

FriendshipBridge

2006 Annual Report

2006 was a remarkable year for microfinance. In October, Muhammad Yunus and the Grameen Bank were awarded the Nobel Peace Prize. In November, the Global Microcredit Summit, which was attended by more than 2,000 delegates from over 110 countries, including Friendship Bridge, was held in Halifax, Nova Scotia. One of the goals set at this Summit aims to provide microcredit and other financial services to 175 million of the world's poorest people, especially women, by 2015. Both of these events have focused international attention on microcredit and its tremendous potential to empower women, children, and families throughout the world.



Friendship Bridge, like other microcredit organizations, offers families the opportunity to increase their income by providing microcredit to entrepreneurial women, many of whom are living in marginalized communities and exist on less than $1 per day. These loans, along with non-formal education in business and health, allow women and their families to gain their independence and break the cycle of poverty.

Friendship Bridge is working to support the goals of the Global Microcredit Summit within the framework of our own goals by increasing the number of our borrowers to at least 35,000 by 2011.

We made significant progress toward these goals in 2006:

- We provided small business loans and education to 8,200 women.
- Our loan portfolio grew by 67 percent to $1.6 million with loans ranging from $40 to $800.
- We funded education scholarships for over 9,000 of our clients' children.
- We received our first endowment gift designated for the Children's Education Program.
- We hired Marco Mollinedo, who has 12 years of microfinance experience in Latin America, as our in-country Director in Guatemala.
- We formed a Board of Advisors to assist with strategic issues.

In 2007, we will double our outreach to 16,000 clients and increase our loan portfolio to $3.39 million. Accompanying this growth is Friendship Bridge's commitment to the values that guide our programs – empowerment, initiative, and education – one woman and family at a time. Participants in our programs continue to experience new successes as entrepreneurs, parents, and leaders in their communities.

Friendship Bridge is expanding educational opportunities for many of our clients and their children by providing scholarships, essential school supplies, and establishing Learning Centers in borrowers' communities.

Our efforts to integrate microcredit and education are making a difference in rural Guatemala, and it is your continuing support that is making this possible.

Friendship Bridge and the families we serve thank you.

Yours truly,

Helen M. Gair
President, Board of Directors

Susan N. Dorsey
Executive Director

Mission Statement:

Friendship Bridge provides microcredit and education to help women and their families create their own solutions to poverty.

We Believe That:

The development of microenterprise is critical in the fight against poverty.

Microcredit provides opportunities for women, so they can make changes in their own lives.

Women are leaders and agents of change in their families and their communities.

Non-formal, participatory education incorporates the lived experience of clients while building new skills.

Formal education for children breaks the cycle of poverty and allows children to become leaders and active participants in their communities.

Health education enhances personal, family, and community well being.

We respect the spiritual roots and culture of the communities in which we work.

We believe in the participatory process to incorporate the voice of everyone in the organization, especially clients.

		Guatemala	Mexico	USA
Population Total (thousands)		12,295	102,049	293,655
Rural population (% of population)		53.72	24.25	19.54
GNI per capita (US$)		2,400*	7,310	43,560
Inflation rate (%)		8	5	3
Poverty headcount (% of population)		75	40	12
Total population below poverty line (%)		56.2	20.3	12.5
Rural population below poverty line (%)		74.5	34.8	Not Available
Total fertility rate (births per woman)		4.4**	2.2	2.0
Births attended by skilled health staff (% of total births)		41	87	99
Under 5 mortality rate (per 1,000)		43	27	7
Child malnutrition (% of children < 5)		23	9	2
Adult literacy rate (% of people aged 15+)	Male	75.4	92.4	99
	Female	63.3	89.5	99
Primary school completion rates	Male	75	98	Not Available
	Female	65	100	Not Available
Expenditure per student on education (% of GNI per capita)				
Primary		5	14	22
Secondary		4	16	25
Children entering primary school in rural Guatemala who finish the sixth grade		20%		
Children enrolled in age appropriate education levels in Guatemala		42%		

