

**OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES**

Consolidated Financial Statements

December 31, 2009

(with comparative totals for 2008)

(With Independent Auditors' Report Thereon)

# OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

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KPMG LLP  
303 East Wacker Drive  
Chicago, IL 60601-5212

## Independent Auditors' Report

The Board of Directors  
Opportunity International, Inc.:

We have audited the accompanying consolidated statement of financial position of Opportunity International, Inc. and affiliates (Opportunity) as of December 31, 2009, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended. These consolidated financial statements are the responsibility of Opportunity's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain consolidated and nonsubsidiary investee companies, which statements reflect total assets constituting 6% and 3% and total revenues constituting 5% and 3% in 2009 and 2008, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the consolidated and nonsubsidiary investee companies, is based solely on the reports of the other auditors. The prior year summarized comparative information has been derived from Opportunity's 2008 consolidated financial statements, and in our report dated July 31, 2009, we expressed an unqualified opinion on those 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 Opportunity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Opportunity International, Inc. and affiliates as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

July 30, 2010

**OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES**

Consolidated Statement of Financial Position

December 31, 2009

(with comparative totals for 2008)

Assets	2009				2008
	Charitable funds	Banking funds	Eliminations	Total	
Cash and cash equivalents	\$ 14,428,787	58,964,008	—	73,392,795	111,547,955
Restricted cash and investments:					
Cornerstone Fund	6,047,147	—	—	6,047,147	5,744,978
Loan Guarantee Fund	10,759,491	—	—	10,759,491	11,454,615
Other	10,907,680	—	—	10,907,680	5,627,868
Pledges receivable, net	41,476,096	—	—	41,476,096	38,875,647
Investments, at fair value	505,545	—	—	505,545	928,243
Notes receivable, net	17,610,946	—	(13,184,255)	4,426,691	4,782,225
Loans receivable, net	—	158,012,958	(364,559)	157,648,399	314,540,065
Other receivables	5,709,710	—	(1,042,118)	4,667,592	4,367,038
Donor-advised assets	140,318	—	—	140,318	283,776
Prepaid expenses	1,664,025	10,468,643	(429,195)	11,703,473	14,495,782
Investment in other institutions	3,571,233	—	(46)	3,571,187	3,158,106
Building, furniture, and equipment, net	1,085,395	18,926,510	—	20,011,905	22,533,660
Total assets	<u>\$ 113,906,373</u>	<u>246,372,119</u>	<u>(15,020,173)</u>	<u>345,258,319</u>	<u>538,339,958</u>
<b>Liabilities and Net Assets</b>					
Accounts payable and accrued liabilities	\$ 6,255,441	11,588,831	(2,640,963)	15,203,309	20,870,707
Notes payable	21,308,305	112,075,631	(12,768,641)	120,615,295	178,342,701
Deferred revenue	43,091	2,482,890	(4,355)	2,521,626	2,787,184
Deposits from customers	—	68,778,688	—	68,778,688	185,558,849
Total liabilities	<u>27,606,837</u>	<u>194,926,040</u>	<u>(15,413,959)</u>	<u>207,118,918</u>	<u>387,559,441</u>
Minority interest	350,149	15,200,731	—	15,550,880	23,928,903
Net assets:					
Unrestricted	19,744,324	36,245,348	393,786	56,383,458	70,904,106
Temporarily restricted	61,197,438	—	—	61,197,438	50,743,715
Permanently restricted	5,007,625	—	—	5,007,625	5,203,793
Total net assets	<u>85,949,387</u>	<u>36,245,348</u>	<u>393,786</u>	<u>122,588,521</u>	<u>126,851,614</u>
Total liabilities and net assets	<u>\$ 113,906,373</u>	<u>246,372,119</u>	<u>(15,020,173)</u>	<u>345,258,319</u>	<u>538,339,958</u>

See accompanying notes to consolidated financial statements.

**OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES**

Consolidated Statement of Activities

Year ended December 31, 2009  
(with comparative totals for 2008)

	2009							2008
	Unrestricted			Total	Temporarily restricted	Permanently restricted	Total	
	Charitable funds	Banking funds	Eliminations					
Operating activities:								
Charitable support, gains, and losses:								
Private contributions	\$ 10,762,524	—	—	10,762,524	28,656,680	—	39,419,204	50,974,028
Government grants	4,011,311	—	—	4,011,311	—	—	4,011,311	802,055
Other	1,275,755	—	—	1,275,755	—	—	1,275,755	910,826
Gain (loss) on investments, net	(11,355,954)	—	(83,629)	(11,439,583)	302,169	—	(11,137,414)	(6,823,418)
Net assets released from restrictions	19,438,646	—	—	19,438,646	(19,438,646)	—	—	—
Total charitable support, gains, and losses	24,132,282	—	(83,629)	24,048,653	9,520,203	—	33,568,856	45,863,491
Banking revenue:								
Loan interest income	—	55,793,785	(18,278)	55,775,507	—	—	55,775,507	78,464,225
Other fees and income	—	9,374,386	—	9,374,386	—	—	9,374,386	10,598,421
Total banking revenue	—	65,168,171	(18,278)	65,149,893	—	—	65,149,893	89,062,646
Total support and revenue	24,132,282	65,168,171	(101,907)	89,198,546	9,520,203	—	98,718,749	134,926,137
Expenses:								
Charitable expenses:								
Program services:								
Grants for revolving loans	18,140	—	—	18,140	—	—	18,140	492,879
Grants for partner lending operations and training	3,517,672	—	—	3,517,672	—	—	3,517,672	6,063,542
Development of partner organizations	17,211,921	—	(143,621)	17,068,300	—	—	17,068,300	17,550,013
Total program services	20,747,733	—	(143,621)	20,604,112	—	—	20,604,112	24,106,434
Supporting services:								
Fund-raising	6,468,899	—	—	6,468,899	—	—	6,468,899	11,767,487
Management and general	2,828,892	—	(18,278)	2,810,614	—	—	2,810,614	3,459,212
Total supporting services	9,297,791	—	(18,278)	9,279,513	—	—	9,279,513	15,226,699
Total charitable expenses	30,045,524	—	(161,899)	29,883,625	—	—	29,883,625	39,333,133
Banking expenses:								
Interest	—	13,093,706	(55,042)	13,038,664	—	—	13,038,664	16,913,929
Provision for loan losses	—	7,567,097	—	7,567,097	—	—	7,567,097	9,369,806
Operating expenses	—	52,161,490	(114,371)	52,047,119	—	—	52,047,119	57,107,980
Total banking expenses	—	72,822,293	(169,413)	72,652,880	—	—	72,652,880	83,391,715
Total expenses	30,045,524	72,822,293	(331,312)	102,536,505	—	—	102,536,505	122,724,848
Increase (decrease) in net assets from operating activities	(5,913,242)	(7,654,122)	229,405	(13,337,959)	9,520,203	—	(3,817,756)	12,201,289
Nonoperating activities:								
Foreign currency translation loss	(11,614)	(4,454,305)	(23,577)	(4,489,496)	—	—	(4,489,496)	(9,201,345)
Minority interest in net loss of consolidated subsidiaries	—	4,044,159	—	4,044,159	—	—	4,044,159	1,424,945
Increase (decrease) in net assets from nonoperating activities	(11,614)	(410,146)	(23,577)	(445,337)	—	—	(445,337)	(7,776,400)
Investment in banking and insurance activities	14,211,116	(14,211,116)	—	—	—	—	—	—
Increase (decrease) in net assets before change in donor designation and endowment net asset reclassification	8,286,260	(22,275,384)	205,828	(13,783,296)	9,520,203	—	(4,263,093)	4,424,889
Change in donor designation	—	—	—	—	196,168	(196,168)	—	—
Endowment net asset reclassification	(737,352)	—	—	(737,352)	737,352	—	—	—
Increase (decrease) in net assets	7,548,908	(22,275,384)	205,828	(14,520,648)	10,453,723	(196,168)	(4,263,093)	4,424,889
Net assets:								
Beginning of year	12,195,416	58,520,732	187,958	70,904,106	50,743,715	5,203,793	126,851,614	122,426,725
End of year	\$ 19,744,324	36,245,348	393,786	56,383,458	61,197,438	5,007,625	122,588,521	126,851,614

See accompanying notes to consolidated financial statements.

**OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES**

Consolidated Statement of Cash Flows

Year ended December 31, 2009  
(with comparative amounts for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (4,263,093)	4,424,889
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	3,976,979	4,413,645
Foreign currency translation loss	4,489,496	9,201,345
Provision for loan losses	7,567,097	9,369,806
Minority interest in net loss of consolidated subsidiaries	(4,044,159)	(1,424,945)
Realized loss on sale of stock of consolidated subsidiary	10,103,547	—
Realized gain on sale of investments	(167,981)	(42,155)
Unrealized loss on investments	299,343	7,184,534
Equity in loss of investment in other institutions	1,378,575	584,821
Changes in assets and liabilities:		
Pledges and other receivables	(2,757,545)	(10,547,662)
Prepaid expenses	(399,844)	(2,921,502)
Accounts payable and accrued liabilities	139,924	2,898,566
Deferred revenue	(127,029)	1,345,034
Minority interest	2,763,710	817,017
Net cash provided by operating activities	<u>18,959,020</u>	<u>25,303,393</u>
Cash flows from investing activities:		
Loan origination and principal collections, net	61,111	(70,917,093)
Purchase of investments in unconsolidated affiliates	(2,026,161)	(159,679)
Cash received from sale of stock of consolidated subsidiary	(42,855,652)	359,958
Purchase of investments	(1,676,062)	(2,529,744)
Sale of investments	1,967,398	3,334,250
Purchase of restricted cash and investments	(22,051,702)	(12,801,772)
Sale of restricted cash and investments	17,164,845	13,711,738
Net, additions of building, furniture, and equipment	(7,777,538)	(7,860,909)
Notes receivable, net of collections	355,534	(1,002,382)
Net cash used in investing activities	<u>(56,838,227)</u>	<u>(77,865,633)</u>
Cash flows from financing activities:		
Proceeds from notes payable	33,118,818	120,876,120
Principal payments of notes payable	(27,248,674)	(27,717,664)
Deposits from customers	(1,656,601)	(53,294,329)
Net cash provided by financing activities	<u>4,213,543</u>	<u>39,864,127</u>
Effect of exchange rate changes on cash	<u>(4,489,496)</u>	<u>(9,201,345)</u>
Net decrease in cash and cash equivalents	<u>(38,155,160)</u>	<u>(21,899,458)</u>
Cash and cash equivalents at beginning of year	<u>111,547,955</u>	<u>133,447,413</u>
Cash and cash equivalents at end of year	<u>\$ 73,392,795</u>	<u>111,547,955</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest and taxes	\$ 7,017,497	12,999,871
Supplemental disclosures of noncash investing and financing transactions:		
Conversion of notes receivable into investment in subsidiaries	\$ 4,304,659	362,764
Sale of consolidated subsidiary:		
Investment in consolidated subsidiary	\$ 19,978,625	—
Loss on sale of consolidated subsidiary	<u>(9,869,042)</u>	<u>—</u>
Net proceeds from the sale of consolidated subsidiary	<u>\$ 10,109,583</u>	<u>—</u>

See accompanying notes to consolidated financial statements.

**OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES**

Consolidated Statement of Functional Expenses

Year ended December 31, 2009

(with comparative totals for 2008)

	2009						2008 Total	
	Charitable funds				Banking funds	Eliminations		Total
	Program services	Fund-raising	Management and general	Total				
Grants for Opportunity International Network	\$ 6,186,142	—	—	6,186,142	—	—	6,186,142	6,298,203
Grants for partner organizations for operations	3,517,672	—	—	3,517,672	—	—	3,517,672	6,063,542
Grants to partner organizations for loan funds	18,140	—	—	18,140	—	—	18,140	492,879
Salaries and benefits	4,334,845	5,151,234	1,075,379	10,561,458	23,918,144	—	34,479,602	40,748,595
Provision for loan loss	—	—	—	—	7,567,097	—	7,567,097	9,369,806
Rent and utilities	191,992	46,635	454,530	693,157	4,835,251	—	5,528,408	6,384,427
Travel and hosting	737,298	703,899	142,851	1,584,048	2,813,145	—	4,397,193	4,971,611
Professional fees	3,287,708	121,539	222,392	3,631,639	4,166,386	(247,683)	7,550,342	10,616,319
Miscellaneous expense	832,309	96,257	57,297	985,863	6,310,711	(28,587)	7,267,987	5,305,718
Interest expense	319,400	—	74,168	393,568	13,093,706	(55,042)	13,432,232	17,370,438
Telephone	97,586	107,953	61,846	267,385	1,620,020	—	1,887,405	2,209,785
Foreign exchange gain (loss)	8,813	—	—	8,813	(1,967,887)	—	(1,959,074)	(2,546,122)
Depreciation expense	140,622	—	379,658	520,280	3,456,699	—	3,976,979	4,413,645
Board meetings and conferences	69,082	9,062	61,804	139,948	297,733	—	437,681	895,220
Supplies, printing, and office equipment	281,861	90,187	245,245	617,293	2,488,080	—	3,105,373	3,428,132
Income tax expense	32,579	—	—	32,579	850,171	—	882,750	993,579
Postage and shipping	4,113	45,523	12,526	62,162	130,171	—	192,333	317,157
Training	14,273	60,110	10,594	84,977	1,045,219	—	1,130,196	1,490,458
Promotional materials	129,135	36,500	—	165,635	981,553	—	1,147,188	2,487,474
Donor-advised grant expense	487,358	—	—	487,358	—	—	487,358	164,700
Insurance	56,805	—	30,602	87,407	1,216,094	—	1,303,501	1,249,282
<b>Total expenses</b>	<b>\$ 20,747,733</b>	<b>6,468,899</b>	<b>2,828,892</b>	<b>30,045,524</b>	<b>72,822,293</b>	<b>(331,312)</b>	<b>102,536,505</b>	<b>122,724,848</b>

See accompanying notes to consolidated financial statements.

## OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements

December 31, 2009

(with comparative totals for 2008)

#### (1) Organization

Opportunity International, Inc., d/b/a/ Opportunity International – US (Opportunity), is a tax-exempt, publicly supported Christian-based corporation, whose purpose is to create employment and improve income for the poor by assisting in the establishment of small businesses and microbusinesses in developing countries. Opportunity's programs are financed through direct solicitation of funds from individuals, corporations, foundations, churches, and government grants.

Opportunity fulfills its mission through nongovernmental organizations and commercial microfinance institution partners in developing countries. A partner organization is an implementer of microenterprise development and provider of financial services within the Opportunity network. Funds are disbursed to partner organizations to capitalize various local commercial start-up ventures and to fund their own operations. While partner organizations are critical in assisting Opportunity to achieve its purpose, they are not legally affiliated with Opportunity (with the exception of the microfinance institutions that incorporated as for-profit microfinance institutions, as discussed below), and accordingly, their accounts are not included in these consolidated financial statements.

Similarly, entities within the Opportunity support network, including Opportunity International Australia, Opportunity International United Kingdom, Opportunity International Germany, and Opportunity International Canada, raise funds in their respective countries and operate independently of Opportunity. Their accounts are not included in these consolidated financial statements.

Effective January 1, 1998, all affiliated partner organizations of Opportunity signed a membership agreement formalizing the Opportunity International Network (Network). The Network was established to coordinate a common strategy among all partners, to develop an accreditation process for participating partners, and to manage standardization and quality throughout the Network member organizations. The Network operates a service organization that provides training, consulting, and other services to member organizations. The Network is not consolidated in these accompanying consolidated financial statements as the Network is not a legal subsidiary of Opportunity.

Opportunity provides a portion of the funding for the Network's operations, along with providing accounting and management services. These services are considered Opportunity's dues for Network membership. Total costs incurred by Opportunity, included in development of partner organizations on the consolidated statements of activities, related to the Network are \$6,186,142 and \$6,298,200 for the years ended December 31, 2009 and 2008, respectively.

Program services expense in the charitable activities section of the accompanying consolidated statement of activities includes grants made to the Network and disbursements for program services made to its partner organizations. The partner organizations are not required to pay these grants back to Opportunity. Program services are as follows:

- a. Grants for revolving loans – amounts disbursed to partner organizations, which in turn, provide small commercial loans to borrowers/entrepreneurs.

## OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements

December 31, 2009

(with comparative totals for 2008)

- b. Grants for partner lending operations and training – amounts disbursed to partner organizations for their operating costs, as well as management and business training and technical assistance to the borrower/entrepreneur.
- c. Development of partner organizations – amounts expended by Opportunity and the Network, to the extent of dues paid by Opportunity, to support partner organization growth and maturation.

Effective June 19, 2000, Opportunity incorporated Opportunity Transformation Investments (OTI), which is intended to invest in and hold ownership positions in microfinance institutions as they convert from nongovernmental organizations to commercial microfinance institutions. OTI's board of directors is controlled by Opportunity. Accordingly, OTI and its majority-owned banks are consolidated in Opportunity's financial statements. If a majority interest is acquired in more than one transaction at different dates, cost is determined separately for the percentage of ownership interest in net assets acquired at the date of each transaction. All intercompany transactions have been eliminated in consolidation. The acquired interests in the microfinance organizations are as follows:

- (i) In April 2002, Opportunity Bank A.D. Podgorica (Opportunity Bank Montenegro) was capitalized with an initial investment of \$2,658,000, of which OTI invested \$1,993,500 to acquire 75.0% of all outstanding shares of common stock of Opportunity Bank Montenegro. The results of operations of Opportunity Bank Montenegro are included in the consolidated financial statements of OTI beginning on April 24, 2002. On December 27, 2002, 3,000 shares of preferred stock were purchased by OTI for an amount of \$2,880,682. These shares were nonvoting and noncumulative. The shares were entitled to dividends prior to any dividends being paid on any outstanding common stock. OTI purchased an additional 750 shares of common stock during 2004 in order to maintain its 75.0% ownership position. On April 26, 2007, OTI sold 661 shares of Opportunity Bank Montenegro common stock to the Balkan Financial Sector Equity Fund for net €1,987,000, resulting in a gain totaling approximately \$2,000,000. During 2007, OTI converted its 3000 preferred shares into 1429 common shares. The net effect of the 2007 transactions reduced OTI's ownership percentage of Opportunity Bank Montenegro to 70.6%. On February 27, 2009, OTI sold all of its shares of Opportunity Bank Montenegro. The operating results for the period January 1, 2009 through February 27, 2009 of Opportunity Montenegro Bank are included in the 2009 consolidated statement of activities. See note 16 for details regarding the loss on the sale of the stock.
- (ii) In May 2002, OTI completed the acquisition of Partneri Shqiptar ne Mikrokredi Sh.A. (on August 14, 2007, the name was changed to Opportunity Albania Sh.a.) for \$1,564,700. The acquisition, which was recorded under the purchase method of accounting, involved the purchase of 53.0% of all outstanding shares of common stock of Opportunity Albania. In January 2004, OTI was gifted 19,258 shares of stock from a fellow stockholder, Opportunity Microcredit Fund (OMF), its U.K. counterpart, which resulted in OTI owning 99.5% of Opportunity Albania. During 2005, OTI made additional investments in Opportunity Albania amounting to \$688,939, increasing its ownership position to 99.6%. During 2008 and 2007, OTI purchased 547 and 210 shares for \$69,675 and \$37,697, respectively. As of December 31, 2009 and 2008, OTI owned 100% of the outstanding shares of Opportunity Albania.

## OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements

December 31, 2009

(with comparative totals for 2008)

- (iii) In July 2002, Opportunity International Stock Savings Bank, Novi Sad (Opportunity Bank Serbia) was capitalized with an initial investment of \$1,100,000 from OTI to acquire all outstanding shares of common stock of Opportunity Bank Serbia. In December 2002, additional common stock was sold for \$1,000,000, of which an investment was made by OTI in the amount of \$200,000. This resulted in OTI's ownership percentage decreasing to 62.0% at December 31, 2002. In December 2003, OTI made an additional investment in Opportunity Bank Serbia, increasing its ownership percentage to 77.0%. During 2005, OTI made a \$2.4 million investment in Opportunity Bank Serbia, bringing its ownership percentage up to 93.6%. OTI made an additional investment of \$5.7 million in December 2005. In 2006, in compliance with the National Bank of Serbia's (NBS) new law recognizing only banks, Opportunity Bank Serbia was dissolved and Opportunity Bank a.d. Novi Sad became the legal successor of all Opportunity Bank Serbia's rights and obligations. On February 7, 2007, NBS issued the permanent banking license to Opportunity Bank a.d. Novi Sad (Opportunity Bank Serbia). During 2007, two institutions purchased shares in Opportunity Bank Serbia, which diluted OTI's ownership to 63.5%. As of December 31, 2009 and 2008, OTI owned 63.5% of the outstanding shares of Opportunity Bank Serbia.
- (iv) In February 2003, Oportunidad Mircofinanzas, S.A. de C.V., SOFOM ENR (Opportunity Mexico) was capitalized with an initial investment of \$4,558 for 99% ownership in Opportunity Mexico by OTI; Opportunity owned the other 1%. Subsequently, OTI made an additional investment of \$353,067 in December 2003. OTI made an additional investment of \$625,000 during 2004, bringing its total investment up to almost \$1 million. During 2005 and 2006, OTI advanced \$664,979 and \$1,102,917 to Opportunity Mexico, respectively, which was converted to equity in 2007. In 2008, OTI advanced \$330,936, which was converted to equity in 2008. As of December 31, 2009 and 2008, Opportunity and OTI owned 100% of the outstanding shares of Opportunity Mexico.
- (v) In February 2005, Banco Oportunidade de Mocambique, SARL (Opportunity Bank Mozambique) was capitalized with an initial OTI investment of \$1,220,900 for 58.7% ownership in Opportunity Bank Mozambique. During 2006, OTI made an additional investment of \$839,142 in Opportunity Bank Mozambique to maintain 58.7% ownership. During 2008, OTI purchased 292 shares from minority investors for \$392,635. In 2008 and 2009, respectively, OTI advanced \$280,489 and \$326,520 in convertible loans. As of December 31, 2009 and 2008, OTI owned 59.9% of the outstanding shares of Opportunity Bank Mozambique.
- (vi) As of December 31, 2005, OTI had an investment of \$1,139,725 or 35.1% of Opportunity International Savings & Loans Limited in Ghana (Opportunity Bank Ghana). In May 2006, OTI made an additional investment of \$1,082,332 in Opportunity Bank Ghana increasing its percentage of ownership to 44.9%. In July 2006, OTI made another investment of \$933,268, which included the conversion of notes receivable of \$323,753, in Opportunity Bank Ghana further increasing its percentage of ownership to 59.6%, making OTI the majority shareholder. The results of operations of Opportunity Bank Ghana were included in the consolidated financial statements of OTI starting in the year 2006. Even though OTI invested an additional \$1,030,349 of equity in Opportunity Bank Ghana during 2007, its percentage of ownership was diluted by other shareholder investments to 51.5%. During 2009, OTI advanced \$186,000 in convertible loans. As of December 31, 2009 and 2008, OTI owned 51.5% of the outstanding shares of Opportunity Bank Ghana.

## OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements

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(with comparative totals for 2008)

- (vii) As of December 31, 2005, OTI had a net investment of \$1,011,020 or 27.1% in Opportunity International Bank of Malawi, Ltd. (Opportunity Bank Malawi). During 2006, OTI made investments totaling \$1,567,087 in Opportunity Bank Malawi through conversion of notes receivable to equity and additional cash payments increasing its ownership to 53.7%. The results of Opportunity Bank Malawi were included in the consolidated financial statements beginning in 2006. During March 2008, OTI converted \$362,764 of loans to equity and made an additional equity investment of \$1,404,878, increasing share ownership by 6.9%. As of December 31, 2009 and 2008, OTI owned 60.6% of the outstanding shares of Opportunity Bank Malawi.
- (viii) In June 2006, OTI made an initial investment of \$178,336 in Opportunity International Bank Rwanda, S.A. (Opportunity Bank Rwanda) for which it received 961 shares or 96.6% of the common stock of Opportunity Bank Rwanda. Opportunity International – Deutschland and the officers and directors owned the other shares. In July 2006, OTI was gifted equity totaling \$249,975 from Opportunity International Canada. In September 2006, OTI made an additional investment of \$2,450,000, which increased its ownership percentage to 99.8%. The financial statements of Opportunity Bank Rwanda are included in the consolidated financial statements of OTI in 2006, even though operations had not started as of December 31, 2006. On July 1, 2007, Opportunity International Bank Rwanda merged with Urwego Community Banking S.A. A new entity called Urwego Opportunity Microfinance Bank S.A. (Opportunity Bank Rwanda) was formed and its financial statements were included in the OTI consolidated financial statements beginning in 2007. During March 2008, minority shareholders purchased 9.6% of outstanding shares of Opportunity Bank Rwanda from OTI for \$331,821. OTI advanced \$97,000 and \$321,000 as convertible loans during 2008 and 2009, respectively. As of December 31, 2009 and 2008, OTI owned 49.8% of the outstanding stock of Opportunity Bank Rwanda.
- (ix) In 2006, OTI made an initial capital investment of \$15, along with \$1,266,000 of loans convertible to equity, in Opportunity Finance (Proprietary) Limited, South Africa (Opportunity South Africa). OTI owns 100% of Opportunity South Africa and its financial statements were included in the OTI consolidated financial statements beginning in 2006. The 2006 loans totaling \$1,266,000 plus 2007 convertible loans of \$418,658 were converted to equity in November 2007. During 2008, additional convertible loans of \$2,071,000 were made to Opportunity South Africa which were converted to equity in March 2009. During 2009, OTI's ownership percentage was diluted by an equity investment from a new shareholder. As of December 31, 2009 and 2008, OTI owned 68.6% and 100% of the outstanding shares of Opportunity South Africa, respectively.
- (x) On July 31, 2006, OTI acquired specific assets of Wedco Enterprises Development Ltd for \$700,000. A new entity was formed in Kenya, Opportunity International-Wedco Limited (Opportunity Kenya). During 2008, the company changed its name to Opportunity Kenya Limited. OTI owns 51% of the common shares and Wedco Enterprises owns 49% of the common shares. The financial statements of Opportunity Kenya were included in the consolidated financial statements of OTI beginning in 2006. During 2008 and 2007, convertible loans of \$98,776 and \$1,900,000 were made to Opportunity Kenya, respectively. During 2009, \$354,662 of the loans were converted to equity and OTI advanced additional convertible loans of approximately \$1,000,000. As of December 31, 2009 and 2008, OTI owned 51% of the outstanding shares of Opportunity Kenya.

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- (xi) On December 15, 2006, OTI purchased 31.5% of the common shares of Faulu Uganda Limited for \$347,870. During May 2007, OTI acquired another 31.5% of the outstanding common shares of Faulu Uganda from Opportunity International Australia for \$300,000 making it majority owner with 63.0% ownership. During May 2007, OTI made an additional equity investment of \$750,000. The results of operations of Faulu Uganda were included in the consolidated financial statements beginning in the year 2007. During October 2008, OTI made an additional equity investment of \$1,115,000. On December 16, 2008, the company acquired a license from the Bank of Uganda as a two tier financial institution. During 2009, the company changed its registered name to Opportunity Uganda Limited (Opportunity Uganda) and OTI made an equity investment of \$500,000 and advanced an additional \$200,000 of convertible loans. As of December 31, 2009 and 2008, OTI owned 75.7% and 72.5% of the outstanding shares of Opportunity Uganda, respectively.
- (xii) On December 20, 2007, OTI acquired 60% of the stock of Faulu Tanzania Limited for \$1. During 2008, the company changed its name to Opportunity Tanzania Limited (Opportunity Tanzania). The results of operations of Opportunity Tanzania were included in the consolidated financial statements of OTI beginning in 2007. During 2008, OTI made convertible loans of \$1,700,000 to Opportunity Tanzania which were converted to equity in May 2009. An additional equity investment of \$1,500,000 was made by OTI in 2009. As of December 31, 2009 and 2008, OTI owned 83% and 60% of the outstanding shares of Opportunity Tanzania, respectively.

The Opportunity Loan Guarantee Fund I, LLC (the Fund) was established on January 11, 2005 for the purpose of supporting microfinance institutions in developing countries to increase the availability of loans and related microfinance services to the poor. The Fund provides collateral support or similar means to enable microfinance institutions to borrow or otherwise acquire funds. Opportunity is the sole member of the Fund and as such, the Fund is consolidated in the accompanying consolidated financial statements.

The Microfinance Insurance Agency, LLC (MicroEnsure) was established on November 4, 2005 for the purpose of providing the poor with access to affordable insurance products. MicroEnsure offers products such as life, property, and health insurance. MicroEnsure has subsidiaries in Ghana, Uganda, India, Tanzania, Kenya and the Philippines. Opportunity is the sole member of MicroEnsure and as such, MicroEnsure is consolidated in the accompanying consolidated financial statements.

## (2) Summary of Significant Accounting Policies

### (a) *Basis of Presentation*

Opportunity's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and are presented on the accrual basis of accounting.

**Charitable Activities** – this category reports Opportunity's fund-raising activities performed in the United States of America.

In order to ensure the observance of limitations and restrictions placed on the use of available resources, Opportunity maintains its accounts in accordance with the principles and practices of fund accounting. This is the procedure by which resources are classified into funds established according to their nature and purpose. For external reporting purposes, however, Opportunity's consolidated

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financial statements have been prepared to focus on the organization as a whole and to present balances and transactions classified in accordance with the existence or absence of donor-imposed restrictions.

