



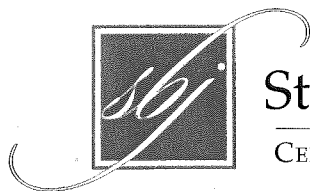
**ENTERPRISE MENTORS  
INTERNATIONAL**

**Independent Auditors' Report  
and  
Consolidated Financial Statements**

**June 30, 2010**

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# Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Enterprise Mentors International  
Draper, Utah

We have audited the accompanying consolidated statement of financial position of Enterprise Mentors International (a nonprofit corporation) and Subsidiaries as of June 30, 2010 and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the eighteen month period then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except as discussed in the following paragraph, 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 the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The collectability of the note receivable due from the Company's foreign affiliate partner in El Salvador as discussed in Note 10 cannot presently be determined. In addition, the collectability and ownership of the notes receivable discussed in Note 9 cannot presently be determined, as well as the net realizable value of the land held for sale as discussed in Note 8. Accordingly, we were unable to apply sufficient audit procedures with respect to these balance sheet accounts.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the notes receivable and land held for sale referred to in the preceding paragraph been susceptible to satisfactory audit tests, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Enterprise Mentors International and Subsidiaries as of June 30, 2010 and the changes in its net assets and its cash flows for the eighteen month period then ended in conformity with accounting principles generally accepted in the United States of America.

*Stayner, Bates & Jensen, P.C.*

Stayner, Bates & Jensen, PC  
Salt Lake City, Utah  
March 11, 2011

**ENTERPRISE MENTORS INTERNATIONAL**  
Consolidated Statement of Financial Position  
June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 799,591	\$ -	\$ 799,591
Foreign micro-loans receivable, including accrued interest, net of allowance for loan loss of \$208,432 (Note 2)	2,035,755	-	2,035,755
Foreign micro-loans receivable - related parties (Note 7)	18,372	-	18,372
Prepaid expenses and other current assets	35,893	-	35,893
Total Current Assets	<u>2,889,611</u>	<u>-</u>	<u>2,889,611</u>
<b>PROPERTY AND EQUIPMENT (Note 2)</b>			
Office furnishings and equipment	190,223	-	190,223
Leasehold improvements	23,440	-	23,440
Software	136,806	-	136,806
Less: accumulated depreciation and amortization	(213,755)	-	(213,755)
Total Property and Equipment	<u>136,714</u>	<u>-</u>	<u>136,714</u>
<b>OTHER ASSETS</b>			
Investments, cost (Note 2)	7,500	-	7,500
Notes receivable (Note 9)	-	1,422,867	1,422,867
Notes receivable - foreign partner affiliate in El Salvador, net of loan loss reserve of \$25,000 (Note 10)	525,223	-	525,223
Land held for sale (Note 8)	-	450,000	450,000
Deposits and other assets (Note 2)	112,705	-	112,705
Total Other Assets	<u>645,428</u>	<u>1,872,867</u>	<u>2,518,295</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,671,753</u>	<u>\$ 1,872,867</u>	<u>\$ 5,544,620</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 225,295	\$ -	\$ 225,295
Foreign micro-loan payable (Note 3)	1,252,258	-	1,252,258
Line-of-credit (Note 4)	148,840	-	148,840
Total Current Liabilities	<u>1,626,393</u>	<u>-</u>	<u>1,626,393</u>
<b>TOTAL LIABILITIES</b>	<u>1,626,393</u>	<u>-</u>	<u>1,626,393</u>
<b>NET ASSETS</b>			
Unrestricted	2,013,016	-	2,013,016
Temporarily restricted (Note 5)	-	1,872,867	1,872,867
Foreign currency translation	32,344	-	32,344
Total Net Assets	<u>2,045,360</u>	<u>1,872,867</u>	<u>3,918,227</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,671,753</u>	<u>\$ 1,872,867</u>	<u>\$ 5,544,620</u>