* Distribution of income and wealth in Guatemala is extremely uneven. The top 20% of the population receive 66.67% of all income.
**6.1 for indigenous women; 3.7 for non-indigenous women
(Sources: World Bank, UNICEF, Global Integrity, and USAID)

The success of Muhammad Yunus and Grameen Bank

inspired Friendship Bridge to begin its shift, in 1993, from medical relief to microcredit and poverty relief. Muhammad Yunus and the Grameen Bank received the Nobel Peace Prize on December 10, 2006 for their groundbreaking efforts in economic and social development.

In his acceptance speech, Dr. Yunus stated, "Poverty is a threat to peace….For building stable peace we must find ways to provide opportunities for people to live decent lives."



Doña Clara Torres Lucas

"Step by step, little by little, struggle by struggle, my life has improved with Friendship Bridge." Since her first $100 loan, she and her husband have improved their basket making business, built a larger, sturdier house, and many of her daughters have become Friendship Bridge clients.

Microcredit Plus Program



Poverty in rural Guatemala is pervasive and persistent. Limited or inadequately paying jobs, lack of basic health care, education, and access to financial services means families live without basic necessities. Language barriers, discrimination, natural disasters, and the lingering effects of a 36-year civil war that ended ten years ago are particularly disastrous for rural Mayans – especially women.

Friendship Bridge offers microcredit and educational programs designed to empower women in rural Guatemala with the ability to increase their income generating potential. Our new In-Country Director, Marco Mollinedo, arrived in July 2006, with a great deal of experience in microfinance and his own hopes for the future of Friendship Bridge. He has inspired a variety of changes that will allow the Microcredit Plus Program to grow effectively and efficiently. The staff in Guatemala is working to formalize enhancements that will strengthen both the women and the programs, such as:

- Loan groups are managing more aspects of their own meetings. Clients are collecting repayments and taking them to the bank. This strategy increases loan officer productivity while improving clients' confidence and self-esteem.
- Clients are choosing which education topics are important to them and will share in the responsibility of finding locally available resources to bring the information into their groups. They enjoy being involved in selecting the material to be covered, and are encouraged to share their own knowledge and expertise.
- A variety of loan products that meet the needs of rural women from different areas of rural Guatemala are being designed.

In 2006, the loan portfolio grew by 67 percent to $1.6 million – in loans ranging from $40-$800 – with a repayment rate of 98%. By the end of 2007, Friendship Bridge will once again double in size and have



more than 16,000 women in the Microcredit Plus Program with a loan portfolio of nearly $3.4 million. Our ability to grow means some of the poorest women in Guatemala can achieve success in business and provide opportunities for their families that were once a distant dream.

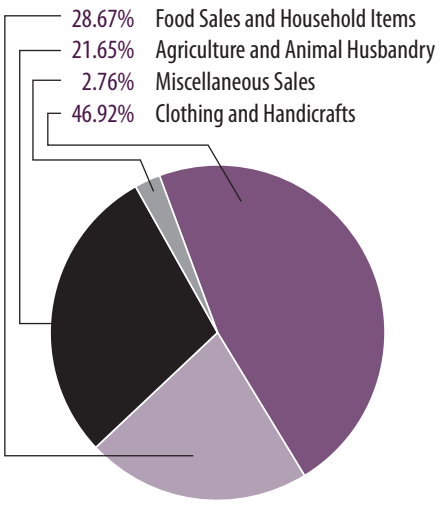
Before Natalia took her first loan from Friendship Bridge, this struggling widow was borrowing money from a local moneylender to buy food, at rates as high as 100%. Now she is able to afford a much better diet for her family using the profits from her weaving business.



