OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Financial Statements

December 31, 2011
(with comparative totals for 2010)

(With Independent Auditors’ Report Thereon)

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

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KPMG LLP
Aon Center
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200 East Randolph Drive
Chicago, IL 60601-6436

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, 2011, 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 11% and 6% and total revenues constituting 11% and 8% in 2011 and 2010, 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 those other auditors. The prior year summarized comparative information has been derived from Opportunity's 2010 consolidated financial statements, and in our report dated October 6, 2011, 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, 2011, and the changes in its net assets and its cash flows, and functional expenses for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 24, 2012

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Financial Position

December 31, 2011
(with comparative totals for 2010)

		2011				
Assets		**Charitable activities**	**Banking activities**	**Eliminations**	**Total**	**2010**
Cash and cash equivalents	$	18,822,047	64,123,214	—	82,945,261	77,337,508
Restricted cash and investments:						
Cornerstone Fund		6,469,150	—	—	6,469,150	6,226,212
Loan Guarantee Fund		7,815,016	—	—	7,815,016	7,293,123
Other		4,051,405	—	—	4,051,405	8,668,233
Pledges receivable, net		15,882,162	—	—	15,882,162	28,002,257
Investments, at fair value		945,727	—	—	945,727	483,281
Notes receivable, net		12,328,283	—	(10,403,727)	1,924,556	3,125,918
Loans receivable, net		—	153,451,743	—	153,451,743	126,275,466
Other receivables		4,343,019	—	(1,038,019)	3,305,000	3,418,705
Donor-advised assets		377,407	—	—	377,407	1,121,681
Prepaid expenses and other assets		524,636	19,019,754	(448,984)	19,095,406	13,484,270
Investment in other institutions		11,640,651	—	(4,759,146)	6,881,505	5,053,340
Goodwill, net		—	—	—	—	889,647
Building, furniture, and equipment, net		1,113,715	29,021,384	—	30,135,099	24,973,561
Total assets	$	84,313,218	265,616,095	(16,649,876)	333,279,437	306,353,202
Liabilities and Net Assets						
Accounts payable and accrued liabilities	$	16,856,526	20,534,339	(5,776,136)	31,614,729	26,645,009
Notes payable		17,926,920	73,800,569	(10,713,497)	81,013,992	71,217,462
Deferred revenue		24,340	3,658,227	—	3,682,567	3,558,072
Deposits from customers		—	113,635,314	—	113,635,314	90,660,058
Total liabilities		34,807,786	211,628,449	(16,489,633)	229,946,602	192,080,601
Noncontrolling interest		224,330	17,668,627	(46)	17,892,911	15,989,484
Net assets:						
Unrestricted		8,754,118	36,319,019	(160,197)	44,912,940	46,225,455
Temporarily restricted		35,519,359	—	—	35,519,359	47,050,037
Permanently restricted		5,007,625	—	—	5,007,625	5,007,625
Total net assets		49,281,102	36,319,019	(160,197)	85,439,924	98,283,117
Total liabilities and net assets	$	84,313,218	265,616,095	(16,649,876)	333,279,437	306,353,202

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Activities

Year ended December 31, 2011
(with comparative totals for 2010)

	2011							
	Unrestricted							
	Charitable activities	Banking activities	Eliminations	Total	Temporarily restricted	Permanently restricted	Total	2010
Operating activities:								
Charitable support, gains, and losses:								
Private contributions	$ 8,041,358	—	—	8,041,358	18,463,257	—	26,504,615	24,113,700
Government grants	415,152	—	—	415,152	560,302	—	975,454	1,627,328
Other	2,425,552	—	(30,000)	2,395,552	—	—	2,395,552	1,709,688
Gain (loss) on investments, net	(139,364)	—	(286,969)	(426,333)	227,611	—	(198,722)	3,680,222
Net assets released from restrictions	30,781,848	—	—	30,781,848	(30,781,848)	—	—	—
Total charitable support, gains, and losses	41,524,546	—	(316,969)	41,207,577	(11,530,678)	—	29,676,899	31,130,938
Banking revenue:								
Loan interest income	—	56,327,810	—	56,327,810	—	—	56,327,810	49,497,448
Other fees and income	—	12,764,736	—	12,764,736	—	—	12,764,736	9,777,286
Total banking revenue	—	69,092,546	—	69,092,546	—	—	69,092,546	59,274,734
Total support and revenue	41,524,546	69,092,546	(316,969)	110,300,123	(11,530,678)	—	98,769,445	90,405,672
Expenses:								
Charitable expenses:								
Program services:								
Grants for partner organizations for operations and client loans	7,621,867	—	103,463	7,725,330	—	—	7,725,330	15,731,772
Development of partner organizations	18,424,418	—	—	18,424,418	—	—	18,424,418	17,897,717
Total program services	26,046,285	—	103,463	26,149,748	—	—	26,149,748	33,629,489
Supporting services:								
Fundraising	7,295,039	—	—	7,295,039	—	—	7,295,039	6,390,075
Management and general	2,586,758	—	—	2,586,758	—	—	2,586,758	2,663,039
Total supporting services	9,881,797	—	—	9,881,797	—	—	9,881,797	9,053,114
Total charitable expenses	35,928,082	—	103,463	36,031,545	—	—	36,031,545	42,682,603
Banking expenses:								
Interest	—	11,092,219	(312,953)	10,779,266	—	—	10,779,266	10,244,359
Provision for loan losses	—	8,935,456	—	8,935,456	—	—	8,935,456	9,584,290
Operating expenses	—	57,648,608	—	57,648,608	—	—	57,648,608	49,821,138
Total banking expenses	—	77,676,283	(312,953)	77,363,330	—	—	77,363,330	69,649,787
Total expenses	35,928,082	77,676,283	(209,490)	113,394,875	—	—	113,394,875	112,332,390
Increase (decrease) in net assets from operating activities	5,596,464	(8,583,737)	(107,479)	(3,094,752)	(11,530,678)	—	(14,625,430)	(21,926,718)
Nonoperating activities:								
Foreign currency translation (loss)	(22,153)	(1,196,047)	(66,139)	(1,284,339)	—	—	(1,284,339)	(3,467,865)
Noncontrolling interest in net (gain) loss of consolidated subsidiaries	(42,311)	3,108,887	—	3,066,576	—	—	3,066,576	1,089,179
Increase (decrease) in net assets from nonoperating activities	(64,464)	1,912,840	(66,139)	1,782,237	—	—	1,782,237	(2,378,686)
Investment in banking and insurance activities	(13,905,739)	13,905,739	—	—	—	—	—	—
Increase (decrease) in net assets	(8,373,739)	7,234,842	(173,618)	(1,312,515)	(11,530,678)	—	(12,843,193)	(24,305,404)
Net assets:								
Beginning of year	17,127,857	29,084,177	13,421	46,225,455	47,050,037	5,007,625	98,283,117	122,588,521
End of year	$ 8,754,118	36,319,019	(160,197)	44,912,940	35,519,359	5,007,625	85,439,924	98,283,117