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

**ENTERPRISE MENTORS INTERNATIONAL**  
Consolidated Statement of Activities and Change in Net Assets  
For the Eighteen Months Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Foreign Currency Translation</u>	<u>Total</u>
<b>Revenues and Support from Operations</b>				
<b>Public Support:</b>				
Contributions	\$ 1,035,982	\$ 34,875	\$ -	\$ 1,070,857
In-kind donations	4,500	-	-	4,500
Special events	271,323	9,410	-	280,733
Less: direct costs of special events	(151,971)	-	-	(151,971)
<b>Total Public Support</b>	<u>1,159,834</u>	<u>44,285</u>	<u>-</u>	<u>1,204,119</u>
<b>Revenue:</b>				
Loan interest and other loan fees	2,106,013	-	-	2,106,013
Other income	4,545	98,268	-	102,813
<b>Total Revenue</b>	<u>2,110,558</u>	<u>98,268</u>	<u>-</u>	<u>2,208,826</u>
Temporarily restricted funds released from restriction (Note 5)	<u>350,550</u>	<u>(350,550)</u>	<u>-</u>	<u>-</u>
<b>Total Revenues and Support from Operations</b>	<u>3,620,942</u>	<u>(207,997)</u>	<u>-</u>	<u>3,412,945</u>
<b>Operating Expenses</b>				
<b>Program Services</b>	<u>3,641,246</u>	<u>-</u>	<u>-</u>	<u>3,641,246</u>
<b>Supporting Services:</b>				
Fundraising costs	115,402	-	-	115,402
General and administrative	292,121	-	-	292,121
<b>Total Supporting Services</b>	<u>407,524</u>	<u>-</u>	<u>-</u>	<u>407,524</u>
<b>Total Operating Expenses</b>	<u>4,048,770</u>	<u>-</u>	<u>-</u>	<u>4,048,770</u>
<b>Change in Net Assets</b>	(427,828)	(207,997)	-	(635,825)
<b>Other Comprehensive Income</b>				
Gain on foreign currency translation	-	-	32,344	32,344
<b>Net Assets at Beginning of Year</b>	<u>2,440,844</u>	<u>2,080,864</u>	<u>-</u>	<u>4,521,708</u>
<b>Net Assets at End of Year</b>	<u>\$ 2,013,016</u>	<u>\$ 1,872,867</u>	<u>\$ 32,344</u>	<u>\$ 3,918,227</u>

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

**ENTERPRISE MENTORS INTERNATIONAL**  
Consolidated Statement of Functional Expenses  
For the Eighteen Months Ended June 30, 2010

	Program Services	Fundraising Costs	General and Administrative	Total Expenses
Operational grants to foreign partner affiliates	\$ 203,081	\$ -	\$ -	\$ 203,081
Loan loss reserve	155,749	-	-	155,749
Salaries and related costs	2,345,534	78,296	12,046	2,435,876
Bank fees	-	-	9,604	9,604
Board expenses	1,281	-	2,326	3,606
Communication and education	20,488	-	-	20,488
Dues and subscriptions	386	-	1,294	1,680
Information technology	31,387	3,923	3,923	39,234
Insurance	2,140	-	535	2,675
Interest expense	-	-	11,856	11,856
Office supplies	55,319	1,365	15,877	72,560
Other	32,538	2,120	7,384	42,041
Printing	1,445	441	210	2,095
Professional fees	227,018	9,762	63,859	300,639
Public relations	4,857	11,224	-	16,081
Rent, utilities and maintenance	163,826	6,520	18,116	188,462
Telephone	13,815	1,752	3,278	18,845
Travel	314,367	-	4,760	319,127
Training	68,016	-	-	68,016
<b>Total Functional Expenses before Depreciation and Other Expenses</b>	<b>3,641,246</b>	<b>115,402</b>	<b>155,067</b>	<b>3,911,716</b>
Depreciation	-	-	69,554	69,554
Loss on investment (Note 2)	-	-	67,500	67,500
<b>Total Functional Expenses</b>	<b>\$ 3,641,246</b>	<b>\$ 115,402</b>	<b>\$ 292,121</b>	<b>\$ 4,048,770</b>