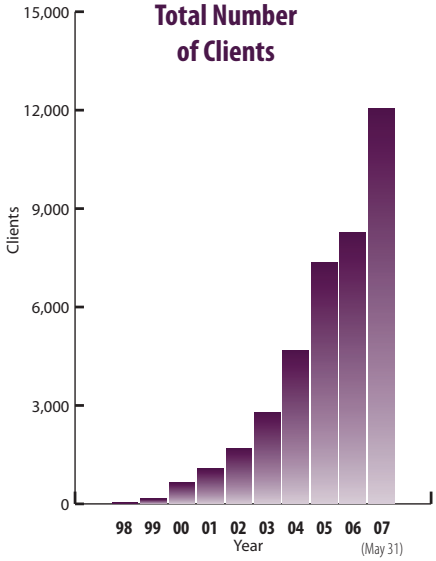
Strategic Goals for Friendship Bridge's Microcredit Plus and Children's Education Programs:

- Working with 35,000 women in rural Guatemala, offering microcredit and non-formal education, by 2011.
- Reaching the poorest women in rural Guatemala.
- Ensuring effective financial and social performance for Friendship Bridge and our clients.
- Being operationally sustainable.
- All of our clients' children are in school and passing from grade to grade.

What Women Do With Their Loans



Total Number of Clients



Reaching the most impoverished and underserved women in rural Guatemala is a strategic goal for Friendship Bridge. In 2006 and 2007, FINCA International, one of the world's leading microfinance institutions, chose Friendship Bridge to participate in a test of its client assessment tool.

Interviews with clients in 2006 revealed that Friendship Bridge programs are reaching our target population and they:

- Live on $1 – $2 per day (the international poverty measure for poor and extreme poor).
- Have an average level of schooling of 2.4 years.
- Have an average household size of six – indicating a high level of vulnerability.

The Children's Education Program

Guatemala has the lowest per capita spending for education in all of Latin America. Children seeking an education in rural Guatemala, particularly indigenous children, face many challenges. Friendship Bridge believes that education is critical to breaking the cycle of poverty.

Seventy-two percent of Guatemala's indigenous population speaks one of 22 distinct Mayan languages. Even though Spanish is the official language of the country, without formal education, many learn only a few words of Spanish.

In 2006, more than 9,000 children of Friendship Bridge clients received support for their education in the form of scholarships, school supplies, and access to study centers. An impressive 87 percent of these students passed for the year.



For many students, providing scholarships for educational expenses is not enough to ensure their success. Friendship Bridge is implementing new strategies to support children's education in 2007.

We are providing:

- School supplies for 6,200 children of some of our newest clients, particularly girls.
- Scholarships for a distance learning program students can work through from home – aimed at older students who wish to complete primary school.
- Learning Centers, where students receive help with their homework and can take classes in typing and computers. Hundreds of children are accessing this exciting new resource in Nebaj each month.



Creating opportunities for women in rural Guatemala to increase their income means more of their children can attend school. During the school year, women discuss challenges and strategies to help their students succeed, such as nutrition, study skills, and how to handle issues with teachers. This is particularly beneficial to the large number of women who were not able to attend school themselves.



Nicolas Sicay Mesia,

a former Friendship Bridge scholarship student, now earns his own money to attend high school. Friendship Bridge has given scholarships to over 27,000 students since the program began seven years ago. Seventy-seven percent of students in the Friendship Bridge sponsored junior high school pilot program went on to high school. The average secondary school enrollment across Guatemala is only 33.5 percent of the age group.