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended December 31, 2011
(with comparative amounts for 2010)

	2011	2010
Cash flows from operating activities:		
Decrease in net assets	$ (12,843,193)	(24,305,404)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	5,228,529	4,275,388
Foreign currency translation loss	1,284,339	3,467,865
Provision for loan losses	8,935,456	9,584,290
Noncontrolling interest in net loss of consolidated subsidiaries	(3,066,576)	(1,089,179)
Realized gain on sale of stock of consolidated subsidiary	—	(1,161,509)
Realized loss (gain) on sale of investments	187,459	(1,617,567)
Unrealized (gain) loss on investments	(517,764)	59,091
Equity in (gain) loss of investment in other institutions	316,055	(414,595)
Goodwill impairment	889,647	—
Changes in assets and liabilities:		
Pledges and other receivables	16,582,789	13,741,363
Prepaid expenses and other assets	(5,611,136)	(3,565,042)
Accounts payable and accrued liabilities	1,365,005	12,770,140
Deferred revenue	124,495	1,145,635
Noncontrolling interest	4,970,003	4,227,617
Net cash provided by operating activities	17,845,108	17,118,093
Cash flows from investing activities:		
Loan origination and principal collections, net	(36,111,733)	(27,398,873)
Purchase of investments in unconsolidated affiliates	(2,144,220)	(1,971,883)
Cash received from sale of stock of consolidated subsidiary, net of cash sold	—	5,783,558
Purchase of investments	(1,736,606)	(4,898,189)
Sale of investments	1,604,465	2,439,489
Purchase of restricted cash and investments	(16,812,262)	(21,283,468)
Sale of restricted cash and investments	20,664,259	28,372,125
Net, additions of building, furniture, and equipment	(10,390,067)	(10,246,491)
Principal payments on notes receivable	1,201,362	1,300,773
Net cash used in investing activities	(43,724,802)	(27,902,959)
Cash flows from financing activities:		
Proceeds from notes payable	29,791,948	25,090,104
Principal payments of notes payable	(19,995,418)	(28,774,030)
Deposits from customers	22,975,256	21,881,370
Net cash provided by financing activities	32,771,786	18,197,444
Effect of exchange rate changes on cash	(1,284,339)	(3,467,865)
Net increase in cash and cash equivalents	5,607,753	3,944,713
Cash and cash equivalents at beginning of year	77,337,508	73,392,795
Cash and cash equivalents at end of year	$ 82,945,261	77,337,508
Supplemental disclosure of cash flow information:		
Cash paid for interest and taxes	$ 6,784,979	6,659,363
Supplemental disclosures of noncash investing and financing transactions:		
Conversion of notes receivable into investment in subsidiaries	$ 7,634,203	1,079,384
Sale of consolidated subsidiary:		
Investment in consolidated subsidiary	$ —	5,409,201
Loss on sale of consolidated subsidiary	—	1,161,509
Net proceeds from the sale of consolidated subsidiary	$ —	6,570,710

See accompanying notes to consolidated financial statements.

OPPORTUNITY INTERNATIONAL, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended December 31, 2011
(with comparative amounts for 2010)

	2011						
	Charitable activities						
	Program services	Fundraising	Management and general	Total	Banking activities	Total	2010 Total
Grants for Opportunity International Network	$ 5,772,309	—	—	5,772,309	—	5,772,309	6,527,439
Grants for partner organizations for operations and client loans	5,315,172	—	—	5,315,172	—	5,315,172	7,731,772
Provision for government agreement closeout costs	2,110,158	—	—	2,110,158	—	2,110,158	8,000,000
Grants to partner organizations for loan funds	300,000	—	—	300,000	—	300,000	—
Salaries and benefits	5,025,323	5,141,755	1,250,772	11,417,850	28,785,803	40,203,653	36,501,299
Provision for loan loss	—	—	—	—	8,935,456	8,935,456	9,584,290
Rent and utilities	238,303	35,138	267,163	540,604	5,532,652	6,073,256	5,662,309
Travel and hosting	860,341	954,616	134,584	1,949,541	2,661,993	4,611,534	4,191,976
Professional fees	2,830,808	235,253	212,483	3,278,544	4,752,840	8,031,384	9,005,793
Miscellaneous expense	1,471,100	276,049	86,697	1,833,846	7,203,183	9,037,029	5,245,541
Interest expense	390,147	—	33,766	423,913	10,779,266	11,203,179	10,437,988
Telephone	103,323	91,722	49,685	244,730	1,774,852	2,019,582	2,031,704
Foreign exchange gain (loss)	262,527	84	1,203	263,814	(1,220,580)	(956,766)	(3,644,726)
Depreciation expense	158,638	—	184,314	342,952	4,885,577	5,228,529	4,275,388
Board meetings and conferences	12,959	94,485	59,951	167,395	311,074	478,469	413,300
Supplies, printing, and office equipment	271,720	200,137	234,191	706,048	1,955,687	2,661,735	2,951,439
Income tax expense	52,994	—	—	52,994	(2,691,101)	(2,638,107)	(514,302)
Postage and shipping	12,785	74,798	10,577	98,160	233,260	331,420	187,558
Training	2,471	41,127	8,791	52,389	592,723	645,112	665,615
Promotional materials	131,723	149,875	25,474	307,072	1,302,558	1,609,630	1,274,109
Donor-advised grant expense	777,091	—	—	777,091	—	777,091	697,116
Insurance	49,856	—	27,107	76,963	1,568,087	1,645,050	1,106,782
Total expenses	$ 26,149,748	7,295,039	2,586,758	36,031,545	77,363,330	113,394,875	112,332,390

See accompanying notes to consolidated financial statements.