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

**ENTERPRISE MENTORS INTERNATIONAL**  
Consolidated Statement of Cash Flows  
For the Eighteen Months Ended June 30, 2010

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (635,825)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	69,554
Loss on investment	67,500
Loan loss reserves	155,749
Changes in assets and liabilities:	
Increase in other receivables	25,794
Increase in prepaid expenses and other assets	(24,499)
Increase in accounts payable and accrued expenses	<u>13,264</u>
Net Cash Used in Operating Activities	<u>(328,463)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Increase in foreign micro-loans receivable, net of collections	(443,635)
Increase in foreign micro-loans payable, net of payments	328,147
Purchases of property and equipment	(53,449)
Advances on foreign notes receivable to El Salvador	(34,971)
Collections on notes receivable	<u>8,379</u>
Net Cash Used in Investing Activities	<u>(195,529)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Change in line-of-credit	<u>148,840</u>
Net Cash Provided by Financing Activities	<u>148,840</u>

<b>EFFECT ON CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	32,344
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<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(342,808)
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<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,142,399</u>
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<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 799,591</u></u>
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**SUPPLEMENTAL CASH FLOW INFORMATION**

Cash Payments For:	
Interest	\$ 11,856

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

**ENTERPRISE MENTORS INTERNATIONAL**  
Notes to the Consolidated Financial Statements  
June 30, 2010

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF OPERATIONS**

Enterprise Mentors International (“Mentors US”) is a non-profit corporation organized in the State of Missouri. Mentors’ mission in developing countries is to foster the establishment of partner organizations to assist families that struggle for self-sufficiency to attain a self-reliant livelihood through small enterprise activities by providing principle-based training, character development, counseling, mentoring, and micro-finance services for productive purposes. Mentors’ mission in developed countries is to provide those having the means and desire to assist the impoverished in a meaningful and lasting way with proven and practical methods of self-help to extend, not hand-outs, but a hand up.

Mentors US has formed its own partner organizations in the following countries:

<u>Country</u>	<u>Name of Organization</u>
Philippines - Manila	Philippine Microenterprise Development Foundation, Inc.
Philippines - Cebu	Visayas Enterprise Foundation, Inc.
Philippines - Davao	Mindanao Enterprise Development Foundation, Inc.
Guatemala	Fundacion Mentors Guatemala
Peru	Civil Association Mentors Peru
Honduras	Mentors Honduras, S. de R.L.

Mentors US provides all of the start-up support, training, funding and loan capital to these foreign partner organizations. Accordingly, the financial statements of each of these foreign entities are included in these consolidated financial statements as of and for the eighteen months ended June 30, 2010. The consolidated entities are collectively referred to herein as “Mentors”.

Mentors also has a foreign affiliated partner organization in El Salvador called Fundacion Mentores Empresariales Para El Salvador. Mentors has also assisted foreign individuals by providing educational loans through foreign affiliated partner organizations in Brazil and Chile. Each of these foreign affiliated partner organizations have its own local board of directors and indigenous staff. Therefore, the results their operations are not consolidated in the accompanying financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of Mentors conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The following is a summary of the more significant of Mentors’ accounting policies:

a. Basis of Presentation

Mentors presents its accounts in accordance with the American Institute of Certified Public Accountants’ Audit and Accounting Guide for Not-for-Profit Organizations (“Audit Guide”). Under the Audit Guide, not-for-profit organizations are required to provide a statement of financial position, a statement of activities, and a statement of cash flows which are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

**ENTERPRISE MENTORS INTERNATIONAL**  
Notes to the Consolidated Financial Statements  
June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Basis of Presentation (Continued)

Not-for-profit organizations are required to report total assets, liabilities, and net assets in a statement of financial position; change in net assets in a statement of activities; and changes in cash and cash equivalents in a statement of cash flows. The Audit Guide also requires that not-for-profit organizations report expenses by their functional classification, such as major programs and supporting activities. Mentors presents expenses by their functional classification in a statement of functional expenses.