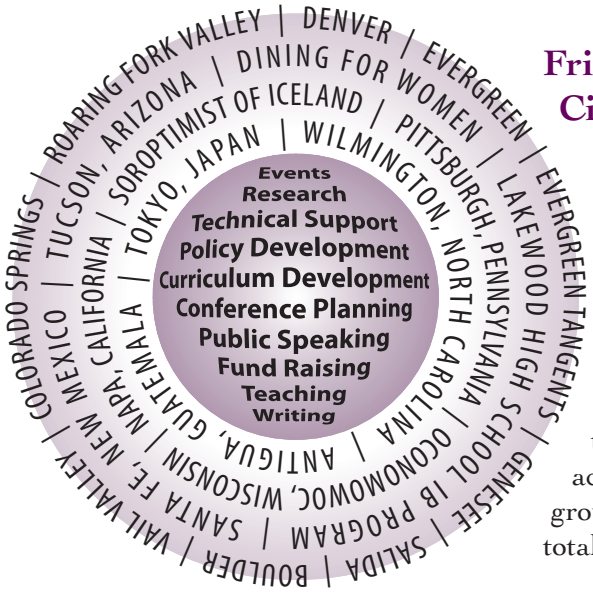


Get Involved

Insight Trips

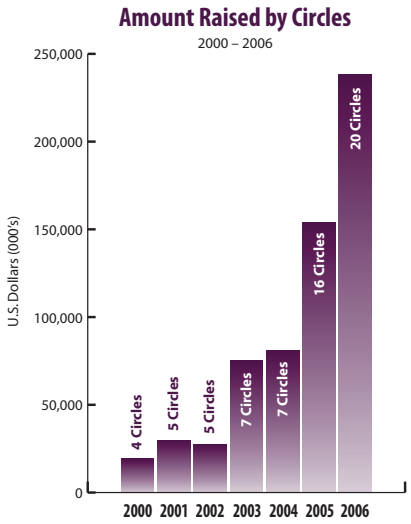
Each year Friendship Bridge organizes Insight Trips - opportunities for volunteers and donors to visit the programs and witness firsthand how microcredit plus is changing lives in rural Guatemala. In 2006, fifty-six volunteers, donors, and Circle members took advantage of this opportunity to bridge people and cultures together, meeting with clients and staff in towns and villages where Friendship Bridge works.





Friendship Bridge Circles and Volunteers

Circles consist of volunteer fundraisers and advocates for Friendship Bridge in their communities across the U.S. and in Guatemala and Japan. Each of the now 20 Circles sponsors at least one loan group through their own fundraising activities. These creative, energetic groups raised 13 percent of the total revenue generated in 2006.





Friendship Bridge is fortunate to have over 400 volunteers across the U.S. and beyond who generously donate their valuable time (a total of 16,065 hours in 2006!) assisting staff with fundraising, public speaking, research, writing, graphic design, and computer consulting. They help coordinate events, stuff envelopes, and create items to sell. Volunteer nurse educators teach, write papers, and collaborate with their colleagues in Vietnam.

The total value of services provided by volunteers in 2006 was over $295,000. We are grateful for their time and commitment. **It means we can do more to alleviate poverty in rural Guatemala and to promote nursing education and urology research and practice in Vietnam.**

Josefa Damián Ajuchán, a 37-year-old widow from Tzanchaj, has eight children. Her husband was killed when the youngest child was just a month old. Her sisters, Friendship Bridge clients themselves, encouraged her to take advantage of the opportunity to receive credit, and now she and the older children have a beadwork business.





Magdalena Ajtujal Xicay used to live in a cane house and her children suffered in the cold. Income from her beadwork business helped her build a warmer, sturdier cement house.

Juana Cobo Peréz has a handicraft business. In 1980, the Guatemalan army moved into Nebaj, terrorizing the community with violence and intimidation. Juana lived in fear of being killed, until she and her family fled to Guatemala City. When they returned in 1996, their home had been burned and everything was lost. Today, Juana sees a bright future for herself and her family. She enjoys the freedom to weave and travels to different communities selling her huipiles.



Grants, Event and Corporate Sponsors, Church Gifts

The Anschutz Foundation
Bank of the West
Bancker-Williams Foundation
The Barnston Koutsaftis Family Foundation
Boulder Community Foundation
Breezy Travel
Brittany Builders
Colorado Trust
Church of the Hills
Denver Foundation
Denver Mile High Rotary Club
Destiny Capital
The Donner Family Foundation
Eagle Foundation
Edwards Rotary Club
Bill Ernstrom and Janie Hanson-Ernstrom

There is no word for success in many Mayan languages, so clients are asked, "What are your dreams?"