Net assets and related activities are classified as unrestricted, temporarily restricted, and permanently restricted activities as follows:

**Unrestricted** – net assets that are not subject to donor-imposed restrictions. Unrestricted net assets consist of the following as of December 31, 2009 and 2008:

	2009	2008
Opportunity International – United States	\$ 20,138,110	12,383,374
Opportunity Bank Montenegro capital and accumulated earnings	—	21,443,069
Opportunity Albania capital and accumulated earnings	9,359,045	10,314,375
Opportunity Bank Serbia capital and accumulated earnings	7,896,191	10,598,434
Opportunity Mexico capital and accumulated earnings	2,199,205	2,019,003
Opportunity Bank Mozambique capital and accumulated earnings	1,576,670	2,077,267
Opportunity Bank Ghana capital and accumulated earnings	3,209,703	3,969,862
Opportunity Bank Malawi capital and accumulated earnings	4,362,044	4,305,869
Opportunity Bank Rwanda capital and accumulated earnings	1,879,023	1,972,766
Opportunity South Africa capital and accumulated earnings	2,577,202	(248,560)
Opportunity Kenya capital and accumulated earnings	(603,895)	(402,680)
Opportunity Uganda capital and accumulated earnings	3,233,274	2,785,056
Opportunity Tanzania capital and accumulated earnings	556,886	(313,729)
Total	\$ 56,383,458	70,904,106

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**Temporarily Restricted** – net assets that are subject to donor-imposed restrictions that will be met either by actions of Opportunity or by the passage of time. Temporarily restricted net assets are available for the following purposes or periods as of December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
For periods after December 31	\$ 40,071,073	39,383,818
MicroEnsure Programs	4,327,551	1,591,744
Programs in Colombia	2,514,196	—
Programs in Africa	7,370,489	6,610,816
Programs in China	32,001	6,397
Programs in Eastern Europe	—	38,265
Other programs	6,882,128	3,112,675
Total	\$ 61,197,438	50,743,715

Net assets were released from donor restrictions during the years ended December 31, 2009 and 2008 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

	<b>2009</b>	<b>2008</b>
MicroEnsure Programs	\$ 4,404,581	3,607,040
Programs in Africa	7,573,931	12,739,440
Programs in Latin America and Columbia	630,810	2,224,042
Programs in China	54,397	551,803
Programs in India	182,982	437,925
Other programs	6,591,945	13,438,632
Total	\$ 19,438,646	32,998,882

During 2008, Opportunity borrowed approximately \$5,000,000 of the temporarily restricted net assets for operating expenses. The entire amount was replenished during 2009.

**Permanently Restricted** – net assets that are subject to donor-imposed restrictions to be maintained permanently by Opportunity. Generally, donors of these assets permit Opportunity to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2009 and 2008, permanently restricted net assets primarily consist of the Cornerstone Fund, which was instituted in 2002 as a means of providing collateral for the existing line of credit.

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**Banking Activities** – this category reports the consolidated results of the commercial banks in which OTI has investments of greater than 50%. Assets and liabilities of foreign investments are translated at year-end exchange rates, with the related translation adjustments reported as a change in unrestricted net assets. Income statement accounts are translated at the average exchange rate during the period. Minority investors own portions of the nine microfinance institutions that OTI has majority interest in: Opportunity Bank Serbia, Opportunity Bank Mozambique, Opportunity Bank Ghana, Opportunity Bank Malawi, Opportunity Bank Rwanda, Opportunity Kenya, Opportunity Uganda, Opportunity South Africa and Opportunity Tanzania. The outside investors' shares are shown in Opportunity's consolidated financial statements as minority interest.

**(b) Revenue and Expense**

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

Private gifts, including unconditional pledges, are recognized in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful pledges receivable is provided based upon management's judgment considering such factors as prior collection history, type of contribution, and nature of fund-raising activity. Contributions received with donor-imposed restrictions are reported as revenue of the unrestricted net asset class if those restrictions are met within the same year as received. Donor-restricted contributions received and whose restrictions were met within the same year were \$15,112,175 and \$18,807,800 in 2009 and 2008, respectively.

Revenue from governmental grant agreements is recognized as it is earned through expenditure in accordance with the agreement. Revenue from governmental grant agreements to operate and maintain loan portfolios over an extended period of time under specific conditions is recognized on a straight-line basis over the grant period until the conditions are fulfilled. Amounts received in advance of expenditure are recorded as deferred revenue until recognized over the grant period.

The consolidated results of the banks presented in the accompanying consolidated financial statements recognize fee and commission income for the services provided by each bank. Fee and commission income is recognized when the related service is performed. Loan fees are offset by the costs of originating such loans.

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Opportunity records in-kind support for contributed equipment and contributed professional services. Contributed equipment and services are recorded at fair value. Opportunity recorded \$355,716 and \$1,350,171 as contribution revenue in the accompanying consolidated statement of activities, and the corresponding amount was included as equipment and services or as grants to the Network and partner organizations in the accompanying consolidated statement of financial position for 2009 and 2008, respectively.

**(c) *Accrued Interest Receivable on Loans***

Interest is accrued on loans when earned. Accrual of interest is ceased on loans when interest is more than six months delinquent. Interest accrued at the date a loan is placed on nonaccrual status is reversed and charged against income. Fee and commission income are recognized when earned.

**(d) *Allowance for Loan Losses***

Allowances have been established for probable loan losses. The provisions for losses charged to operations are based on management's judgment of current economic conditions, the value of the underlying collateral, and the credit risk of the loan portfolio. Management believes that these allowances are adequate for loan losses inherent in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowances may be necessary based on changes in economic conditions.

A loan is considered impaired when it is probable that all principal and interest amounts due will not be collected in accordance with the loan's contractual terms. Impairment is recognized by allocating a portion of the allowance for loan losses to such a loan to the extent that the recorded investment of an impaired loan exceeds its value. A loan's value is based on the loan's underlying collateral or the calculated present value of projected cash flows discounted at the contractual interest rate. Allocations on impaired loans are considered in relation to the overall adequacy of the allowance for loan losses, and adjustments are made to the provision for loan losses as deemed necessary.

The recorded investment in impaired loans is periodically adjusted to reflect cash payments, revised estimates of future cash flows, and increases in the present value of expected future cash flows due to the passage of time. Cash payments representing interest income are reported as such. Other cash payments are reported as reductions in recorded investment. Increases or decreases due to changes in estimates of future payments and the passage of time are considered in relation to the overall adequacy of the allowance for loan losses.

**(e) *Allocation of Expenses***

Opportunity considers Network Services Organization expenses as a component of its program expense. The amounts relate to dues paid to the Network, which, in turn, support the Network partners and the Opportunity program objectives. Certain costs are paid by Opportunity on behalf of the Network as part of Opportunity's annual dues and are included in program grant expense.

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**(f) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and highly liquid, short-term investments with original maturities of 90 days or less.

**(g) Restricted Cash and Investments**

Restricted cash and investments at December 31, 2009 and 2008 consist of permanently restricted funds received for the Cornerstone endowment fund, and temporarily restricted investments of the Loan Guarantee Fund. Restricted cash and investments also consist of loan proceeds lent to OTI from the Bill and Melinda Gates Foundation (the Gates Foundation). The funds remain in a segregated, interest-bearing account and will be spent on partner loans in accordance with the loan agreement. All interest earned on funds in the segregated account and 1% interest on the amounts withdrawn from the segregated account for partner loans is remitted quarterly to the Gates Foundation. Additionally, as of December 31, 2009 there is approximately \$7,100,000 in a segregated bank account related to funds received from the Gates Foundation to be spent in accordance with the related grant agreements.

**(h) Investments**

Investments in securities are reported at fair value based on quoted market prices for publicly traded securities and estimates provided by investment managers for nonmarketable investments in certain closely held companies. Donated investments are recorded at fair value at the date of the gift and, based on Opportunity's investment policy, are generally liquidated within 30 days.

**(i) Investment in Other Institutions**

Investments in other institutions in which OTI holds less than 50% are recorded using the equity method of accounting. Accordingly, the initial investment is increased or decreased by Opportunity's proportionate share of income or loss.

**(j) Building, Furniture, and Equipment**

Building, furniture, and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives, ranging from 3 to 50 years. Accumulated depreciation on building, furniture, and equipment was approximately \$10,514,317 and \$11,145,733 at December 31, 2009 and 2008, respectively.

**(k) Charitable Gift Annuities**

Opportunity has a gift annuity program whereby it enters into irrevocable contracts with certain donors. Opportunity agrees to make payments to donors at prescribed intervals over the life of the donor. The assets received are recorded at their fair value, and the related liability is recorded as an annuity obligation. Annuity obligations are recorded at the present value of expected future payments based on the Internal Revenue Service (IRS) mortality tables and the prevailing interest rate. A discount rate of 3.2% was utilized as of December 31, 2009. The difference is classified as unrestricted contributions on the consolidated statements of activities and changes in net assets.

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Opportunity maintains charitable gift annuities in a separate portfolio, and the assets are invested in accordance with applicable state laws.

**(l) *Income Taxes***

Opportunity and OTI have received determination letters from the IRS indicating that they are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no tax provision has been made in the accompanying consolidated financial statements for charitable activities.

The microfinance institutions included in the accompanying consolidated financial statements pay taxes in accordance with their respective country's laws at rates from 9% to 32% of taxable income and current tax expense is recorded for these amounts. Income taxes for the overseas for-profit microfinance institutions are accounted for under the asset and liability method. Deferred taxes and liabilities are recognized for the future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax carryforwards. Deferred tax assets and liabilities are measured using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

**(m) *Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

The stand-alone financial statements of Opportunity Kenya were identified by the local country auditor as having substantial doubt related to their ability to continue as a going concern. This typically requires at a minimum a significant commitment to increase capital.

**(n) *Comparative Financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Opportunity's consolidated financial statements for the year ended December 31 2008, from which the summarized information was derived.