Mentors maintains its accounts on the accrual basis of accounting and has elected a June 30, year-end. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met by actions of the organization and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of unrestricted net assets.

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases 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. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Expirations of temporary restrictions on net assets, i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

b. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Enterprise Mentors International and its subsidiaries. The consolidated entities are collectively referred to herein as "Mentors". Mentors US' subsidiaries, as previously described, include Philippine Microenterprise Development Foundation, Inc. (Manila, Philippines), Visayas Enterprise Foundation, Inc. (Cebu, Philippines), Mindanao Enterprise Development Foundation, Inc. (Davao, Philippines), Fundacion Mentors Guatemala (Guatemala), Civil Association Mentors Peru (Peru), and Mentors Honduras, S. de R.L. (Honduras). All significant intercompany transactions have been eliminated.

For Mentors US' foreign subsidiaries, the functional currency has been determined to be the local currency. Accordingly, assets and liabilities are translated at year-end exchange rates, and statement of activities items are translated at average exchange rates prevailing during the year. The resultant cumulative translation adjustments to the assets and liabilities are recorded as other comprehensive income (loss) as a separate component of net assets. Exchange adjustments resulting from foreign currency transactions are included in the determination of net income (loss).

**ENTERPRISE MENTORS INTERNATIONAL**  
Notes to the Consolidated Financial Statements  
June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Principles of Consolidation (Continued)

In accordance with Accounting Standards Codification ("ASC") 830, *Foreign Currency Matters* ("ASC 830") (formerly SFAS No. 95) cash flows from Mentors US' foreign subsidiaries are calculated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the consolidated statement of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheet.

c. Cash and Cash Equivalents

Mentors considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise encumbered. The carrying amount approximates fair value because of the short maturity of those instruments.

d. Income Taxes

Mentors is a non-profit corporation whose revenue is derived from contributions and other fundraising activities and is not subject to federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

On January 1, 2009, Mentors adopted the provisions of Accounting Standards Codification ("ASC") Topic 740-10 (formerly, FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). Mentors analyzed all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of that date. In addition, there have been no material changes in unrecognized benefits since January 1, 2009, nor was there a material effect during the current period, nor is it expected that there will be a material change in the next twelve months.

e. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Repairs and maintenance are expensed as incurred, whereas major improvements are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging as follows:

Office furnishings and equipment	3 to 7 years
Leasehold improvements	3 years
Software	3 to 5 years

Depreciation expense on property and equipment was \$69,554 for the eighteen month period ended June 30, 2010.

**ENTERPRISE MENTORS INTERNATIONAL**  
Notes to the Consolidated Financial Statements  
June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Estimates

The preparation of consolidated financial statements in conformity with 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 revenues and expenses, including functional allocations, during the reporting period. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. While actual results could differ from those estimates, management believes that the estimates are reasonable. Key estimates made in the accompanying consolidated financial statements include, among others, allowances for doubtful loans receivable, and the economic useful lives and recovery of long-lived assets.

g. Functional Allocation of Expenses

Mentors performs three functions: program, fundraising, and management and general. Definitions of these functions are as follows:

Program – Activities performed by Mentors and its foreign subsidiaries that fulfill Mentors' key purposes and programs in the micro-lending operation.

Fundraising – Activities performed by Mentors to generate funds and/or resources to support its programs and operations.

Management and General – All costs that are not identifiable with program or fundraising activities, but are indispensable to the conduct of such programs and activities and to Mentors' existence. This includes expenses for the overall direction of Mentors, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other general overhead.

Whenever practicable, expenses are assigned to functional categories on an item-by-item basis. Other expenses relate to two or more major programs and are allocated in accordance with ASC Topic No. 958, *Not-for-Profit Entities*. These expenses are subject to systematic review and allocation.

h. Contributions

Contributions, grants, and bequests including unconditional promises to give, are recognized upon receipt as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that will be received within one year from the balance sheet date are not discounted. Contributions outstanding longer than the payment terms are considered past due.

