

# McGladrey & Pullen

Certified Public Accountants

## **Endeavor Global, Inc.**

Financial Report

December 31, 2008

## Contents

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Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 14

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
Endeavor Global, Inc.  
New York, New York

We have audited the accompanying statements of financial position of Endeavor Global, Inc. ("Endeavor") as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Endeavor's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Endeavor as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

New York, New York  
June 10, 2009

Endeavor Global, Inc.

Statements of Financial Position  
December 31, 2008 and 2007

	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,212,122	\$ 2,381,639
Investments (Note 3)	4,001,239	-
Contributions receivable	130,172	130,133
Grants receivable (Note 12)	1,840,176	157,483
Prepaid expenses and other assets	241,741	304,528
Property and equipment - net (Note 4)	317,408	239,401
	<u>317,408</u>	<u>239,401</u>
<b>Total assets</b>	<b><u>\$ 10,742,858</u></b>	<b><u>\$ 3,213,184</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and other accrued liabilities	\$ 230,740	\$ 187,923
Capital lease obligations and other (Note 5)	64,359	48,263
	<u>64,359</u>	<u>48,263</u>
<b>Total liabilities</b>	<b><u>295,099</u></b>	<b><u>236,186</u></b>
Net Assets:		
Unrestricted	8,552,818	2,826,517
Temporarily restricted (Note 8)	1,869,941	125,481
Permanently restricted (Note 9)	25,000	25,000
	<u>25,000</u>	<u>25,000</u>
<b>Total net assets</b>	<b><u>10,447,759</u></b>	<b><u>2,976,998</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 10,742,858</u></b>	<b><u>\$ 3,213,184</u></b>

See Notes to Financial Statements.

Endeavor Global, Inc.

Statements of Activities

Years Ended December 31, 2008 and 2007

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Contributions	\$ 3,019,334	\$ -	\$ -	\$ 3,019,334	\$ 3,275,866	\$ -	\$ -	\$ 3,275,866
Grants (Note 12)	6,744,972	2,029,021	-	8,773,993	376,114	-	-	376,114
	<u>9,764,306</u>	<u>2,029,021</u>	<u>-</u>	<u>11,793,327</u>	<u>3,651,980</u>	<u>-</u>	<u>-</u>	<u>3,651,980</u>
Less discount for the time value of money	-	26,426	-	26,426	-	-	-	-
Total revenues, net of discount	<u>9,764,306</u>	<u>2,002,595</u>	<u>-</u>	<u>11,766,901</u>	<u>3,651,980</u>	<u>-</u>	<u>-</u>	<u>3,651,980</u>
Net realized and unrealized (loss)								
on investments	(1,008)	-	-	(1,008)	(7,309)	-	-	(7,309)
Interest and other income	233,061	15	-	233,076	59,090	-	-	59,090
In-kind services and goods (Note 7)	169,991	-	-	169,991	313,185	-	-	313,185
	<u>10,166,350</u>	<u>2,002,610</u>	<u>-</u>	<u>12,168,960</u>	<u>4,016,946</u>	<u>-</u>	<u>-</u>	<u>4,016,946</u>
Net assets released from restriction	258,150	(258,150)	-	-	264,419	(264,419)	-	-
<b>Total support and revenue</b>	<u>10,424,500</u>	<u>1,744,460</u>	<u>-</u>	<u>12,168,960</u>	<u>4,281,365</u>	<u>(264,419)</u>	<u>-</u>	<u>4,016,946</u>
Expenses:								
Programs:								
Search and Selection	832,789	-	-	832,789	427,558	-	-	427,558
eMBA	398,620	-	-	398,620	306,578	-	-	306,578
Entrepreneur Services	613,899	-	-	613,899	392,795	-	-	392,795
Endeavor Net	527,549	-	-	527,549	289,461	-	-	289,461
Affiliate Services	149,150	-	-	149,150	164,616	-	-	164,616
Affiliate Operations	361,479	-	-	361,479	-	-	-	-
New Country Expansion	582,087	-	-	582,087	610,684	-	-	610,684
Philanthropic Networks	517,103	-	-	517,103	482,294	-	-	482,294
<b>Total program expenses</b>	<u>3,982,676</u>	<u>-</u>	<u>-</u>	<u>3,982,676</u>	<u>2,673,986</u>	<u>-</u>	<u>-</u>	<u>2,673,986</u>
Management and general	200,074	-	-	200,074	148,264	-	-	148,264
Fund-raising and development	515,449	-	-	515,449	473,489	-	-	473,489
<b>Total expenses</b>	<u>4,698,199</u>	<u>-</u>	<u>-</u>	<u>4,698,199</u>	<u>3,295,739</u>	<u>-</u>	<u>-</u>	<u>3,295,739</u>
<b>Change in net assets</b>	<u>5,726,301</u>	<u>1,744,460</u>	<u>-</u>	<u>7,470,761</u>	<u>985,626</u>	<u>(264,419)</u>	<u>-</u>	<u>721,207</u>
Net Assets, beginning of year	2,826,517	125,481	25,000	2,976,998	1,840,891	389,900	25,000	2,255,791
<b>Net assets, end of year</b>	<u>\$ 8,552,818</u>	<u>\$ 1,869,941</u>	<u>\$ 25,000</u>	<u>\$ 10,447,759</u>	<u>\$ 2,826,517</u>	<u>\$ 125,481</u>	<u>\$ 25,000</u>	<u>\$ 2,976,998</u>