**(o) *Subsequent Events***

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through July 30, 2010, the date the financial statements were issued.

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#### (3) Fair Value of Financial Instruments

Effective January 1, 2008, Opportunity adopted Accounting Standards Codification Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, as amended, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: quoted market prices in active markets for identical assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for an asset or liability (Level 3).

Opportunity's notes receivable, loans receivable and notes payable in the accompanying consolidated financial statements are generated by the charitable activities of Opportunity. The terms of these notes and loans are not commensurate with current market terms in a commercial environment, as they are executed for the purpose of furthering Opportunity's mission. Fair value cannot be determined for these notes and loans.

Opportunity's other financial instruments, including cash and cash equivalents, accrued interest and expenses and deferred revenue, are carried at historical cost, which approximates their fair values because of the short-term nature of these instruments. At December 31, 2009, Opportunity's restricted cash and investments, and investment securities are accounted for at fair value using the fair value hierarchy of ASC 820 as follows:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	\$ 18,945,379	—	—
Restricted investments	18,436,924	9,277,395	—
Investments	505,545	—	—

#### (4) Pledges Receivable

Unconditional pledges receivable at December 31, 2009 and 2008 are due to be received as follows:

	2009	2008
Within one year	\$ 20,214,387	16,653,397
One year to six years	22,828,575	23,885,384
Less:		
Allowance on pledges receivable	(686,217)	(651,545)
Discounts to net present value	(880,649)	(1,011,589)
Net unconditional pledges receivable	\$ 41,476,096	38,875,647

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The discount rate used in determining the net present value of unconditional pledges receivable ranges between 0.95% and 2.49%, based on the treasury bill rate with the closest maturity date. The discount rate was determined individually for each pledge depending on the date received and the term of the pledge. The discount rate of 1.3% was used for December 31, 2008 which approximates the average borrowing rate during 2008.

#### (5) Endowments

Endowment fund agreements are between Opportunity and various donors. Opportunity's endowment funds are managed by the Senior Vice President—Chief Financial Officer in accordance with the endowment fund agreements. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowment funds, are classified and reported based on the existence of donor-imposed restrictions.

In the investment and handling of funds, Opportunity is subject to the law of Illinois, *The Uniform Prudent Management of Institutional Funds Act* "UPMIFA," which became effective June 30, 2009. The board of directors of Opportunity has interpreted the UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment contributions absent explicit donor stipulations to the contrary. As a result of this interpretation, Opportunity classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. As of December 31, 2009, the reclassification to reflect this change in classification between unrestricted net assets and temporarily restricted net assets amounted to \$737,352.

The endowment fund was established with the intent of maintaining the fund permanently to provide collateral for the line of credit to support the activities of Opportunity. However, if such permanent status becomes impractical or unwise, the fund may be more expeditiously used in total to further the purposes of Opportunity. Any expenditure of permanent endowment must be approved by Opportunity's board of directors. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- i. The uses, benefits, purposes, and duration for which the endowment fund was established
- ii. The duration and preservation of the fund
- iii. The purposes of the organization and the donor-restricted endowment fund
- iv. General economic conditions
- v. The possible effect of inflation and deflation
- vi. The expected total return from income and the appreciation of investments

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- vii. Other resources of the organization
- viii. The investment policies of the organization

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the UPMIFA requires Opportunity to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions. Any deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2009.

Opportunity has adopted an investment policy for endowment assets that attempts to provide a reasonably predictable stream of funding to support its activities while seeking to preserve capital. Endowment assets include those assets of donor-restricted funds that Opportunity must hold in perpetuity as well as board-designated funds. Opportunity's policy requires assets to be invested in a manner that emphasizes low risk and safety of the principal. Opportunity expects that its endowment assets, under the current strategy, will produce an average rate of return of 3% to 4% annually. Actual returns in any given year may vary from this amount.

To satisfy its current rate of return objective, Opportunity relies on a strategy in which investment returns are achieved primarily through interest income. As Opportunity's endowment funds grow, this strategy may be revised to accommodate capital appreciation through investment in equity securities. However, the size of the current endowment assets prohibits Opportunity from adopting an effective diversification strategy at this time.

Opportunity has established the objective of reinvesting the appreciation and investment income to further grow the endowment assets until the board of directors determines the growth needs for the Fund have been achieved.

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Changes in the fair value of Opportunity's endowment assets were as follows for the years ended December 31, 2009 and 2008:

	2009				2008			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment return:								
Investment income	\$ —	209,384	—	209,384	263,100	—	—	263,100
Net appreciation (depreciation)	—	92,785	—	92,785	(5,446)	—	—	(5,446)
Total investment return	—	302,169	—	302,169	257,654	—	—	257,654
Endowment net asset reclassification	(737,352)	737,352	—	—	48,434	—	(52,956)	(4,522)
Total change in endowment funds	(737,352)	1,039,521	—	302,169	306,088	—	(52,956)	253,132
Endowment net assets at:								
Beginning of year	737,352	—	5,007,626	5,744,978	431,264	—	5,060,582	5,491,846
End of year	\$ —	1,039,521	5,007,626	6,047,147	737,352	—	5,007,626	5,744,978
Net assets by type of fund:								
Donor-restricted endowment	\$ —	—	5,007,626	5,007,626	—	—	5,007,626	5,007,626
Investment return	—	1,039,521	—	1,039,521	737,352	—	—	737,352
Total net assets	\$ —	1,039,521	5,007,626	6,047,147	737,352	—	5,007,626	5,744,978

**(6) Investments and Investment in Other Institutions**

Investments consist of the following as of December 31, 2009 and 2008:

	2009	2008
Common stock	\$ 440,190	643,598
Certificate of deposit in the Philippines	65,355	284,645
Total investments at fair value	\$ 505,545	928,243

Opportunity received a donation of American Ethanol, Inc. common stock during 2006. This stock was exchanged for shares of Marwich II, Ltd. on December 7, 2007 per the terms of a merger agreement dated June 23, 2006 and amended July 19, 2007. Under the terms of the agreement, the sale of the stock was restricted under Rule 144 of the Securities Exchange Act of 1934 until 12 months after the close of the merger transaction. In December 2007, Marwich II, Ltd. changed its name to AE Biofuels, Inc.

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The stock donation was included in revenue in 2006 at a value equal to \$10,772,000. The value of this stock, which is included as an asset on the December 31, 2009 and 2008 consolidated statements of financial position, is highly variable due to several factors, including the uncertainty of the ethanol market, the restriction on the sale of the stock, the limited capitalization of the company, and the general variability of the stock market. As of December 31, 2008, the stock was publicly trading. During 2009, Opportunity sold 305,842 shares for a net realized loss of \$49,340. During 2009 and 2008, the value of this stock continued to fluctuate and unrealized losses in the amounts of \$131,890 and \$7,120,000 were recognized in 2009 and 2008, respectively, reducing the value of the remaining 694,158 shares of stock to \$131,890 at December 31, 2009.

OTI holds varying minority interests (as noted below) in seven institutions, five of which are members of the Opportunity Network. Investment in other institutions consists of the following as of December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Opportunity Microfinance Bank, Philippines (27.0%)	\$ —	550,398
Opportunity Microcredit Romania IFN SA (34.5%)	193,976	503,092
Zambuko Trust Limited, Zimbabwe (25.0%)	250,000	250,000
Development Finance Equity Partners AG (40.0%)	188,068	182,351
Growing Opportunity Finance (India) Pvt. Ltd (26.0%)	299,270	278,800
Initiative Mikro, Poland (49.0%)	75,480	123,900
Balkan Financial Sector Equity Fund C.V (4.3%)	1,082,251	1,519,565
Opportunity Kauswagan Bank, Inc. (18%)	892,142	—
Growing Opportunity Finance (India) Pvt. Ltd (preferred shares)	840,000	—
Subtotal	3,821,187	3,408,106
Less amounts reserved	(250,000)	(250,000)
Total investment in other institutions	\$ 3,571,187	3,158,106

Equity income (loss) from the investment in the other institutions is included in other fees and income on the consolidated statements of activities and consists of the following:

	<b>2009</b>	<b>2008</b>
Opportunity Microfinance Bank, Philippines	\$ —	(162,091)
Opportunity Microcredit Romania IFN SA	(1,062,778)	(258,066)
Development Finance Equity Partners, AG	5,717	17,567
Growing Opportunity Finance (India) Pvt. Ltd	20,469	24,622
Initiative Mikro, Poland	(48,420)	25,147
Balkan Financial Sector Equity Fund C.V	(191,662)	(232,000)
Opportunity Kauswagan Bank, Inc.	(101,901)	—
Net equity loss from other institutions	\$ (1,378,575)	(584,821)

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Investment income from charitable activities for the years ended December 31, 2009 and 2008 consists of the following:

	<b>2009</b>	<b>2008</b>
Interest	\$ 601,134	657,344
Dividends	54,361	246,439
Realized loss on investments	(1,624,524)	(542,666)
Realized loss on sale of Montenegro Bank shares (note 16)	(9,869,042)	—
Unrealized loss on investments	(299,343)	(7,184,535)
Return on investments, net	\$ (11,137,414)	(6,823,418)

**(7) Notes Receivable**

Notes receivable as of December 31, 2009 and 2008 are as follows:

	<b>2009</b>	<b>2008</b>
Installment loans to eleven (seven in 2008) nongovernmental partners	\$ 4,193,829	4,263,312
Convertible notes to three (three in 2008) financial institutions	673,837	959,888
Subtotal notes receivable	4,867,666	5,223,200
Less allowance for uncollectible amounts	(440,975)	(440,975)
Total net notes receivable	\$ 4,426,691	4,782,225

The notes bear interest at rates ranging between 0% and 9%.