(1) Organization

Opportunity International, Inc., d/b/a/ Opportunity International – U.S. (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 majority 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 $5,772,309 and $6,527,439 for the years ended December 31, 2011 and 2010, 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.

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) On August 4, 2010, OTI sold its 100% ownership interest in Opportunity Albania. The operating results for the period January 1, 2010 through August 3, 2010 of Opportunity Albania are included in the 2010 consolidated statement of activities. See note 17 for details regarding the gain on the sale of the stock.

(ii) 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 (OBS). 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 Banka 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 Banka 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%. During 2010, OTI made an additional equity investment of $2,480,127. As of December 31, 2011 and 2010, OTI owned 63.5% of the outstanding shares of Opportunity Bank Serbia.

(iii) In February 2003, Oportunidad Microfinanzas, 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. During 2011 and 2010, OTI made additional equity investments of $11,583 and $42,225, respectively. As of December 31, 2011 and 2010, OTI owned essentially 100% of the outstanding shares of Opportunity Mexico.

(iv) 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. During 2009 and 2008, respectively, OTI advanced $280,489 and $326,520 in convertible loans. During 2010, OTI invested an additional $556,413 and converted the outstanding loans to equity. During 2011, OTI made an additional equity investment of $482,824. As of December 31, 2011 and 2010, OTI owned 71.4% and 67.8% of the outstanding shares of Opportunity Bank Mozambique, respectively.

(v) 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 2010 and 2009, respectively, OTI advanced $843,504 and $186,000 in convertible loans. During 2011, OTI made a $2,107,641 equity investment and converted $1,029,504 of loans to equity. As of December 31, 2011 and 2010, OTI owned 62.5% and 51.5%, respectively, of the outstanding shares of Opportunity Bank Ghana.

(vi) 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%. During 2011, OTI converted $1,069,000 of loans to equity and made an equity investment of $1,992,929. An equity investment by another Network member led to a dilution of OTI’s ownership interest. As of December 31, 2011 and 2010, OTI owned 51.2% and 60.6%, respectively, of the outstanding shares of Opportunity Bank Malawi.

(vii) 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 beginning in the year 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 $88,362 and $321,000 as convertible loans during 2011 and 2009, respectively. As of December 31, 2011 and 2010, OTI owned 49.8% of the outstanding stock of Opportunity Bank Rwanda.

(viii) 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. During 2011 and 2010, OTI made additional investments of $1,000,000 and $1,425,000, respectively. As of December 31, 2011 and 2010, OTI owned 73.7% of the outstanding shares of Opportunity South Africa.

(ix) 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. During 2010, OTI advanced additional convertible loans of approximately $1,200,000. During 2011, $3,850,894 of convertible loans were converted to equity and an additional $462,545 of convertible loans were advanced. As of December 31, 2011 and 2010, OTI owned 84% and 51% of the outstanding shares of Opportunity Kenya.

(x) 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. During 2010, the $200,000 of convertible loans was converted to equity, and OTI made an additional equity investment of $1,334,309. During

(Continued)

2011, OTI made an equity investment of $2,213,285. As of December 31, 2011 and 2010, OTI owned 83.2% and 79.8% of the outstanding shares of Opportunity Uganda, respectively.

(xi) 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. Additional equity investments of $1,712,040, $749,217 and $1,500,000 were made by OTI in 2011, 2010 and 2009, respectively. Equity investments by another Network member led to an overall dilution of OTI's ownership interest. As of December 31, 2011 and 2010, OTI owned 64.4% and 83% of the outstanding shares of Opportunity Tanzania.

(xii) As of December 31, 2009, OTI had a net investment of $193,976, or 34.5% of the shares in Opportunity Microcredit Romania IFN SA (Opportunity Romania). On October 27, 2010, OTI purchased an additional interest in Opportunity Romania for $1,482,910 increasing its ownership position to 57.2%. The results of Opportunity Romania are included in the consolidated financial statements as of October 2010. As of December 31, 2011 and 2010, OTI owned 57.2% of the outstanding shares of Opportunity Romania.

(xiii) During 2010, OTI invested $2,000,000 to establish a microfinance company, Opportunity International DRC SPRL (Opportunity DRC) in the Democratic Republic of Congo. Opportunity DRC was incorporated and 32,400 shares were issued to OTI for its $2,000,000 investment. During 2011, OTI invested an additional $1,500,000. As of December 31, 2011 and 2010, OTI owned 100% of the outstanding shares of Opportunity DRC.

Opportunity Loan Guarantee Fund I, Inc. (the Fund) was established in January 2005 for the purpose of supporting microfinance institutions in developing countries to increase the availability of loans and related microfinance services to the poor by providing collateral support or similar means to enable microfinance institutions to borrow or otherwise acquire funds in local currency.

MicroEnsure LLC, formerly known as Micro Insurance Agency Holdings LLC, was incorporated on November 4, 2005 in the State of Illinois. Collectively, MicroEnsure LLC and its subsidiaries are referred to as "MicroEnsure." The primary purpose of MicroEnsure is to serve as an agent to provide the poor in developing countries with access to affordable and appropriate insurance products.

MicroEnsure fulfills its mission by working with local insurance company partners and other stakeholders to develop a range of low cost insurance products designed to match the specific needs of the poor. The insurance products primarily include credit life, term life, funeral, property, weather indexed crop, and health insurance. All insurance policies are written by the local insurance company partners, and MicroEnsure receives a commission based upon the number of insurance policies sold. MicroEnsure does not retain any risk associated with the insurance policies. MicroEnsure distributes its products by working in partnership with a range of organizations that are currently serving the poor and also via subsidiary insurance agencies in Africa and Asia. Administrative offices for MicroEnsure are located in the United

Kingdom. 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 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, 2011 and 2010:

		2011	2010
Opportunity International – United States earnings	$	8,593,925	17,141,281
Opportunity Bank Serbia capital and accumulated earnings		7,326,704	7,408,841
Opportunity Mexico capital and accumulated earnings		2,128,963	2,282,539
Opportunity Bank Mozambique capital and accumulated earnings		3,084,181	2,617,280
Opportunity Bank Ghana capital and accumulated earnings		4,409,419	2,602,385
Opportunity Bank Malawi capital and accumulated earnings		6,156,083	4,959,594
Opportunity Bank Rwanda capital and accumulated earnings		1,981,981	1,855,022
Opportunity South Africa capital and accumulated earnings		2,734,322	3,757,421
Opportunity Kenya capital and accumulated earnings		2,487,981	(893,370)
Opportunity Uganda capital and accumulated earnings		4,594,393	4,017,394
Opportunity Tanzania capital and accumulated earnings		1,115,550	(1,085,623)
Opportunity Romania capital and accumulated earnings		(175,681)	(104,976)
Opportunity DRC capital and accumulated earnings		475,119	1,667,667
Total	$	44,912,940	46,225,455

The net assets of the banks are unrestricted as they are not subject to donor restrictions, however banking regulators in each jurisdiction have minimum capital requirements which could limit access to these net assets.