See Notes to Financial Statements.

Endeavor Global, Inc.

Statement of Functional Expenses  
Year Ended December 31, 2008

	Program											Total
	Search and Selection	eMBA	Entrepreneur Services	Endeavor Net	Affiliate Services	Affiliate Operations	New Country Expansion	Philanthropic Networks	Total Programs	Management and General	Fund-raising and Development	
Salaries and wages	\$ 269,382	\$ 226,047	\$ 183,597	\$ 161,935	\$ 78,969	\$ 104,313	\$ 236,856	\$ 211,976	\$ 1,473,075	\$ 70,709	\$ 207,664	\$ 1,751,448
Events and activities	178,062	13,291	130,296	1,643	1,676	11,994	41,073	78,641	456,676	68,032	84,856	609,564
Grants awarded	59,500	-	134,750	-	-	100,000	50,000	-	344,250	-	-	344,250
Professional fees	52,897	6,728	9,269	113,632	3,987	59,953	20,350	10,702	277,518	3,570	10,484	291,572
In-kind	-	40,190	-	111,390	-	-	40,190	32,716	224,486	-	32,715	257,201
Contractor fees	57,076	15,867	21,861	25,932	9,403	12,421	28,203	35,130	205,893	8,419	34,804	249,116
Rent, occupancy and utilities	35,342	17,483	24,087	21,245	10,360	13,685	31,074	27,810	181,086	9,277	27,244	217,607
Printing and publications	38,848	16,559	22,815	20,123	9,813	12,962	29,433	26,341	176,894	8,787	25,805	211,486
Employee benefits	27,788	13,746	18,939	16,704	8,146	10,760	24,433	21,866	142,382	7,294	21,422	171,098
Depreciation and amortization	18,899	10,435	14,376	12,689	6,190	8,172	18,556	16,607	105,924	5,542	16,266	127,732
Payroll taxes	16,440	8,133	11,205	9,883	4,819	6,366	14,455	12,937	84,238	4,315	12,674	101,227
Information technology	15,489	7,662	10,556	9,311	4,540	5,998	13,618	12,188	79,362	4,066	11,940	95,368
Marketing and education	14,106	6,978	9,614	8,479	4,135	5,462	12,403	11,100	72,277	3,703	10,874	86,854
Other	8,417	3,075	10,237	3,737	1,822	2,407	5,579	4,892	40,166	1,624	4,792	46,582
Office	6,343	3,138	4,323	3,813	1,859	2,456	5,577	4,991	32,500	1,665	4,890	39,055
Postage and shipping	4,457	2,205	3,038	2,679	1,307	1,726	3,919	3,507	22,838	1,170	3,436	27,444
Stipends	22,500	3,500	-	-	-	-	-	-	26,000	-	-	26,000
Equipment rental and maintenance	3,083	1,525	2,101	1,853	904	1,194	2,710	2,426	15,796	809	2,376	18,981
Telephone	2,529	1,251	1,724	1,521	742	979	2,224	1,990	12,960	664	1,950	15,574
Supplies	1,631	807	1,111	980	478	631	1,434	1,283	8,355	428	1,257	10,040
<b>Total expenses</b>	<b>\$ 832,789</b>	<b>\$ 398,620</b>	<b>\$ 613,899</b>	<b>\$ 527,549</b>	<b>\$ 149,150</b>	<b>\$ 361,479</b>	<b>\$ 582,087</b>	<b>\$ 517,103</b>	<b>\$ 3,982,676</b>	<b>\$ 200,074</b>	<b>\$ 515,449</b>	<b>\$ 4,698,199</b>

See Notes to Financial Statements.

