110,088	\$ 1,345,023	\$ 386,350	\$ -	\$ 10,841,461
Contributions and grants receivable, current portion	3,157,444	292,509	-	-	3,449,953
Accounts receivable	168,886	8,525	1,465	-	178,876
Intercompany receivable	706,147	-	-	(706,147)	-
Microcredit loans receivable, net of allowance	-	-	1,116,026	-	1,116,026
Investments	3,580,181	-	-	-	3,580,181
Prepaid expenses and deposits	710,172	63,951	47,956	-	822,079
Inventory	25,455	-	-	-	25,455
Other current assets	184,751	5,299	284,899	-	474,949
Total Current Assets	17,643,124	1,715,307	1,836,696	(706,147)	20,488,980
Contributions and grants receivable, net of current portion	347,878	-	-	-	347,878
Property and equipment, net	2,329,018	8,099	54,285	-	2,391,402
TOTAL ASSETS	\$ 20,320,020	\$ 1,723,406	\$ 1,890,981	\$ (706,147)	\$ 23,228,260
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable and accrued expenses	\$ 2,171,247	\$ 55,336	\$ 93,881	\$ -	\$ 2,320,464
Intercompany payable	-	706,147	-	(706,147)	-
Other current liabilities	133,846	-	49,065	-	182,911
Deferred rent and lease incentives, current portion	63,365	-	-	-	63,365
Deferred compensation liability	44,234	-	-	-	44,234
Refundable grant advances	32,809	67,023	-	-	99,832
Total Current Liabilities	2,445,501	828,506	142,946	(706,147)	2,710,806
Deferred rent and lease incentives, net of current portion	431,186	-	-	-	431,186
Loans payable	-	-	3,733,981	-	3,733,981
TOTAL LIABILITIES	2,876,687	828,506	3,876,927	(706,147)	6,875,973
Net Assets					
Unrestricted					
Undesignated	7,747,825	894,900	(1,985,946)	-	6,656,779
Board designated	3,000,000	-	-	-	3,000,000
Total Unrestricted	10,747,825	894,900	(1,985,946)	-	9,656,779
Temporarily restricted	6,695,508	-	-	-	6,695,508
TOTAL NET ASSETS	17,443,333	894,900	(1,985,946)	-	16,352,287
TOTAL LIABILITIES AND NET ASSETS	\$ 20,320,020	\$ 1,723,406	\$ 1,890,981	\$ (706,147)	\$ 23,228,260

WOMEN FOR WOMEN INTERNATIONAL AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

	Women for Women International U.S.	Women for Women International United Kingdom	Women for Women International, Afghanistan Microfinance	Eliminating Entries	Total
REVENUE AND SUPPORT					
Individual contributions	\$ 22,189,827	\$ 1,619,384	\$ -	\$ -	\$ 23,809,211
Foundation, multilateral and corporate contributions	7,149,831	435,317	146,499	-	7,731,647
Government grants	1,497,121	-	-	-	1,497,121
Microlending income	-	-	712,571	-	712,571
Investment income	32,965	-	-	-	32,965
Donated legal and professional fees	424,608	-	-	-	424,608
Other income	71,863	69,618	-	169,620	311,101
Net foreign currency transaction gains (losses)	(68,697)	-	-	-	(68,697)
Intercompany grant revenue	741,016	59,442	-	(800,458)	-
TOTAL REVENUE AND SUPPORT	<u>32,038,534</u>	<u>2,183,761</u>	<u>859,070</u>	<u>(630,838)</u>	<u>34,450,527</u>
EXPENSES					
Program Services:					
Sponsorship and related programs	19,626,365	1,223,989	-	(800,458)	20,049,896
Microcredit lending	-	-	1,694,264	-	1,694,264
Media, communications and outreach	339,807	-	-	-	339,807
Total Program Services	<u>19,966,172</u>	<u>1,223,989</u>	<u>1,694,264</u>	<u>(800,458)</u>	<u>22,083,967</u>
Supporting Services:					
Fundraising	5,509,645	604,125	-	-	6,113,770
Finance and administration	2,861,880	372,962	1,300,000	-	4,534,842
TOTAL EXPENSES	<u>28,337,697</u>	<u>2,201,076</u>	<u>2,994,264</u>	<u>(800,458)</u>	<u>32,732,579</u>
CHANGE IN NET ASSETS	3,700,837	(17,315)	(2,135,194)	169,620	1,717,948
Foreign currency translation gains (losses)	73,094	(14,625)	(20,372)	-	38,097
NET ASSETS, BEGINNING OF YEAR	<u>13,669,402</u>	<u>926,840</u>	<u>169,620</u>	<u>(169,620)</u>	<u>14,596,242</u>
NET ASSETS, END OF YEAR	<u>\$ 17,443,333</u>	<u>\$ 894,900</u>	<u>\$ (1,985,946)</u>	<u>\$ -</u>	<u>\$ 16,352,287</u>