**(8) Loans Receivable**

Loans represent microloans granted to individuals and private entrepreneurs by microfinance banks for the purpose of providing financing support to small enterprises. In addition, loans may be made for the purpose of purchasing real estate or financing agriculture activities. These loans are granted generally for periods between three months and eight years at interest rates of between 6% and 33%. Certain loans may be collateralized by security such as cash or mortgages. Loans outstanding for the years ended December 31, 2009 and 2008 consist of the following:

	<b>2009</b>	<b>2008</b>
Loans receivable	\$ 164,885,695	324,226,643
Less loan loss allowance	(7,237,296)	(9,686,578)
Net loan portfolio	\$ 157,648,399	314,540,065

## OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

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OTI's banks will often make loans to borrowers that would be unable to secure financing from commercial sources. The ability of each borrower to repay its respective bank depends on the entrepreneurial success of each borrower. In addition, payments to OTI banks depend on the economic and political environment of each locality in which loans are made.

OTI's banks carry their impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate. The balance of impaired loans at OTI's banks was \$3,281,574 and \$4,980,774 at December 31, 2009 and 2008, respectively.

A summary of the activity in the allowance for loan losses for the years ended December 31, 2009 and 2008 is as follows:

	<b>2009</b>	<b>2008</b>
Balance at beginning of year	\$ 9,686,578	8,079,326
Provision for loan losses	7,567,097	9,369,806
Opportunity Bank Montenegro loans removed due to sale	(4,750,110)	(1,384,531)
Opportunity Bank Montenegro foreign currency translation loss	(539,894)	(213,504)
All other subsidiary loans charged off	(4,497,871)	(5,607,568)
All other subsidiary foreign currency translation loss	(228,504)	(556,951)
Balance at end of year	\$ 7,237,296	9,686,578

The lending activities of OTI's banks are primarily conducted within their respective countries. The following is a summary of loans outstanding, net of the related allowance, by country as of December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Opportunity Bank Montenegro	\$ —	163,729,607
Opportunity Albania	51,676,353	45,453,653
Opportunity Bank Serbia	38,372,827	46,255,133
Opportunity Mexico	894,148	1,684,654
Opportunity Bank Mozambique	2,565,059	2,586,031
Opportunity Bank Ghana	13,910,515	16,733,964
Opportunity Bank Malawi	29,015,293	23,109,656
Opportunity Bank Rwanda	6,319,454	4,203,835
Opportunity South Africa	3,475,988	1,980,292
Opportunity Kenya	2,825,310	2,455,365
Opportunity Uganda	7,900,849	5,715,123
Opportunity Tanzania	692,603	632,752
Balance at end of year	\$ 157,648,399	314,540,065

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The following is a summary of expected loan maturities as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Less than one month	\$ 14,881,391	42,093,536
From one month to three months	23,067,058	28,754,450
From three months to twelve months	43,325,711	89,817,633
From one year to five years	76,374,239	143,897,884
Over five years	—	9,976,562
Balance at end of year	<u>\$ 157,648,399</u>	<u>314,540,065</u>

Loans to employees and officers of these banks totaled \$2,162,267 and \$7,155,465 at December 31, 2009 and 2008, respectively. Opportunity Albania had a loan outstanding to Opportunity as of December 31, 2009 in the amount of \$364,559 which was eliminated in consolidation. The commercial microfinance banks in which OTI holds an interest are exposed to a number of risks. The following outlines some of these risks:

**(a) Credit Risk**

Credit risk is the risk of financial loss arising from the failure of a customer to settle financial obligations to the bank as they fall due. This is an inherent risk associated with the microfinance industry. OTI's financial institutions manage exposure to credit risk on a regular basis by closely monitoring credit limits, loan portfolios and concentration of exposure. Credit policies cover collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements. The majority of loans are short-term in nature; approximately 52% of the loans fall due within one year as of December 31, 2009.

**(b) Foreign Currency Risk**

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. The risk is controlled by each OTI financial institution by managing the size of the difference in value between foreign assets and foreign liabilities. The exposure to exchange rate risk is continually monitored to ensure compliance with regulatory and bank policy limits.

**(c) Interest Rate Risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. OTI financial institutions manage interest rate risk by monitoring market conditions and applying pricing based on the cost analysis of each product. The majority of loans are short-term in nature, about 52% are due within one year as of December 31, 2009, thus mitigating risk.

**OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES**

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**(d) Liquidity Risk**

Liquidity risk is the risk that the banks will encounter difficulty in raising funds to meet the commitment associated with financial instruments. Each country has minimum capital requirements that the microfinance institutions must adhere to. Additionally, each institution monitors liquidity on a daily basis to meet its internal liquidity requirements. Total cash on hand of the combined banks is \$59 million, which is 24% of total assets of the combined banks.

**(9) Deposits from Customers**

Deposits from customers as of December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Opportunity Bank Montenegro:		
Demand deposits	\$ —	61,360,012
Short-term deposits	—	57,952,767
Long-term deposits	—	5,348,402
Total Opportunity Bank Montenegro	<u>—</u>	<u>124,661,181</u>
Opportunity Bank Mozambique:		
Demand deposits	1,387,102	1,017,928
Short-term deposits	303,995	193,297
Total Opportunity Bank Mozambique	<u>1,691,097</u>	<u>1,211,225</u>
Opportunity Bank Serbia:		
Demand deposits	6,620,935	1,152,860
Short-term deposits	7,655,529	12,631,663
Long-term deposits	7,760	2,329,469
Total Opportunity Bank Serbia	<u>14,284,224</u>	<u>16,113,992</u>
Opportunity Bank Ghana:		
Demand deposits	11,121,326	12,202,728
Short-term deposits	1,322,206	—
Total Opportunity Bank Ghana	<u>12,443,532</u>	<u>12,202,728</u>
Opportunity Kenya:		
Demand deposits	<u>1,641,548</u>	<u>1,469,220</u>

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	<u>2009</u>	<u>2008</u>
Opportunity Bank Malawi:		
Demand deposits	\$ 22,429,877	24,994,872
Short-term deposits	8,942,007	—
Total Opportunity Bank Malawi	<u>31,371,884</u>	<u>24,994,872</u>
Opportunity Bank Rwanda:		
Demand deposits	3,571,373	2,432,850
Short-term deposits	127,938	89,724
Total Opportunity Bank Rwanda	<u>3,699,311</u>	<u>2,522,574</u>
Opportunity Uganda:		
Demand deposits	801,178	1,951,777
Short-term deposits	2,014,982	—
Long-term deposits	119,913	—
Total Opportunity Uganda	<u>2,936,073</u>	<u>1,951,777</u>
Opportunity Tanzania:		
Demand deposits	711,019	431,280
Total deposits from customers	\$ <u><u>68,778,688</u></u>	<u><u>185,558,849</u></u>

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**(10) Notes Payable**

On November 22, 2006, OTI entered into a \$10 million loan agreement with the Gates Foundation. The proceeds are used to support the microfinance initiatives in the impoverished regions in Africa. As of December 31, 2009 and 2008, there were \$7,000,000 and \$5,000,000 in notes receivable outstanding to four and three majority-owned partners in Africa, respectively, with terms in accordance with the Gates Foundation agreement, which were eliminated upon consolidation.

Notes payable as of December 31, 2009 and 2008 include the following:

	<u>2009</u>	<u>2008</u>
Charitable notes payable:		
Note payable, 4.50% interest, maturity December 2011	\$ 400,000	400,000
Note payable, 0% interest, maturity July 2010	250,000	250,000
Note payable, 12-month Libor + 2.00% interest; minimum 5.50%, maximum 9.50%, maturity September 2010	2,000,000	2,000,000
Note payable, 2.00% interest, maturity April 2010	1,000,000	1,000,000
Note payable, 3.00% interest, maturity December 2010	150,000	—
Note payable, 0% interest, maturity December 2011	—	150,000
Note payable, 1.00% interest, maturity November 2016	<u>10,000,000</u>	<u>10,000,000</u>
Total charitable notes payable	\$ <u>13,800,000</u>	<u>13,800,000</u>

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	<u>2009</u>	<u>2008</u>
Loan Guarantee Fund notes payable:		
Note payable, 2.50% interest, maturity September 2009	\$ —	25,000
Note payable, 2.00% interest, maturity September 2009	—	1,000,000
Note payable, 2.50% interest, maturity September 2009	—	100,000
Note payable, 2.00% interest, maturity September 2009	—	100,000
Note payable, 2.75% interest, maturity September 2010	100,000	100,000
Note payable, 2.75% interest, maturity September 2010	25,000	25,000
Note payable, 2.75% interest, maturity September 2010	200,000	200,000
Note payable, 2.65% interest, maturity September 2010	500,000	500,000
Note payable, 2.00% interest, maturity September 2010	150,000	150,000
Note payable, 2.26% interest, maturity September 2010	500,000	500,000
Note payable, 2.26% interest, maturity September 2010	100,000	100,000
Note payable, 2.26% interest, maturity September 2010	500,000	500,000
Note payable, 2.26% interest, maturity September 2010	—	1,000,000
Note payable, 2.00% interest, maturity September 2010	1,000,000	1,000,000
Note payable, 2.26% interest, maturity September 2010	100,000	100,000
Note payable, 3.00% interest, maturity September 2011	25,000	25,000
Note payable, 3.00% interest, maturity September 2011	400,000	400,000
Note payable, 3.00% interest, maturity September 2011	100,000	100,000
Note payable, 3.00% interest, maturity September 2011	100,000	100,000
Note payable, 2.51% interest, maturity September 2011	100,000	100,000
Note payable, 3.25% interest, maturity September 2012	400,000	400,000
Note payable, 3.25% interest, maturity September 2012	200,000	200,000
Note payable, 3.00% interest, maturity September 2012	100,000	100,000
Note payable, 3.25% interest, maturity September 2012	100,000	100,000
Note payable, 2.75% interest, maturity September 2012	100,000	100,000
Note payable, 2.00% interest, maturity September 2012	250,000	250,000
Note payable, 3.00% interest, maturity September 2013	100,000	100,000
Note payable, 3.00% interest, maturity September 2013	1,000,000	1,000,000
Note payable, 2.00% interest, maturity December 2013	1,000,000	—
Total Loan Guarantee Fund notes payable	\$ <u>7,150,000</u>	<u>8,375,000</u>

As of December 31, 2009, the rights of the note holder of the \$1,000,000 note with 2.00% interest, maturing September 2010 and the \$1,000,000 note with 2.00% interest, maturing December 2013 have been subordinated to the rights of the other fund note holders. The remaining \$5,150,000 of notes payable is senior to these subordinated notes in priority of payment. Upon the September 2010 maturity, principal payments on the \$1,000,000 subordinated debt may be deferred, at the election of the Fund, until December 31, 2013. Interest payments may also be deferred at the election of the Fund but all interest has been paid as of December 31, 2009.