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, 2011 and 2010:

		2011	2010
For periods after December 31	$	13,737,533	25,437,390
MicroEnsure Programs		1,578,244	2,185,627
Programs in Latin America and Colombia		5,554,170	4,775,420
Programs in Africa		10,550,868	8,100,143
Other programs		4,098,544	6,551,457
Total	$	35,519,359	47,050,037

Net assets were released from donor restrictions during the years ended December 31, 2011 and 2010 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

		2011	2010
MicroEnsure Programs	$	3,463,194	5,207,499
Programs in Africa		18,114,859	11,833,340
Programs in Latin America and Colombia		1,939,529	2,028,694
Programs in India		(105,431)	1,086,031
Other programs		7,369,697	9,542,811
Total	$	30,781,848	29,698,375

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, 2011 and 2010, permanently restricted net assets consist of the Cornerstone Fund, which was instituted in 2002 as a means of providing collateral for the existing line of credit.

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 ten 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, Opportunity Tanzania, and Opportunity Romania. The outside investors' shares are shown in Opportunity's consolidated financial statements as noncontrolling 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 $13,341,451 and $16,388,580 in 2011 and 2010, 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.

Opportunity records in-kind support for contributed equipment and contributed professional services. Contributed equipment and services are recorded at fair value. Opportunity recorded $639,993 and $461,816 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 2011 and 2010, 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.

(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.

(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, 2011 and 2010 consist of permanently restricted funds received for the Cornerstone endowment fund, and restricted investments of the former 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). Gates Foundation funds yet to be distributed remain in a segregated, interest-bearing account and will be utilized to extend 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, 2011 and 2010, there was

$1,297,151 and $3,999,913, respectively, 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 $16,915,431 and $12,704,871 at December 31, 2011 and 2010, 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 1.4% was utilized as of December 31, 2011. The difference is classified as unrestricted contributions on the consolidated statements of activities and changes in net assets. 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.

Opportunity has adopted the requirements for accounting for uncertain tax positions in accordance with Accounting Standards Codification 740-10 (formerly known as Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). The only significant tax position management has identified is that of Opportunity's tax-exempt status. No other tax positions, certain or uncertain, have been identified.

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) Goodwill

Goodwill is tested for impairment using a two-step process on an annual basis or when current facts or circumstances indicate that a potential impairment may exist. The first step is to identify a potential impairment and the second step measures the amount of the impairment loss, if any. Goodwill is deemed to be impaired if the carrying amount of a reporting unit's goodwill exceeds its estimated fair value. Please refer to note 7 for impairment charges recognized during the year ended December 31, 2011.

(n) Derivatives

Derivatives (swap agreements) are used by Opportunity principally in the management of its foreign currency exposure. Opportunity records the swap agreements on the balance sheet at fair value in investments, and records the changes in fair value through the statement of activities in investment income. Opportunity does not hold or issue derivatives for speculative purposes. When hedged assets or liabilities are sold or extinguished or the forecasted transactions being hedged are no longer expected to occur, Opportunity recognizes the gain or loss on the designated hedging financial instrument in the consolidated statement of activities.

(o) 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.

(p) 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with Opportunity's consolidated financial statements for the year ended December 31 2010, from which the summarized information was derived.

(q) New Accounting Pronouncements

In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. The guidance permits an entity to make a qualitative assessment as to whether a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes that the fair value of a reporting unit is not less that its carrying amount, it need not perform the two-step impairment test. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. Opportunity adopted this standard for the year ended December 31, 2011.

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU No. 2011-04 provides guidance as to how fair value should be applied, clarifying the existing measurement and disclosure requirements and expanding the disclosure requirements for certain fair value measurements. ASU 2011-04 is effective for OTI in the year beginning January 1, 2012. Management does not expect the adoption of this ASU to significantly affect Opportunity's financial statements.

In September 2010, the FASB issued ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, to enhance the disclosures required for financing receivables and allowances for credit losses under FASB ASC 310, *Receivables*. The amended disclosures are designed to provide more information to financial statement users about the credit quality of a creditor's financing receivables and the adequacy of its allowance for credit losses. Most of the existing disclosures in ASC 310-10-50 have been amended to require information on a more disaggregated basis, which includes by portfolio segment and class of financing receivables. In addition, the amended guidance requires disclosure of the following: aging of past-due receivables, the nature and extent of troubled debt restructurings and their effect on the allowance for credit losses, significant purchases, and sales of financing receivables. Opportunity adopted this standard for the year ended December 31, 2011 and has included the required disclosures in note 9. Comparative disclosures are not required.

(r) Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 24, 2012, the date the financial statements were issued.

(3) Fair Value of Financial Instruments

Effective January 1, 2008, Opportunity adopted 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, 2011 and 2010, 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:

	December 31, 2011		
	Level 1	**Level 2**	**Level 3**
Cash equivalents	$ 25,063,533	—	—
Restricted investments	7,558,951	10,776,620	—
Investments	322,578	213,637	409,512

	December 31, 2010		
	Level 1	**Level 2**	**Level 3**
Cash equivalents	$ 22,242,835	—	—
Restricted investments	10,552,547	11,635,022	—
Investments	—	—	483,281

The Level 3 investments consist of private equity securities.

(4) Pledges Receivable

Unconditional pledges receivable at December 31, 2011 and 2010 are due to be received as follows:

	2011	**2010**
Within one year	$ 11,681,325	22,511,882
One year to eight years	7,492,427	12,948,384
Less:		
Allowance on pledges receivable	(3,207,519)	(7,045,215)
Discounts to net present value	(84,071)	(412,794)
Net unconditional pledges receivable	$ 15,882,162	28,002,257

The discount rate used in determining the net present value of unconditional pledges receivable ranges between 0.20% and 2.91%, based on the treasury bill rate with the closest maturity date. The discount rate was determined individually for each pledge received depending on the date received and the term of the pledge.