Endeavor Global, Inc.

Statement of Functional Expenses

Year Ended December 31, 2007

	Program										
	Search and Selection	eMBA	Entrepreneur Services	Endeavor Net	Affiliate Services	New Country Expansion	Philanthropic Networks	Total Programs	Management and General	Fund-raising and Development	Total
Salaries and wages	\$ 123,799	\$ 121,852	\$ 140,641	\$ 122,290	\$ 82,971	\$ 250,080	\$ 152,129	\$ 993,762	\$ 73,758	\$ 149,415	\$ 1,216,935
Events and activities	101,962	10,378	117,782	17,543	2,140	64,715	104,088	418,608	8,494	100,426	527,528
In-kind	-	-	-	3,792	5,250	61,433	77,750	148,225	-	77,750	225,975
Grants awarded	19,798	19,487	22,492	19,557	13,269	39,994	24,329	158,926	11,796	23,895	194,617
Contractor fees	81,688	5,599	14,462	28,619	3,812	11,491	19,166	164,837	3,389	19,041	187,267
Printing and publications	16,074	15,821	18,261	15,878	10,773	32,470	19,752	129,029	9,577	19,400	158,006
Employee benefits	15,464	15,220	17,567	15,275	10,364	31,237	19,002	124,129	9,213	18,663	152,005
Professional fees	8,914	8,773	10,626	21,205	5,974	28,646	10,953	95,091	5,311	10,758	111,160
Depreciation and amortization	11,083	10,909	12,591	10,948	7,428	22,389	13,620	88,968	6,604	13,377	108,949
Stipends	15,000	65,295	-	990	-	-	-	81,285	-	-	81,285
Information technology	8,250	8,121	9,373	8,150	5,529	16,666	10,138	66,227	4,915	9,957	81,099
Rent, occupancy and utilities	8,017	7,891	9,108	7,919	5,373	16,194	9,851	64,353	4,776	9,676	78,805
Payroll taxes	7,484	7,366	8,502	7,393	5,016	15,118	9,197	60,076	4,459	9,033	73,568
Marketing and education	2,933	2,886	3,332	2,897	1,965	5,924	3,604	23,541	1,747	3,539	28,827
Equipment rental and maintenance	1,614	1,589	1,834	1,595	1,082	3,261	1,984	12,959	962	1,948	15,869
Telephone	1,460	1,437	1,659	1,442	978	2,949	1,794	11,719	870	1,762	14,351
Postage and shipping	1,415	1,393	1,608	1,398	948	2,859	1,739	11,360	843	1,708	13,911
Office	1,190	1,171	1,352	1,175	797	2,404	1,462	9,551	709	1,436	11,696
Supplies	857	843	973	846	574	1,731	1,053	6,877	510	1,034	8,421
Other	556	547	632	549	373	1,123	683	4,463	331	671	5,465
<b>Total expenses</b>	<b>\$ 427,558</b>	<b>\$ 306,578</b>	<b>\$ 392,795</b>	<b>\$ 289,461</b>	<b>\$ 164,616</b>	<b>\$ 610,684</b>	<b>\$ 482,294</b>	<b>\$ 2,673,986</b>	<b>\$ 148,264</b>	<b>\$ 473,489</b>	<b>\$ 3,295,739</b>

See Notes to Financial Statements.

Endeavor Global, Inc.