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	<u>2009</u>	<u>2008</u>
Banking notes payable:		
Opportunity Bank Montenegro:		
Note payable, 4.00% interest, maturity September 2009	\$ —	1,268,730
Note payable, 6-month Euribor + 3.00% interest, maturity October 2009	—	4,229,100
Note payable, 4.5-year swap rate + 4.17% interest, maturity October 2009	—	2,819,400
Note payable, 4.5-year swap rate + 4.17% interest, maturity April 2010 to October 2010	—	5,638,800
Note payable, 7.66% interest, maturity – equal annual installments from September 2009 to September 2013	—	4,229,100
Note payable, 6.87% interest, maturity – annual installments from September 2009 to March 2015	—	10,572,751
Note payable, 7.25% interest, maturity – equal annual installments from September 2011 to March 2018	—	3,524,250
Note payable, 6-month Euribor + 3.90% interest, maturity – equal annual installments from March 2013 to March 2016	—	5,638,800
Note payable, 3-month Euribor + 2.75% interest, maturity June 2010	—	4,229,100
Note payable, 6-month Euribor + 4.00% interest, maturity December 2009	—	28,194,000
Subtotal Opportunity Bank Montenegro	<u>—</u>	<u>70,344,031</u>
Opportunity Albania:		
Note payable, 12-month Euribor + 1.00% interest, maturity March 2010	583,295	576,413
Note payable, 8.00% interest, maturity March 2009	—	21,324
Note payable, 11.97% interest first year and 12-month T-bill rate + 4% in years thereafter, maturity May 2009	—	94,447
Note payable, T-bill + 3.50% interest, maturity June 2009	—	182,888

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	<u>2009</u>	<u>2008</u>
Note payable, 12-month T-bill + 3.00% interest, maturity January 2010	\$ 43,587	448,641
Note payable, 12-month T-bill + 3.70% interest, maturity February 2010	159,037	521,018
Note payable, 9.20% interest, maturity August 2010	182,280	540,387
Note payable, 8.50% interest, maturity March 2011	2,916,474	2,882,064
Note payable, 4.5 year Euro swap rate + 5.17% interest maturity November 2010	1,944,316	2,868,853
Note payable, 4 year Euro swap rate + 5.17% interest maturity April 2011	1,940,671	2,864,057
Note payable, 4 year Euro swap rate + 5.17% interest maturity October 2010	966,690	1,428,426
Note payable, 6-month Euribor + 5.25% interest, maturity April 2011	291,647	432,310
Note payable, 3-year T-bill rate + 2.50% interest, maturity June 2010	1,316,354	2,458,247
Note payable, 12-month T-bill + 3.30% interest, maturity July 2011	851,911	1,406,624
Note payable, T-Bill rate + 2.50% interest, maturity December 2012	2,208,717	3,344,271
Note payable, 5.00% interest, maturity February 2017	7,291,186	7,205,160
Note payable, 12-month T-bill rate + 1.00% interest, maturity May 2009	—	1,083,672
Note payable, 12-month T-bill rate + 1.50% interest, maturity April 2010	1,543,220	1,699,440
Note payable, 12-month T-bill rate + 1.50% interest, maturity August 2009	—	279,360
Note payable, 12-month T-bill rate + 4.00% interest, maturity November 2011	833,374	1,396,451
Note payable, 6-month T-bill rate + 4.00% interest, maturity October 2013	5,143,031	7,085,233
Note payable, 3-month Tribor + 4.50% interest, maturity February 2012	2,730,022	—
Note payable, 12-month T-bill rate + 5.00% interest, maturity May 2012	847,362	—
Note payable, 12-month T-bill rate + 5.00% interest, maturity June 2012	438,288	—
Note payable, 8.00% interest, maturity June 2011	1,458,238	—
Note payable, 8.00% interest, maturity July 2011	729,119	—
Note payable, 12-month T-bill rate + 1.25% interest, maturity April 2010	253,680	—
Note payable, 12-month T-bill rate + 1.25% interest, maturity August 2010	211,400	—

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	<u>2009</u>	<u>2008</u>
Note payable, 12-month T-bill rate + 1.25% interest, maturity August 2011	\$ 2,536,800	—
Note payable, 12-month Tribor + 1.00% interest, maturity October 2010	1,775,118	—
Note payable 8.75% interest, maturity October 2010	1,446,409	—
Note payable 8.00% interest, maturity October 2011	1,458,237	—
Note payable 8.25% interest, maturity September 2012	2,916,474	—
Note payable, 12-month T-bill rate + 1.50% interest, maturity November 2011	594,761	—
Subtotal Opportunity Albania	<u>45,611,698</u>	<u>38,819,286</u>
Opportunity Bank Serbia:		
Note payable, 6.00% interest, maturity August 2009	—	176,979
Note payable, 3-month Euribor + 3.50% interest, maturity – equal annual installments from December 2009 to April 2012	1,008,514	1,420,093
Note payable, 8.30% interest, maturity September 2011	1,077,317	1,061,887
Note payable, 7.70% interest, maturity – equal semi-annual installments from September 2009 to September 2011	5,745,653	7,079,220
Note payable, 7.70% interest, maturity – equal semi-annual installments from July 2009 to January 2013	2,513,722	2,831,688
Note payable, 6-month Euribor + 5.50% interest, maturity – equal semi-annual installments from January 2011 to January 2014	7,182,070	7,079,218
Note payable, 5.50% interest, maturity – equal annual installments from March 2015 to March 2020	8,618,487	8,495,064
Note payable, 8.78% interest until 2014; 12.68% interest thereafter, maturity July 2018 to December 2018	8,618,502	8,495,064
Subtotal Opportunity Bank Serbia	<u>34,764,265</u>	<u>36,639,213</u>
Opportunity Bank Ghana:		
Note payable, 12 month Gibor + 5.25% interest, maturity October 2011	309,140	39,896
Note payable, 26.00% interest, maturity July 2010	—	301,542
Note payable, 20% interest, maturity July 2010	254,306	428,633
Note payable, 17.5% interest, maturity February 2009	—	613,688
Note payable, 12 month Gibor + 5.00% interest, maturity October 2011	309,140	396,350
Subtotal Opportunity Bank Ghana	<u>872,586</u>	<u>1,780,109</u>

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	<u>2009</u>	<u>2008</u>
Opportunity Bank Malawi:		
Note payable, 13.50% interest, maturity March 2010	\$ 3,841,200	1,297,440
Note payable, 0.00% interest, maturity December 2009	—	447,473
Note payable, 0.00% interest, maturity March 2011	—	996,650
Note payable, 7.00% interest, maturity December 2011	2,039,258	658,862
Note payable, 0.00% interest, maturity January 2010	2,977,112	—
Note payable, 9.00% interest, maturity January 2010	3,058,887	—
Note payable, 2.50% interest, maturity June 2010	101,966	—
Subtotal Opportunity Bank Malawi	<u>12,018,423</u>	<u>3,400,425</u>
Opportunity Kenya:		
Note payable, 12.00% interest, maturity December 2010	220,640	390,320
Note payable, 11.00% interest, maturity April 2011	101,715	175,560
Note payable, 0.00% interest, maturity December 2011	509,720	515,264
Note payable, 10.00% interest, maturity April 2012	758,450	766,700
Subtotal Opportunity Kenya	<u>1,590,525</u>	<u>1,847,844</u>
Opportunity South Africa:		
Note payable, 0.00% interest, maturity July 2010	—	792,880
Note payable, 0.00% interest, convertible to equity	—	369,304
Subtotal Opportunity South Africa	<u>—</u>	<u>1,162,184</u>
Opportunity Uganda:		
Note payable, 16.50% interest, maturity June 2009	—	611,757
Note payable, interest T-bill rate +5.25% but never less than 12.00%, maturity November 2010	229,601	531,899
Note payable, interest T-bill rate +5.00% but never less than 14.00%, maturity September 2014	1,601,100	—
Note payable, 14.75% interest, maturity July 2009	—	299,411
Note payable, 13.20% interest, maturity September 2010	320,220	731,080
Note payable, 13.20% interest, maturity July 2012	1,491,158	—
Subtotal Opportunity Uganda	<u>3,642,079</u>	<u>2,174,147</u>
Opportunity Rwanda:		
Note payable, 11.50% interest, maturity January 2010	869,212	—
Note payable, T-bill rate +5.50% interest, maturity November 2013	296,507	—
Subtotal Opportunity Rwanda	<u>1,165,719</u>	<u>—</u>
Total banking notes payable	<u>99,665,295</u>	<u>156,167,239</u>
Total notes payable	<u>\$ 120,615,295</u>	<u>178,342,239</u>

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The banking notes payable are the obligations of each individual bank. These borrowings are nonrecourse to OTI.

Aggregate maturities of notes payable as of December 31, 2009 are as follows:

2010	\$	34,148,490
2011		25,156,493
2012		17,058,462
2013		10,200,659
2014		1,026,010
Thereafter		<u>33,025,181</u>
Total notes payable	\$	<u><u>120,615,295</u></u>

**(11) Lines of Credit**

Opportunity has entered into a line of credit agreement with one bank providing for borrowings up to \$4,500,000. The line has an interest rate based on the three-month LIBOR (London Interbank Offered Rate) (0.25% at December 31, 2009) plus 1.50%. The assets of the Cornerstone Fund provide collateral for this line. As of December 31, 2009 and 2008, there was no balance outstanding under this line of credit.