"Money to educate all my children, so they don't have to work as hard as we do."

"Better food for my family."

"To have my own market stall."

"Be able to export my weaving."

"Larger loans. Larger profits."

For them, success is measured in their children, their family, and then their business. For them, growing their business is tied to the needs of their family. Their dreams are for their children, and they work hard every day to provide a better future for them.

Poverty in Guatemala is a vast problem with no easy solution, but with microcredit and education, women are attaining their dreams.



Vietnam Programs

Friendship Bridge began as a medical relief program in Vietnam in 1989. Today, Friendship Bridge volunteers still allocate time and resources to these projects.

The Friendship Bridge Nurses Group

Thanks to the efforts of the Friendship Bridge Nurses Group, a Masters in Nursing Program was approved in 2006 by the Vietnamese Ministries of Health and Education and the University of Medicine and Pharmacy in Ho Chi Minh City. The first class of 20 candidates will begin their program in September 2007.



Over the past 16 years, The Friendship Bridge Nurses Group has changed the face of nursing in Vietnam. Dedicated volunteers and nurse educators, Kathy Whitney, Sara Jarrett, and Faye Hummel, have pushed the training and education level of Vietnamese nurses ahead by 50 years, benefiting millions.



Urology Project

Improving the level of urologic care in Vietnam continues to be a passion of Friendship Bridge Co–Founder and retired urologist, Dr. Ted Ning. In cooperation with International Volunteers in Urology (IVU), U.S. doctors and surgical residents travel to Vietnam at their own expense to participate in research, observe surgical techniques and interact with an international community of doctors and other health care professionals.

Evergreen Veterinary Service
First Bank of Colorado
First Presbyterian Church, Salida, Colorado
Foresight Mortgage Corp.
The Foster Family Private Foundation Inc.
GE Foundation
Mark and Marcelle Gershien
The Haywood Foundation
Robert and Marcia Horowitz Foundation
Huff Insurance & Financial Services
Illinois Tool Works Foundation
International Volunteers in Urology
Israel Charitable Foundation
Janel Davenport Kitchen & Bath Design, LLC
The Kristina Foundation
Michael Larson, D.D.S.
Sarah McConnell Fund
MCL Financial Group – Bill Manning
McNeely Foundation
Merck & Co., Inc.
Moore Foundation
NamasteDirect
Natural Pathways Foundation
Onlocation
Pagosa Springs Rotary
Peak National Bank
Performance Velocity
Paul Regan D.M.D.
RhodesLaw, now Rhodes Woodbury, LLC
Richards Family Foundation
Rose Community Foundation
Murray and Sydell Rosenberg Foundation
Rotary Club of Colorado Springs East
Sagebrush Foundation
Scottdale Investments
Sisters of Loretto
Snowmass Chapel, Inc.
Malcolm Strange, Courtney College, & David Strange, D.D.S.
Stuart Family Foundation
Sunrise Rotary Club
Tides Foundation
Timber Line Electric & Control Corporation
Tom Toomey Family
Tran Vo Foundation
Trigon EPC
The Walter and Mary Tuohy Foundation
US Bank
Westminster 7:10 Rotary Club
Wild Rose Congregational Church, UCC
Women's Foundation of Colorado, Inc.