Statements of Cash Flows  
Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities:		
Change in net assets	\$ 7,470,761	\$ 721,207
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	127,732	108,949
Deferred rent payable	5,139	2,857
Unrealized gain on investments	(2,967)	-
Loss (gain) on disposal of property and equipment	37,644	(300)
Donated items (auction)	(84,000)	-
Net (gain) on sale of donated items (auction)	(47,365)	-
Increase and decrease in assets and liabilities:		
(Increase) in contributions receivable	(39)	(44,675)
(Increase) decrease in grants receivable	(1,682,693)	232,417
Decrease (increase) in prepaid expenses and other assets	62,787	(116,841)
Increase in accounts payable and other accrued liabilities	42,817	87,181
<b>Net cash provided by operating activities</b>	<b>5,929,816</b>	<b>990,795</b>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(227,708)	(138,882)
Proceeds from sale of property and equipment	-	945
Proceeds from sale of donated items (auction)	131,365	-
Purchase of investments	(3,998,272)	-
<b>Net cash used in investing activities</b>	<b>(4,094,615)</b>	<b>(137,937)</b>
Cash Flows Used in Financing Activities:		
Payment of capital lease obligations	(4,718)	(3,618)
<b>Net increase in cash and cash equivalents</b>	<b>1,830,483</b>	<b>849,240</b>
Cash and Cash Equivalents, beginning	2,381,639	1,532,399
<b>Cash and cash equivalents, ending</b>	<b>\$ 4,212,122</b>	<b>\$ 2,381,639</b>
Supplemental Disclosures:		
Noncash contribution of in-kind services and goods	\$ 169,991	\$ 313,185
Property acquired through capital lease arrangements	\$ 15,675	\$ 11,162

See Notes to Financial Statements.



**Notes to Financial Statements**

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**Note 1. Organization and Nature of Activities**

Endeavor Global, Inc. (“Endeavor”) is a not-for-profit organization pioneering a new model for economic development in emerging markets.

Endeavor believes that high-impact entrepreneurs hold the key to sustained economic growth in emerging markets. They are the ambitious entrepreneurs who run innovative, high-growth businesses that create jobs, opportunity and wealth in their communities. They dream of becoming the next Silicon Valley success story, but having launched in emerging economies, face considerable barriers to growth: few role models, a lack of trust, a limited pool of quality management, an inability to access smart capital, and insufficient contacts. Endeavor identifies these entrepreneurs and then helps them unleash their potential by providing the soft power of the private sector: networks, mentorship, strategic advice, talent, skills, and inspiration. These tools enable High-Impact Entrepreneurs to scale their businesses, building a vibrant, investment-friendly private sector and a robust middle class.

Search and Selection: Working through a network of local business leaders, Endeavor identifies and screens a large number of entrepreneur candidates running high-growth companies with up to \$15 million in annual revenues. An international selection panel of experienced business people elect a new class of Endeavor entrepreneurs—those individuals who demonstrate fulfillment of a specific set of values and conditions that match the organization’s expectations and goals.

eMBA Program: Endeavor recruits top MBA students from leading U.S. business schools to spend 10-12 weeks working on-site with our entrepreneurs to help them address their critical issues. Concrete deliverables of the eMBA program include honed business plans; strategic plans analyzing company growth options, and feasibility studies. eMBA Summer Associates are carefully chosen from a large pool of candidates to meet the needs of the entrepreneurs. The work plan for every eMBA Summer Associate is designed according to the needs of the Endeavor entrepreneur and revolves around a specific deliverable. Endeavor’s educational programs also include participation of Endeavor Entrepreneurs in Global e-Lab programs, as well as faculty exchange pilot programs targeted at expanding entrepreneurship curricula in emerging markets.

Entrepreneur Services: Once selected, Endeavor provides high-impact entrepreneurs with customized services to meet their specific challenges. Endeavor’s services focus on providing mentorship to local and global business leaders, managerial talent from blue-chip companies and top business schools, and access to difficult-to-penetrate networks. At the same time, Endeavor has built a peer network of entrepreneurs who provide a strong, supportive community to face any challenge. At the end of 2008, Endeavor supported 409 Entrepreneurs from 11 countries.

Endeavor Net: Endeavor codifies and transfers the information, best practices, and lessons learned that it has gathered through its proprietary Intranet and, where appropriate, through its Website, [www.endeavor.org](http://www.endeavor.org). Endeavor is in the process of developing a social networking site that will connect entrepreneurs, board members, staff, volunteers and network members around the world.

Affiliate Services: Once launched, each local office adapts the core Endeavor model to the local context while retaining a commitment to globally set standards. Through affiliate services, Endeavor establishes its commitment to continuous improvement, sharing best practice and establishing the critical balance between global standards and localization. To ensure ongoing quality of service and sharing of best practice Endeavor collates and disseminates standard operating procedures to each office and trains new staff members on core methodologies. Endeavor Global staff regularly visits the local offices, take part in local events and attend local board meetings to assimilate new initiatives to be shared with the wider group.