(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

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.

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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, 2011.

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.

Changes in the fair value of Opportunity's endowment assets were as follows for the years ended December 31, 2011 and 2010:

		2011				2010			
		Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment return:									
Investment income	$	—	227,611	—	227,611	—	229,291	—	229,291
Net appreciation (depreciation)		—	15,327	—	15,327	—	(50,226)	—	(50,226)
Total investment return		—	242,938	—	242,938	—	179,065	—	179,065
Endowment net assets at:									
Beginning of year		—	1,218,586	5,007,626	6,226,212	—	1,039,521	5,007,626	6,047,147
End of year	$	—	1,461,524	5,007,626	6,469,150	—	1,218,586	5,007,626	6,226,212
Net assets by type of fund:									
Donor-restricted endowment	$	—	—	5,007,626	5,007,626	—	—	5,007,626	5,007,626
Investment return		—	1,461,524	—	1,461,524	—	1,218,586	—	1,218,586
Total net assets	$	—	1,461,524	5,007,626	6,469,150	—	1,218,586	5,007,626	6,226,212

(6) Investments and Investment in Other Institutions

Investments consist of the following as of December 31, 2011 and 2010:

		2011	2010
Common stock	$	654,994	414,593
Certificate of deposit in the Philippines		77,097	68,688
Treasury bonds at MicroEnsure Kenya		41,015	—
Swap asset		172,621	—
Total investments at fair value	$	945,727	483,281

OTI holds varying noncontrolling interests in other financial institutions, three and five of which are members of the Opportunity Network in 2011 and 2010, respectively, as follows:

		2011	2010
Zambuko Trust Limited, Zimbabwe (25.0%)	$	250,000	250,000
Development Finance Equity Partners AG (40.0%) [1]		—	199,742
BFSE General Partner BV (40%)		96,964	—
Balkan Financial Sector Equity Fund C.V (4.3%)		1,693,558	1,745,202
MFX Solutions LLC (1.9%)		199,405	
Opportunity Kauswagan Bank, Inc. (18%)		896,910	757,794
Growing Opportunity Finance (India) Pvt. Ltd (25.6%)		313,280	314,558
Growing Opportunity Finance (India) Pvt. Ltd (preferred shares)		2,036,044	2,036,044
Redeemable noncontrolling interest in Opportunity Serbia		1,645,344	—
Subtotal		7,131,505	5,303,340
Less amounts reserved		(250,000)	(250,000)
Total investment in other institutions	$	6,881,505	5,053,340

[1] OTI assigned its interest on September 15, 2011

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

		2011	2010
Opportunity Microcredit Romania IFN SA – goodwill impairment	$	(889,647)	710,349
Development Finance Equity Partners AG		(99,800)	11,671
BFSE General Partner BV		(2,978)	—
Balkan Financial Sector Equity Fund C.V.		(98,810)	(112,885)
MFX Solutions LLC		(595)	—
Opportunity Kauswagan Bank, Inc.		(112,594)	(134,348)
Growing Opportunity Finance (India) Pvt. Ltd		(1,278)	15,288
Initiative Mikro – Poland		—	(75,480)
Total equity (loss) income from other institutions	$	(1,205,702)	414,595

Investment income from charitable activities for the years ended December 31, 2011 and 2010 consists of the following:

		2011	2010
Interest	$	291,551	517,280
Dividends		157,513	51,906
Realized loss on investments		(187,459)	(457,618)
Realized gain on sale of Albania and Poland bank shares (note 17)		—	2,723,420
Unrealized gain (loss) on investments		517,764	(59,091)
Return on investments, net	$	779,369	2,775,897

(7) Goodwill

On October 27, 2010, Opportunity purchased an additional 22.7% interest in Opportunity Romania for $1,482,910, (increasing its ownership share to 57.2%) and recorded goodwill of $889,647 as of December 31, 2010. Goodwill impairment testing was performed as of December 31, 2011 using a two-step process. The fair value of the net assets of Opportunity Romania was compared to the carrying value and as the fair value was less than the carrying value, an impairment loss was recognized in the statement of activities totaling $889,647 during the year ended December 31, 2011.

(8) Notes Receivable

Notes receivable as of December 31, 2011 and 2010 are as follows:

		2011	2010
Installment loans to nine (thirteen in 2010) nongovernmental partners	$	2,395,536	5,142,348
Convertible notes to two financial institutions		170,250	428,411
Subtotal notes receivable		2,565,786	5,570,759
Less allowance for uncollectible amounts		(641,230)	(2,444,841)
Total net notes receivable	$	1,924,556	3,125,918

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

(9) 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 financing agriculture activities. These loans are granted generally for a period of between three months and eight years at interest rates of between 2% and 60%. Certain loans may be collateralized by security such as cash or mortgages. Loans outstanding as of December 31, 2011 and 2010 consist of the following:

		2011	2010
Loans receivable	$	168,459,030	138,154,188
Less loan loss allowance		(15,007,287)	(11,878,722)
Net loan portfolio	$	153,451,743	126,275,466

Gross loan portfolio by product for the year ended December 31, 2011 is as follows:

Individual	$	70,449,360
Small and medium enterprise (SME)		53,724,077
Individual groups		43,541,646
Nonbusiness		84,047
Other		659,900
Total gross loans	$	168,459,030

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.

(Continued)

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 at December 31, 2011 and 2010 was $19.3 million and $7.7 million, respectively.

A summary of the activity in the allowance for loan losses for the years ended December 31, 2011 and 2010 is as follows:

		2011	2010
Balance at beginning of year	$	11,878,722	7,237,296
Provision for loan losses		8,935,456	9,584,290
Opportunity Albania loans removed due to sale		—	(6,562,764)
Opportunity Romania loans added due to purchase		—	5,527,344
All other subsidiary loans charged off		(5,275,709)	(3,340,479)
All other subsidiary foreign currency translation loss		(531,182)	(566,965)
Balance at end of year	$	15,007,287	11,878,722

The following table summarizes the activity in the loan loss allowance by product for the year ended December 31, 2011:

Year ended December 31, 2011		Individual	SME	Individual groups	Nonbusiness	Other	Total
Balance at beginning of year	$	9,868,308	1,267,009	654,782	—	88,623	11,878,722
Provision for loan losses		852,141	7,519,742	449,013	1,724	112,836	8,935,456
Loans charged off, net		(2,162,809)	(2,633,659)	(472,706)	—	(6,535)	(5,275,709)
Foreign currency translation loss		(178,018)	(291,384)	(58,907)	135	(3,008)	(531,182)
Balance at end of year	$	8,379,622	5,861,708	572,182	1,859	191,916	15,007,287
Reserve components:							
Individually evaluated for impairment	$	3,761,339	5,425,739	188,514	387	182,641	9,558,620
Collectively evaluated for impairment		4,618,283	435,969	383,668	1,472	9,275	5,448,667
	$	8,379,622	5,861,708	572,182	1,859	191,916	15,007,287

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, 2011 and 2010:

		2011	2010
Opportunity Bank Serbia	$	51,011,461	40,028,114
Opportunity Mexico		942,731	970,926
Opportunity Bank Mozambique		6,854,069	2,918,121
Opportunity Bank Ghana		24,299,848	16,587,357
Opportunity Bank Malawi		20,068,997	30,212,223
Opportunity Bank Rwanda		12,219,430	6,530,116
Opportunity Bank Romania		12,769,573	10,604,527
Opportunity South Africa		4,577,866	4,740,372
Opportunity Kenya		4,884,070	4,011,490
Opportunity Uganda		1,762,734	9,112,728
Opportunity Tanzania		13,576,082	559,492
Opportunity DRC		484,882	—
Balance at end of year	$	153,451,743	126,275,466

The following is a summary of expected loan maturities as of December 31, 2011 and 2010:

		2011	2010
Less than 1 month	$	25,478,727	16,904,401
From 1 to 3 months		30,554,751	15,217,585
From 3 to 12 months		46,782,529	50,471,936
Over 1 year		50,635,736	43,681,544
Balance at end of year	$	153,451,743	126,275,466

Aging analysis of gross loans receivable as of December 31, 2011 is as follows:

Current	$	154,038,550
30 – 59 days past due		2,464,931
60 – 89 days past due		1,497,353
90 days and over past due		10,458,196
Total gross loans receivable	$	168,459,030

Loans to employees and officers of these banks totaled $2,173,228 and $264,816 at December 31, 2011 and 2010, respectively.

(Continued)

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.

(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 67% and 65% are due within one year as of December 31, 2011 and 2010, respectively.

(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 $64 million and $58 million as of December 31, 2011 and 2010, respectively, which is 24% of total assets of the combined banks in 2011 and 2010.

(10) Deposits from Customers

Deposits from customers as of December 31, 2011 and 2010 consist of the following:

	2011	2010
Opportunity Bank Mozambique:		
Demand deposits	$ 3,227,324	1,952,557
Short-term deposits	812,494	330,847
Total Opportunity Bank Mozambique	4,039,818	2,283,404
Opportunity Bank Serbia:		
Demand deposits	2,738,925	1,990,250
Short-term deposits	24,599,864	23,032,838
Long-term deposits	6,581,860	2,581,471
Total Opportunity Bank Serbia	33,920,649	27,604,559
Opportunity Bank Ghana:		
Demand deposits	2,404,198	14,170,034
Short-term deposits	12,301,815	910,716
Long-term deposits	6,488,337	—
Total Opportunity Bank Ghana	21,194,350	15,080,750
Opportunity Kenya:		
Demand deposits	2,477,945	1,919,783
Opportunity Bank Malawi:		
Demand deposits	31,158,530	25,770,451
Short-term deposits	8,293,437	9,681,460
Total Opportunity Bank Malawi	39,451,967	35,451,911
Opportunity Bank Rwanda:		
Demand deposits	7,852,895	4,741,519
Short-term deposits	174,461	204,418
Total Opportunity Bank Rwanda	8,027,356	4,945,937
Opportunity Uganda:		
Demand deposits	2,273,247	1,271,234
Short-term deposits	1,394,833	1,504,455
Long-term deposits	98,906	71,536
Total Opportunity Uganda	3,766,986	2,847,225

(Continued)

		2011	2010
Opportunity Tanzania:			
Demand deposits	$	586,209	526,489
Opportunity DRC:			
Demand deposits		170,034	—
Total deposits from customers	$	113,635,314	90,660,058

(11) Notes Payable

On November 22, 2006, OTI entered into a $10 million loan agreement with the Gates Foundation. The proceeds are used to support microfinance initiatives in the impoverished regions in Africa. As of December 31, 2011 and 2010, there were $8,500,000 and $5,800,000, respectively, in notes receivable outstanding to six majority owned partners in Africa, with terms in accordance with the Gates Foundation agreement, which were eliminated in consolidation.

On October 2, 2011, OTI entered into a $2.5 million loan agreement with Minlam. The proceeds are used to support microfinance initiatives in Kenya and Mozambique. As of December 31, 2011, $1,000,000 in a note receivable was outstanding to Opportunity Kenya, which was eliminated in consolidation.

Notes payable as of December 31, 2011 and 2010 include the following:

		2011	2010
Charitable notes payable:			
Note payable, 4.50% interest, maturity December 2011	$	—	400,000
Note payable, 0% interest, maturity July 2012		250,000	250,000
Note payable, 2.00% interest, maturity March 2011		—	1,000,000
Note payable, 3.00% interest, maturity December 2012		154,500	154,500
Note payable, 1.00% interest, maturity November 2016		10,000,000	10,000,000
Note payable, 15.75% interest on KES/MZN prime + 3.75% interest on MZN, maturity October 2014		2,698,435	—
Note payable, 3.00% interest, maturity September 2011		—	25,000
Note payable, 3.00% interest, maturity September 2011		—	400,000
Note payable, 3.00% interest, maturity September 2011		—	100,000
Note payable, 3.00% interest, maturity September 2011		—	100,000
Note payable, 2.51% interest, maturity September 2011		—	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 September 2013		125,000	125,000
Note payable, 2.00% interest, maturity December 2013		2,000,000	2,000,000
Total charitable notes payable	$	17,477,935	16,904,500

As of December 31, 2011, the rights of the noteholder of two $1,000,000 notes with 2.00% interest maturing December 2013 have been subordinated to the rights of the other former Loan Guarantee Fund noteholders. The remaining $2,375,000 of notes payable is senior to these subordinated notes in priority of payment. Interest payments on the subordinated debt may be deferred at the election of Opportunity but all interest has been paid as of December 31, 2011.