During 2003, OTI entered into a \$2 million revolving line of credit arrangement with Oikocredit Ecumenical Development Cooperative Society U.A. (Oikocredit) with a duration period not to exceed seven years. The interest rate on the agreement is 12-month LIBOR plus 2.0% per annum, adjusted annually between a minimum rate of 5.5% and a maximum rate of 9.5%. The interest rate as of December 31, 2009 was 5.5%. Borrowings outstanding were \$2,000,000 as of December 31, 2009 and 2008. The U.S. Agency for International Development (USAID) has guaranteed this note up to 50.0% of the outstanding borrowings.

**(12) USAID Agreements**

Opportunity entered into funding agreements with USAID over various periods for microenterprise development purposes in overseas countries as follows:

<u>Program</u>	<u>Total grant</u>	<u>Funds received through December 31, 2009</u>	<u>Estimated completion date</u>
Serbia 2003	\$ 9,966,025	9,966,025	September 2011
Orphans and Vulnerable Children	5,090,089	4,467,910	June 2010
Malawi Implementation Grant Program	889,782	889,782	September 2009
Mozambique Global Development Alliance	461,085	318,713	September 2010
Ghana Implementation Grant Program	1,189,120	—	July 2012

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**(13) Commitments and Contingencies**

**(a) Lease Obligations**

Opportunity leases office space in Illinois, New York, Pennsylvania, and Washington D.C. under operating leases. MicroEnsure leases office space in Cheltenham, United Kingdom. The Illinois lease was renewed in February 2010 and expires August 31, 2011. The other offices are rented on a month-to-month basis. Rent expense for the years ended December 31, 2009 and 2008 was approximately \$726,156 and \$665,386, respectively. Future minimum operating lease payments as of December 31, 2009 are as follows:

2010	\$	248,937
2011		17,832
2012		11,423
2013		9,065
2014		<u>1,470</u>
Total	\$	<u><u>288,727</u></u>

The banks lease office space and equipment in the various countries in which they are located under operating leases. Rent expense for the years ended December 31, 2009 and 2008 was approximately \$2,443,364 and \$2,904,598, respectively. Future minimum operating lease payments as of December 31, 2009 are as follows:

2010	\$	1,828,694
2011		1,569,077
2012		1,456,709
2013		1,382,748
2014		1,250,807
Thereafter		<u>1,629,349</u>
Total	\$	<u><u>9,117,384</u></u>

**(b) Government Grants**

The amount of U.S. government grant revenue reflected in the accompanying consolidated financial statements is subject to review and possible adjustment by granting agencies. Amounts recovered from the U.S. government include indirect costs based upon calculated overhead rates, which are subject to possible increases or decreases under audit by the granting agencies. The amount of costs that may be disallowed by the granting agencies cannot be determined at this time. It is the opinion of management that unallowable costs, if any, will be insignificant.

Certain of the grant agreements with the U.S. government have fiscal matching requirements to satisfy the conditions of the grant. Opportunity contractually passes those fiscal matching requirements through to its nongovernmental organizational partners. Opportunity management believes its nongovernmental organizational partners have satisfied those matching requirements.

## OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

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(with comparative totals for 2008)

#### (c) *Reserve and Regulatory Capital Requirements*

OTI's foreign for-profit microfinance companies have certain regulatory capital requirements that they must maintain.

The Bank of Albania, which sets and monitors capital requirements for Opportunity Albania, requires the bank's ratio of capital to total assets to be 10% or greater, the ratio of capital to net fixed tangible and intangible assets to be 100% or greater, the ratio of capital to total problem loans to be 100% or greater and the ratio of capital paid-in kind to capital paid shall not exceed 50%. As of December 31, 2009 and 2008, Opportunity Albania met these regulatory requirements.

The Bank of Ghana requires Opportunity Bank Ghana to hold minimum levels of regulatory capital of GHS 1.5 million (approximately U.S. \$1,050,000 at December 31, 2009) and maintain a ratio of total regulatory capital to the risk adjusted weighted assets at or above 10%. As of December 31, 2009 and 2008, Opportunity Bank Ghana met these regulatory requirements.

The Reserve Bank of Malawi requires Opportunity Bank Malawi to maintain a 1% general provision against risk assets and a minimum capital of 8% of risk-weighted assets. As of December 31, 2009 and 2008, Opportunity Bank Malawi met these regulatory requirements.

The Central Bank of Mozambique requires Opportunity Bank Mozambique to maintain a reserve of 9% of total qualifying liabilities in terms of Law number 01/GBM/2008 of January 18, 2008 and to maintain a prescribed ratio of total capital to total risk-weighted assets of not less than 8%. As of December 31, 2009 and 2008, Opportunity Bank Mozambique met these regulatory requirements.

The National Bank of Rwanda requires Opportunity Bank Rwanda to maintain minimum reserves of 8% of deposits, 100% liquidity of three-month assets to three-month liabilities, and 10% capital adequacy. As of December 31, 2009 and 2008, Opportunity Bank Rwanda met these regulatory requirements.

Opportunity Bank Serbia is required to maintain a minimum capital adequacy ratio of 12% as established by the National Bank of Serbia. Pursuant to the Law on Banks and Other Financial Institutions, savings banks registered in Serbia are required to maintain total qualifying capital at a minimum amount of €10 million in dinar counter-value. As of December 31, 2009 and 2008, Opportunity Bank Serbia met these regulatory requirements.

#### (d) *Guarantees*

The Fund was established for the purpose of supporting microfinance institutions in developing countries to increase the availability of loans and related microfinance services to the poor by establishing and operating the Fund to provide collateral support or similar means to enable microfinance institutions to borrow or otherwise acquire funds in local currency. As of December 31, 2009 and 2008, the Fund had a total of four outstanding collateral support agreements. One agreement was with a bank under control with Opportunity as of December 31, 2009 and two agreements were with banks under common control with Opportunity as of December 31, 2008. For support agreements not under common control, the Fund has determined that there is no fair value

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associated with these support agreements because there was no net savings to the banks in 2009 or 2008, as the amounts paid to the Fund for the collateral agreement exceeded what the cost would have been had the bank obtained the financing elsewhere without the collateral support agreement. The Fund had stand-by letters of credit outstanding in the amount of \$3,350,000 and \$3,150,000 as of December 31, 2009 and 2008, respectively, which is equivalent to the maximum potential future payments the Fund could be required to make under the guarantees. The expiration dates of the stand-by letters of credit range from March 19, 2010 to July 16, 2011. The Fund earned fees totaling \$74,279 and \$108,578 during the years ended December 31, 2009 and 2008, respectively, for providing the letters of credit. The Fund has not recorded any liability for the draws on the stand-by letters of credit because the Fund does not believe such guarantees are likely to be drawn.

#### **(14) Employee Benefit Plan**

All domestic and expatriate employees of Opportunity who have completed three months of service are eligible to participate in a defined contribution benefit plan (403(b) plan) sponsored by Opportunity. Participants are eligible to make individual contributions up to a limit determined by age and salary level. Benefit expense amounted to \$500,870 and \$528,047 for the years ended December 31, 2009 and 2008, respectively.

#### **(15) Related-Party Transactions**

Included in program services in the consolidated statement of activities are grant expenses of \$9,721,954 and \$12,854,624 in 2009 and 2008, respectively, which relate to disbursements made by Opportunity to its affiliated partner organizations.

Certain key employees and board members affiliated with Opportunity and the microfinance institutions own portions of the minority interest in the microfinance banks. During the years ended December 31, 2009 and 2008, these individual ownership positions did not exceed 0.32% and 3.41%, respectively, of the common stock outstanding in each microfinance bank.

Notes payable recorded in the Fund totaling \$350,000 at December 31, 2009 and 2008 were due to a former officer of Opportunity.

#### **(16) Sale of Stock of Subsidiary and Other Institutions**

On February 27, 2009, Opportunity Bank Montenegro was sold. Beginning in 2002, OTI invested cash totaling \$5 million. The investment increased to \$20 million through the earnings of the subsidiary. Based on the net cash received of \$10.1 million at the time of the sale, the 2009 consolidated financial statements of OTI reflect a net loss from the sale of \$9.9 million. The proceeds from the sale were transferred to Opportunity. The sale agreement includes a provision for future compensation from the current owner of Opportunity Bank Montenegro, however OTI did not receive any income from this provision during the year ended December 31, 2009.

Separately, OTI recognized an investment loss of \$234,508 upon its conversion of Opportunity Microfinance Bank, Philippines shares to shares of Opportunity Kauswagan Bank, Inc.

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#### (17) Subsequent Events (Unaudited)

On February 24, 2010, OTI signed a share purchase agreement with Amance Holding N.V, a public company having its corporate seat in Amsterdam, to transfer 100% of the shares of Opportunity Albania and OTI's 49% of the shares of Initiative Mikro in Poland. The agreement is expected to become effective in 2010 when all conditions are fulfilled. Beginning in 2002, OTI invested cash totaling \$4 million in Opportunity Albania. The investment increased to \$9.4 million through the earnings of the subsidiary. Based on the estimate of net cash to be received of €5.5 million for the Opportunity Albania shares, the 2010 consolidated financial statements of OTI should reflect a net loss from the sale of approximately \$2.6 million.

OTI also agreed to sell its 49% minority interest in Initiative Mikro in Poland. During December 2007, OTI purchased 49% of the outstanding shares of Initiative Mikro for \$98,000. The initial investment was reduced to \$75,000 by OTI's share of net losses of 2008 and 2009. Based on the estimate of net cash to be received of €1.2 million at the time of the sale, the 2010 consolidated financial statements of OTI should reflect a net gain from the sale of approximately \$1.4 million.

Through June 30, 2010, exchange rates fluctuated such that foreign assets and liabilities decreased in value by approximately \$29,100,000 and \$23,100,000, respectively, resulting in a decrease in net assets of approximately \$6,000,000 due solely to exchange rates.