**ENTERPRISE MENTORS INTERNATIONAL**  
Notes to the Consolidated Financial Statements  
June 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h. Contributions (Continued)**

Volunteers and donors contribute substantial amounts of services, materials, and facilities toward the fulfillment of Mentors' programs. To the extent these contributions satisfy the criteria for recognition under generally accepted accounting principles (GAAP), they are recognized as contributions and expenses in the statement of activities and changes in net assets or are capitalized in the statement of financial position. The donated amounts recognized are generally recorded at the fair market value represented on the vendor invoice, or an estimated fair value as can best be approximated for similar items or services. For the eighteen month period ended June 30, 2010, a total of \$4,500 in donated services and facilities has been recorded in the accompanying consolidated financial statements.

No amounts have been reflected in the consolidated financial statements for donated volunteer services, which do not satisfy the criteria for recognition under GAAP; however, a substantial number of volunteers have donated significant amounts of time to Mentors' programs.

**i. Foreign Micro-Loans Receivable**

Mentors, through its foreign subsidiaries, issues micro-loans to individuals and groups of individuals engaged in micro-enterprise in select regions of Guatemala, the Philippines, Honduras, and Peru. These loans are typically for small amounts, bear monthly interest of 2.5 to 3.0 percent, and generally mature in eight to twelve months. Mentors recognizes interest revenue on these foreign micro-loans receivable on a daily basis as the interest is earned. Mentors also charges the borrowers certain other loan fees and setup fees, which fees are earned when received.

Mentors' management evaluates its micro-loan portfolio on a regular basis for possible uncollectible amounts, and records an allowance for loan losses based upon this analysis of the borrower's ability to meet their loan obligations and borrower collection histories. At June 30, 2010, Mentors has recorded an estimated allowance for loan losses totaling \$208,432.

**j. Investments**

Mentors holds an investment in the stock of a privately-held company, which stock was originally contributed to Mentors from a donor. During the eighteen months ended June 30, 2010, the Company recorded an impairment loss on this investment totaling \$67,500, based upon the current market value of this investment, bringing the net investment to \$7,500 as of June 30, 2010.

**k. Impairment of Long-Lived Assets**

Mentors reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**ENTERPRISE MENTORS INTERNATIONAL**  
Notes to the Consolidated Financial Statements  
June 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Advertising Expense**

Advertising and promotion expenses are expenses that are incurred by Mentors in an effort to raise funds. These costs are expensed as incurred.

**m. Fair Value of Financial Instruments**

The carrying value of financial instruments including cash, micro-loans receivable, accounts payable, and accrued expenses approximate fair value due to the short-term nature of these instruments. Fair value estimates are made at a specific point in time, based on relevant market information.

At June 30, 2010, Mentors did not have any financial instruments which meet the following pricing categories which require additional disclosure, other than its investment held in a privately-held company totaling \$7,500, which investment would be considered a Level 3 investment.

ASC Topic 820, Fair Value Measurements and Disclosures, requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Financial instruments with unadjusted, quoted prices listed on an active market exchange.

Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

**n. Concentrations of Credit Risk**

Cash and Cash Equivalents

Mentors' bank deposits held in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") to certain levels. During November 2010, the FDIC Board of Directors issued a final rule to provide temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all FDIC-insured depository institutions. This additional temporary coverage is effective December 31, 2010 through December 31, 2012. In addition, the FDIC currently provides \$250,000 of insurance coverage on interest bearing transaction accounts through December 31, 2013. Mentors has not experienced any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash. However, no assurance can be provided that access to Mentors' cash will not be impacted by adverse economic conditions in the financial markets. As of June 30, 2010, Mentors did not have any cash accounts with the United States that exceeded the federally insured limits.