		2011	2010
Opportunity Bank Serbia:			
Note payable, 8.30% interest, maturity September 2011	$	—	898,683
Note payable, 7.70% interest, maturity – equal semiannual installments from July 2009 to January 2013		710,192	1,397,956
Note payable, 6-month Euribor + 5.50% interest, maturity – equal semiannual installments from January 2011 to January 2014		4,611,681	6,656,938
Note payable, 5.50% interest, maturity – equal annual installments from March 2015 to March 2020		7,747,608	7,988,322
Note payable, 8.78% interest until 2014; 12.68% interest thereafter, maturity July 2018 to December 2018		7,747,620	7,988,310
Note payable, 7.5% interest – equal semiannual installments from June 2013 to June 2014		1,291,262	—
Note payable, 12-month Euribor + 1.5% interest, maturity – January 2015		645,629	—
Subtotal Opportunity Bank Serbia		22,753,992	24,930,209
Opportunity Bank Ghana:			
Note payable, 12-month Gibor + 5.00% interest, maturity October 2011		—	185,790
Note payable, 5.00% interest, maturity September 2013		506,924	—
Note payable, 12.5% interest, maturity November 2012		23,881	—
Note payable, 15% interest, maturity July 2014		1,236,400	—
Note payable, 182 day T-bill rate + 4.70% interest, maturity September 2014		1,108,519	—
Subtotal Opportunity Bank Ghana		2,875,724	185,790

	2011	2010
Opportunity Bank Malawi:		
Note payable, 8.50% interest, maturity March 2012	$ 3,110,000	2,680,000
Note payable, 0.00% interest, maturity March 2012	1,264,682	135,286
Note payable, 7.00% interest, maturity December 2012	3,043,720	2,020,740
Note payable, 0.00% interest, maturity January 2010	—	4,630,665
Note payable, 9.00% interest, maturity January 2012	3,043,664	3,031,093
Note payable, 2.50% interest, maturity June 2012	101,461	101,043
Note payable, 7.00% interest, maturity March 2012	—	1,228,894
Note payable, 8.5% interest, maturity June 2012	3,078,900	—
Note payable, 9.0% interest, maturity September 2012	3,043,707	—
Subtotal Opportunity Bank Malawi	16,686,134	13,827,721
Opportunity Bank Mozambique:		
Note payable, 21.00% interest, maturity June 2012	775,355	—
Note payable, FPC + 3.00% interest, maturity December 2012	42,665	—
Note payable, 14.00% interest, maturity October 2014	792,540	—
Note payable, 5.00% interest, maturity December 2016	286,617	—
Subtotal Opportunity Bank Mozambique	1,897,177	—
Opportunity Kenya:		
Note payable, 0.00% interest, maturity December 2011	—	473,496
Note payable, 14.00% interest, maturity July 2014	603,980	—
Subtotal Opportunity Kenya	603,980	473,496
Opportunity Uganda:		
Note payable, interest T-bill rate +5% but never less than 14.00%, maturity September 2012	335,455	840,000
Note payable, 13.20% interest, maturity July 2012	312,410	782,295
Note payable, 13.20% interest, maturity December 2013	820,000	880,000
Note payable, 13.20% interest, maturity September 2013	537,840	742,108
Note payable, 13.00% interest, maturity March 2014	585,715	—
Note payable, 12.00% interest, maturity June 2014	1,118,182	—
Note payable, 15.30% interest, maturity June 2014	1,677,610	—
Subtotal Opportunity Uganda	5,387,212	3,244,403

(Continued)

		2011	2010
Opportunity Bank Rwanda:			
Note payable, T-bill rate + 5.50% interest, maturity November 2013	$	1,514,819	978,010
Note payable, 12.00% interest, maturity November 2013		1,014,013	—
Note payable, 6.00% interest + SWAP cost, maturity December 2014		505,803	—
Note payable, 12.00% interest, maturity December 2014		971,040	—
Note payable, 5.00% interest, maturity May 2016		193,245	—
Note payable, 12.10% interest, maturity April 2012		1,010,105	—
Subtotal Opportunity Bank Rwanda		5,209,025	978,010
Opportunity Romania:			
Note payable, 10.50% interest, maturity June 2012		983,155	1,015,578
Note payable, 10.50% interest, maturity December 2012		983,155	1,015,578
Note payable, 6-month Euribor + 3.00%, maturity March 2012		153,102	197,534
Note payable, 6-month Euribor + 4.00%, maturity September 2012		583,589	723,463
Note payable, Euro Swap Rate + 5.17% maturity June 2012		1,729,452	3,543,203
Note payable, 3-month Bubor + 4.60% maturity January 2012		739,393	1,145,509
Note payable, 3-month Bubor + 4.6% maturity May 2012		1,006,270	1,039,455
Note payable, 6-month Bubor + 4.6% maturity May 2015		1,296,564	1,328,772
Note payable, 6-month Euribor + 4.00% maturity February 2016		648,132	664,241
Subtotal Opportunity Romania		8,122,812	10,673,333
Total banking notes payable		63,536,056	54,312,962
Total notes payable	$	81,013,991	71,217,462

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, 2011 are as follows:

2012	$	31,314,441
2013		10,298,457
2014		12,866,187
2015		1,936,887
2016		11,771,120
Thereafter		12,826,899
Total notes payable	$	81,013,991

(12) Lines of Credit

Opportunity has entered into a line of credit agreement with one bank providing for borrowings up to $5,000,000. The line has an interest rate based on the three-month LIBOR (London Interbank Offered Rate) plus 1.50%. The assets of the Cornerstone Fund provide collateral for this line. As of December 31, 2011 and 2010, 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 outstanding balance was 12-month LIBOR plus 2.0% per annum, adjusted annually between a minimum rate of 5.5% and a maximum rate of 9.5%. On August 3, 2010, the outstanding balance and interest was paid in full and the line of credit was closed.

(13) USAID Agreements

Opportunity entered into funding agreements with the United States Aid for International Development (USAID) over various periods for microenterprise development purposes in overseas countries as follows:

Program		Total grant	Funds received through December 31, 2011	Completion date
Serbia 2003	$	9,966,025	9,966,025	September 2012
Orphans and Vulnerable Children		5,299,608	5,299,608	June 2010
Mozambique Global Development Alliance		461,082	461,085	September 2010
Ghana Implementation Grant Program		1,189,120	538,216	July 2012

During 2010, while negotiating the pending termination of the Serbia 2003 Cooperative Agreement, USAID notified Opportunity that funds it advanced to Opportunity for the equity investment in Opportunity Serbia would be required to be returned upon the termination of the cooperative agreement as part of the final disposition of assets. Accordingly, a liability totaling approximately $8,000,000 was recorded in the charitable funds accrued liabilities in 2010.