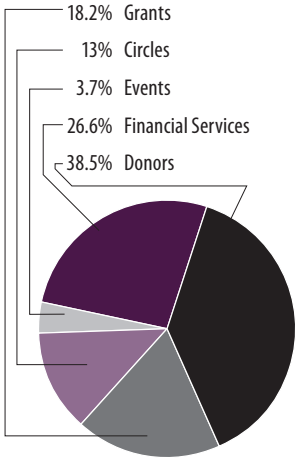
FriendshipBridge

(a 501(c)(3) organization)

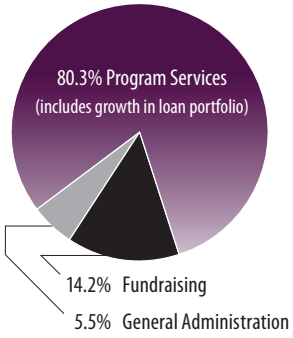
Consolidated Statements of Financial Position

December 31,

Sources of Revenue

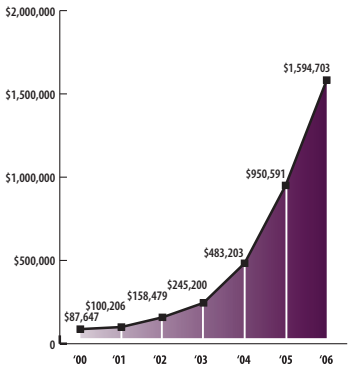


Use of Funds



Loan Portfolio Growth

(Net of allowance for doubtful accounts)



ASSETS	2006	2005 (restated)
CURRENT ASSETS		
Cash and cash equivalents:		
Checking and savings – operating	$ 404,803	$ 298,771
Investments – endowment – restricted	50,000	––
Investment accounts – reserves	393,976	641,098
Grants receivable	65,000	––
Notes receivable (net of allowance for doubtful accounts of $49,321 and $14,854, respectively)	1,594,703	950,591
Prepaid expenses and other current assets	6,961	4,214
Total current assets	2,515,443	1,894,674
PROPERTY AND EQUIPMENT		
Property and equipment	111,490	86,450
Less accumulated depreciation	76,928	61,835
Net property and equipment	34,562	24,615
TOTAL ASSETS	$ 2,550,005	$ 1,919,289
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 16,113	$ 3,493
Accrued liabilities	46,624	59,495
Other liabilities	1,719	41,380
Total current liabilities	64,456	104,368
COMMITMENTS	––	––
NET ASSETS		
Unrestricted	2,429,369	1,704,238
Temporarily restricted	56,180	110,683
Permanently restricted	––	––
Total net assets	2,485,549	1,814,921
TOTAL LIABILITIES AND NET ASSETS	$ 2,550,005	$ 1,919,289

The accompanying Notes to Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31,

CASH FLOWS FROM OPERATING ACTIVITIES	2006	2005
Cash inflows from operating activities:		
From donations	$ 1,259,556	$ 1,357,147
From notes receivable repayments	3,521,618	1,806,776
Interest received (on notes receivable)	419,467	195,444
Interest received (on cash equivalents)	24,586	12,724
Cash deposits held for women's groups	––	14,997
Other operating income	56,935	10,016
Cash outflows from operating activities:		
Principal loans on notes receivable	(4,200,197)	(2,274,074)
Decrease in cash deposits held for women's groups	(39,661)	––
Cash and benefits paid to employees and vendors:		
Program services – loans	(567,644)	(448,745)
Program services – health care and education	(204,635)	(130,053)
Supporting services – management and general	(96,449)	(46,475)
Supporting services – fundraising	(250,289)	(211,134)
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	**(76,713)**	**286,623**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	**(25,113)**	**(21,808)**
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	**(25,113)**	**(21,808)**
CASH FLOWS FROM NON-CASH ACTIVITIES		
Unrealized gain on securities	10,490	––
Gain (loss) from currency translation	246	11,196
NET CASH INFLOW FROM NON-CASH ACTIVITIES	**10,736**	**11,196**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(91,090)	276,011
CASH AND CASH EQUIVALENTS, Beginning of year	939,869	663,858
CASH AND CASH EQUIVALENTS, End of year	$ 848,779	$ 939,869