**ENTERPRISE MENTORS INTERNATIONAL**  
Notes to the Consolidated Financial Statements  
June 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

n. Concentrations of Credit Risk (Continued)

Cash and Cash Equivalents (Continued)

However, a significant portion of Mentors cash at June 30, 2010 (\$779,173) was being held in foreign banks that are not insured by the FDIC, which funds could significantly be impacted due to adverse economic conditions or other significant risks of loss.

Micro-Loans Receivable

The majority of Mentors' operations are carried out in foreign countries. The foreign operations of Mentors are regulated and subject to the administrative directives, rules, and regulations of the local and national governmental authorities of each region. Such administrative directives, rules, and regulations are subject to change by the same governmental authorities, and such changes may occur with little or no notice and could have a detrimental impact on the organization.

o. Other Assets

During 2008, one of the foreign entities in the Philippines, Philippine Microenterprise Development Foundation, Inc., held cash in a bank, totaling \$88,977, at the time the bank went into bankruptcy. This \$88,977 is now due from the bank in receivership, pending the bankruptcy and asset liquidation proceedings. A claim has been filed for the amount owed, and management believes that the amount will eventually be collected. Since the timing of this collection is unknown, the entire amount is being shown as a long-term asset in the accompanying Statement of Financial Position as of June 30, 2010. No allowance has been recorded against this amount as management believes the amount to be fully collectible.

**NOTE 3 - FOREIGN MICRO-LOANS PAYABLE**

Mentors requires its borrowers in the Philippine organizations to participate and contribute a portion of their loan proceeds into various savings plans, including a group fund, a center fund, a personal fund, and a group tax fund. Generally, each borrower is required to contribute 5% of their initial loan proceeds into the group fund, 1% into the center fund, 5% into the personal fund, and 5% into the group tax fund. Additional amounts are to be contributed as the borrowers make their regular scheduled payments. Borrowers are allowed to take their savings back out, after certain milestones and criteria are met. The funds can also be used by the Philippine organizations to cover delinquent loans. The personal savings can be withdrawn once the borrowers have paid their loans in full. Total funds held by Mentors as of June 30, 2010 was \$1,252,258.

**NOTE 4 - LINE-OF-CREDIT**

At June 30, 2010, Mentors had a line-of-credit agreement with a bank that has a maximum borrowing limit of \$250,000. The line bears interest currently at 4.1% per annum and matured on December 15, 2010. The balance outstanding on the line as of June 30, 2010 was \$148,840.

**ENTERPRISE MENTORS INTERNATIONAL**  
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**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets represent donations to Mentors that are available for the following purposes:

Brazil Education Fund	<u>\$1,872,867</u>
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As previously mentioned, contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of unrestricted net assets.

**NOTE 6 - CONDITIONAL PROMISES TO GIVE**

Donors have made conditional promises to give to Mentors totaling approximately \$1,650,000. These commitments represent commitments in wills and irrevocable trusts, in which the donor retains discretion over the ultimate charitable beneficiary. Accordingly, these commitments are not recorded in the accompanying consolidated statement of financial position and the \$1,650,000 is not reflective of the present value of such conditional promises to give. Conditional promises to give are recorded as donations when received or when the conditional promise becomes unconditional.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

Mentors, through its' foreign subsidiaries, has issued micro-loans to certain employees in Guatemala, the Philippines, Honduras, and Peru. These related party micro-loans receivable generally have slightly more favorable terms than the other foreign micro-loans receivable. Foreign micro-loans receivable – related parties were \$18,372 as of June 30, 2010. No allowance has been recorded against these related party loans as management believes the amounts to be fully collectible.

Mentors receives significant contributions from members of its Board of Directors, including \$282,898 during the eighteen month period ended June 30, 2010.

Mentors has a note receivable of \$1,400,000 from an Arizona limited partnership that is controlled by a significant donor to Mentors.