(14) 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 May 2011 and expires August 31, 2014. The other offices are rented on a month-to-month basis. Rent expense for the years ended December 31, 2011 and 2010 was approximately $548,056 and $509,077, respectively. Future minimum operating lease payments as of December 31, 2011 are as follows:

2012	$	494,099
2013		449,535
2014		299,979
2015		28,360
2016		24,691
Thereafter		26,139
Total	$	1,322,803

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, 2011 and 2010 was $2,628,372 and $2,963,911, respectively. Future minimum operating lease payments as of December 31, 2011 are as follows:

2012	$	4,190,197
2013		4,081,854
2014		3,739,944
2015		2,834,101
2016		1,880,994
Thereafter		1,139,956
Total	$	17,867,046

(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.

(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 Ghana requires Opportunity Bank Ghana to maintain a prescribed ratio of total capital to total risk weighted assets. A minimum capital adequacy ratio of 10% must be maintained. As of December 31, 2011 and 2010, 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, 2011 and 2010, Opportunity Bank Malawi met these regulatory requirements.

The Central Bank of Mozambique requires Opportunity Bank Mozambique to maintain a reserve of 8.75% of total qualifying liabilities in terms of Law number 02/GBM/2010 of September 21, 2010 and to maintain a prescribed ratio of total capital to total risk-weighted assets of not less than 8%. As of December 31, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010, Opportunity Bank Serbia met these regulatory requirements.

Opportunity Uganda is required to maintain a core capital ratio of 8% and a total capital ratio of 12% under the Financial Institutions Act 2004 of Uganda. As of December 31, 2011 and 2010, Opportunity Uganda met these regulatory requirements.

(d) Guarantees

As of December 31, 2011 OTI had a total of two outstanding collateral support agreements. OTI has determined that there is no fair value liability associated with these support agreements because there was no net savings to the banks in 2011, as the amounts paid to OTI for the collateral agreement exceeded what the cost would have been had the bank obtained the financing elsewhere without the collateral support agreement. OTI had stand-by letters of credit outstanding in the amount of $1,600,000 and $1,850,000 as of December 31, 2011 and 2010, respectively, which is equivalent to the maximum potential future payments OTI could be required to make under the guarantees. The expiration dates of the stand-by letters of credit range from August 1, 2012 to November 15, 2012.

OTI has not recorded any liability for the draws on the stand-by letters of credit because OTI does not believe such guarantees are likely to be drawn.

(15) 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 $502,700 and $513,780 for the years ended December 31, 2011 and 2010, respectively.

(16) Related-Party Transactions

Included in program services in the consolidated statement of activities are grant expenses of $13,497,639 and $22,259,211 in 2011 and 2010, 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, 2011 and 2010, these individual ownership positions did not exceed 0 and 0.32%, respectively, of the common stock outstanding in each microfinance bank.

Notes payable totaling $125,000 as of December 31, 2011 and 2010 were due to a board member of Opportunity.

(17) Sale of Stock of Subsidiary and Other Institutions

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. On August 4, 2010, OTI received cash proceeds equivalent to $6.6 million which resulted in a net gain from the sale of $1.2 million. In addition, approximately $730,000 or 10% of the gross sales price is held in an escrow account. On April 28, 2011, the buyer filed a claim citing a breach of certain warranties and covenants made by OTI in the share purchase agreement. On April 17, 2012, OTI and the buyer agreed to settle the claim filed in 2011. The agreed settlement amount was fully reserved as of December 31, 2011.

In 2010, OTI also sold its 49% minority interest in Initiative Mikro (IM) in Poland. On August 4, 2010, OTI received cash proceeds of $1.4 million resulting in a net gain of $1.5 million on the sale. The gain included approximately $150,000 or 10% of the gross sales price held in escrow.

(18) Subsequent Events

(a) Amended Shareholder Agreement

Under the terms of a shareholder agreement, originally dated September 14, 2006 and amended September 27, 2012 between Opportunity Transformation Investments, Inc. (OTI), its subsidiary Opportunity Bank Serbia (OBS) and three other noncontrolling shareholders, the noncontrolling interest owners have the right to require OTI to purchase (the Put Option) their interest (a total of approximately 36.5%) of the outstanding capital stock of OBS. The Put Option is exercisable from March 31, 2014 to March 31, 2019, provided there has not been a strategic investor in OBS or an exit initial public offering. The price paid upon exercise will be determined based on the greater of established multiples of OBS capital shares and the exchange rate of Serbian Dinar to Euro as calculated on September 30, 2012. Accordingly, Opportunity recorded approximately $1.65 million in the investment in other financial institutions and in accrued liabilities in the accompanying statement of financial position. In order to satisfy the terms of this shareholder agreement, Opportunity is exploring strategic alternatives, such as identifying a strategic investor and a possible initial public offering.

(b) Amended Grant Agreement

On September 24, 2012, Opportunity and USAID agreed to an amendment of the 2003 Serbia Cooperative agreement, which extended the termination date from September 29, 2012 to September 27, 2013. The agreement provides required steps leading to the final payment and transfer of the $8,000,000 plus interest, which is accrued through December 31, 2011 in the amount of approximately $2.12 million, to USAID.

(c) Microensure LLC

Opportunity is in negotiations with prospective outside investors with the intention of reducing its ownership in MicroEnsure LLC to a minority interest.

(d) Exchange Rate Fluctuations (Unaudited)

In May 2012, the Reserve Bank of Malawi devalued its currency, the kwacha, by approximately 35% in an effort to fix Malawi’s troubled economy and unblock Western aid by meeting conditions set by the International Monetary Fund.

Through September 30, 2012, exchange rates fluctuated such that foreign assets and liabilities decreased in value by approximately $44.5 million and $38.5 million, respectively, resulting in a decrease in net assets of approximately $6.0 million, due solely to exchange rates and driven primarily by the devaluation of Malawi’s currency.

(e) Reserve and Regulatory Capital Requirements (Unaudited)

As of October 22, 2012, OTI’s foreign for-profit microfinance companies in Ghana, Malawi, Mozambique, Rwanda, Serbia and Uganda met the regulatory requirements in their respective countries.