A complete set of audited Financial Statements or a Form 990 are available upon request

BOARD OF DIRECTORS *(as of June 30, 2007)*

Helen M. Gair, President
Connie Newton, Vice President
Felicity Hannay, Secretary/Treasurer
Katharine Hobart
F. Paul Kovach
Ruth Krebs
Theodore C. Ning, Jr., M.D., Co-Founder

BOARD OF ADVISORS *(as of June 30 2007)*

Constance C. Ning, Co-Founder
Mimi Schlumberger, Co-Founder of Loan Program
Sandy Younghans, Immediate Past President, Board of Directors
Christopher Dunford, President, Freedom From Hunger
Lynne Patterson, Co-Founder and Executive Director, Pro Mujer

U.S. STAFF *(as of June 30, 2007)*

(5.6 Full-Time Equivalents)

Susan N. Dorsey, Executive Director
Erin Weliver, Director of Finance and Administration
Kimberly S. Lemme, Administrator
Nancy Hiester, Development Director Community Outreach
Stuart Pons, Development Director Communications
Doug Spencer, Development Director Donor Relations
Anita Bunch, Special Events Coordinator



GUATEMALA STAFF *(as of June 30, 2007)*

Central Office
Marco Mollinedo, In-Country Director
Norma Baján, Non Financial Services Manager
Rufino Sequec Balam, Financial Services Manager
Rebecca Cutter, Research and Education
Miguel Cosiguá, Risk Manager
Teresa Gutierrez, Accountant
Juan Pop, Information Systems
Kathy Searle, Educational Consultant

Quiche Branch Office (Southern Quiche)
Ana Rivera, Branch Manager
Mariano Jacinto Cuyuch, Administrative Assistant
Anastasia Cutillo Sen, Loan Officer
Martha Macario Rodriguez, Loan Officer

Nebaj Branch Office (Northern Quiche)
María Cobo, Branch Manager,
Jacinto Raymundo Cruz, Administrative Assistant
Petrona Chel, Loan Officer,
Ana Angélica Santiago Brito, Loan Officer
Juana Cedillo Bernal, Loan Officer
Tina Catarina Laynez, Learning Center Coordinator

Sololá Branch Office (Sololá)
Catarina Laynez, Branch Manager
José Francisco Meletz, Administrative Assistant
Sandra Patricia Cojtín, Loan Officer
Marta Julia Vicente Xoquic, Loan Officer
Carmen Francisca Jamínez Tambriz, Loan Officer
Catarina Felipa Guarchaj Chox, Loan Officer
María Quiejú, Loan Officer
Gloria Cholotío, Loan Officer
Berta Lucía Vásquez, Loan Officer
Hilda Mendoza, Loan Officer
Martha Coj, Loan Officer
America Raquel Chiyal, Loan Officer
Micaela Guachiac, Loan Officer

Mazatenango Branch Office (Suchitepéquez and Retalhuleu)
Nely Mejicanos, Branch Manager
Teresa Ruth Diaz, Loan officer
Ana Rojché, Loan Officer
Catarina Sac, Loan Officer
Bacilia Chay, Loan Officer
María de Jesús, Loan Officer
Irma Leticia, Loan Officer
Antonia Martina Pastor, Loan Officer
Maria Elena Sac, Loan Officer
Jackeline Lucely Aguilar , Loan Officer
Damaris Reyes, Loan Officer

Chimaltenango Branch Office (Chimaltenango and Sacatepéquez)
Lucía Ceferina Tunay, Branch Manager
German Estrada, Administrative Assistant
Sandra Ixmucane, Loan Officer
Catarina Marroquin, Loan Officer
Leticia Aj Lux, Loan Officer

Quetzaltenango Branch Office (Quetzaltenango and Totonicapán)
María Esther Mendoza, Branch Manager
Rosaura Sontay, Loan Officer
Cristina Ramirez, Loan Officer

FriendshipBridge

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