**NOTE 8 - LAND HELD FOR SALE**

During 2003, approximately thirty acres of land in Walker, Arizona was donated to Mentors. Mentors recorded this asset at \$450,000, representing its estimated fair value at the time of donation. Estimated fair value as of June 30, 2010 cannot presently be determined. However, subsequent to June 30, 2010, Mentors' management is working on a transaction to transfer this land to a separate non-profit entity – see Note 13.

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**NOTE 9 - NOTES RECEIVABLE**

Notes receivable consisted of the following at June 30, 2010:

Note receivable from an individual bearing interest at ten percent, monthly principal and interest payments of \$386 through April 2023, secured by land. The interest rate shall adjust to one percent above the prime rate in March 2008 and each year thereafter	\$ 22,867
Note receivable from an Arizona partnership, bearing interest at a rate of seven percent, with interest payments due monthly through maturity on December 31, 2012 when all unpaid principal and interest are due; secured by Arizona real estate. Interest earnings on this note receivable are restricted for the Brazil Education Fund.	<u>1,400,000</u>
Total Notes Receivable	<u>\$ 1,422,867</u>

As more fully described in Note 13, subsequent to June 30, 2010, Mentors' management is working on a transaction to transfer both of the above notes receivable to a separate non-profit entity.

**NOTE 10 - GRANT AND NOTE RECEIVABLE – FOREIGN PARTNER AFFILIATE IN EL SALVADOR**

Mentors has made significant grants and loans to its foreign partner affiliates in El Salvador. Loans bear interest at 3.0% and are repayable upon demand by Mentors. In connection with this loan agreement, however, Mentors has entered into a security agreement granting Mentors a security interest in the property of the foreign partner affiliate.

During the eighteen month period ended June 30, 2010, Mentors loaned an additional \$34,971 to this foreign partner affiliate, bringing the total note receivable due as of June 30, 2010 to \$550,223. Mentors has recorded an allowance for loan losses against this note receivable, totaling \$25,000 as of June 30, 2010, to allow for potential non-collections. In addition, Mentors made a non-repayable grant to this foreign partner affiliate in El Salvador during the eighteen-month period ended June 30, 2010 of \$107,421.

**NOTE 11 - RETIREMENT PLAN**

Mentors' employees participate in a defined-contribution employee benefit plan incorporating provisions of Section 401(k) of the Internal Revenue Code. Employees who have at least one year of service are eligible to participate. Mentors matches 50% of eligible employee contributions up to an employee's contribution of six percent of compensation. Matching contributions by Mentors during the eighteen month period ended June 30, 2010 totaled \$8,651.

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**NOTE 12 -LEASE COMMITMENTS**

Mentors leases its Draper, Utah administrative offices from a third party under an operating lease expiring in December 2012. Rent expense totaled \$43,464 during the eighteen month period ended June 30, 2010. Minimum future lease payments under this lease commitment are as follows:

<u>Year ending June 30,</u>	
2011	\$ 40,966
2012	41,466
2013	20,859
2014	-
2015	-
2016 and thereafter	<u>-</u>
Total	<u><u>\$ 103,291</u></u>

**NOTE 13 -SUBSEQUENT EVENTS**

For purposes of these financial statements and all disclosures, subsequent events were evaluated through March 11, 2011, the date which the financial statements were available to be issued.

Subsequent to June 30, 2010, Mentors' management has been working on an agreement with a separate non-profit foundation, whereby certain assets of Mentors are expected to be transferred to this separate foundation in the near future, as follows:

<u>Assets to be Transferred</u>	<u>Net Book Value</u>
Land held for sale (see Note 8)	\$ 450,000
Note receivable from an Arizona partnership (see Note 9)	1,400,000
Other note receivable (see Note 9)	22,867
	<u>                    </u>
Total Assets to be Transferred	<u><u>\$ 1,872,867</u></u>

In addition, during November 2010, the name of the partner organization in Manila, Philippines (Philippine Microenterprise Development Foundation, Inc.) was changed to Mentors Philippines Microfinance Foundation, Inc.