**Notes to Financial Statements**

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**Note 1. Organization and Nature of Activities (Continued)**

Affiliate Operations: Endeavor supports both new and existing offices through several departments, including Affiliate Operations. Staff in this department provides infrastructure and Information Technology training to new offices and high-level consulting services to established offices that have reached key inflection points.

New Country Expansion: Endeavor believes that building strong local offices is the only way for it to succeed over the longer term. The Endeavor model is only scalable with a strong local presence that assumes co-ownership of the Endeavor brand and lead responsibility for program execution. Moreover, a local presence enables the organization to raise funds from country benefactors and local sources to sustain operations. Until the point at which the Endeavor local country is legalized as a separate independent entity and has established a Board of Directors, its start-up and development costs are incurred by Endeavor-Global. In 2001, Endeavor formally launched and legalized Endeavor Uruguay. In 2002, Endeavor formally launched and legalized Endeavor Mexico. In 2004, Endeavor formally launched and legalized Endeavor South Africa. In 2006, Endeavor formally launched Columbia and Turkey while also continuing to build its Board and funding base. In 2008, Endeavor launched operations in Egypt, India and Jordan, bringing the total number of international offices up to 11.

Philanthropic Networks: With its growing network of Endeavor Entrepreneurs, Endeavor has reached a stage where it can focus on building programs to educate these future leaders on the next phase of their community role—private philanthropy and corporate social responsibility. Endeavor provides opportunities for its entrepreneurs to meet in round-table discussions and workshops with world-class philanthropists and socially responsible corporate leaders to discuss ways to give back to the community on personal and professional level. Endeavor encourages all of its donors not just to donate money, but also their time to mentoring entrepreneurs and pushing forward the cause of economic development in emerging markets. Each November, Endeavor hosts an annual Gala Event and Awards Ceremony to highlight the social and philanthropic contributions of its entrepreneurs and network members. Endeavor Entrepreneurs are also spearheading the launch of each of the Endeavor Country endowments and/or local country Entrepreneur Give-Back programs to build self-sustaining local organizations for future generations.

**Note 2. Summary of Significant Accounting Policies**

Basis of Accounting: The financial statements of Endeavor have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations, which also requires Endeavor to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or absence of donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donor-imposed restrictions which are met in the current period are classified as unrestricted grants and contributions in the statement of activities.

## Endeavor Global, Inc.

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Endeavor considers all highly liquid financial instruments purchased with maturity of three months or less to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

Investments: In accordance with the provisions of FASB Statement No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, Endeavor records its investments at fair value with changes in the fair value of investments recorded in the statements of activities. The fair value of Endeavor's investments is based on quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Property and Equipment: Property and equipment are stated at cost at date of acquisition or fair market value at date of donation. Betterments, improvements and major repairs are capitalized. Maintenance and minor repairs of property are expensed as incurred.

Depreciation is recognized on a straight-line basis over the estimated useful lives of the respective assets:

	<u>Useful Lives (Years)</u>
Leasehold improvements	4 - 7
Furniture and fixtures	7
Computer equipment	3
Other equipment	5
Software	3

Prepaid Expenses and Other Assets: Prepaid expenses and other assets are comprised of security and other deposits, insurance premiums, prepaid IT services, amounts due from (to) Endeavor affiliates and other prepaid expenses.

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues.

Gift of Long-Lived Assets: It is Endeavor's policy to report as unrestricted gifts any long-lived assets donated without restriction stipulated by the donor.

**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Accounting Standards Board ("FASB") Staff Position No. SFAS 117-1: In August 2008, the FASB issued FASB Staff Position No. SFAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA")*, and *Enhanced Disclosures for All Endowment Funds ("FSP SFAS 117-1")*. This FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the UPMIFA. The FSP also improves disclosures about an organization's endowment (both donor-restricted and board-designated funds), whether or not the organization is subject to the UPMIFA.

Effective January 1, 2008, Endeavor adopted Statement No. 157, *Fair Value Measurements* ("SFAS No. 157"), which provides a framework for measuring fair value under generally accepted accounting principles. SFAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. Implementation of SFAS No. 157 had no effect on assets, net assets or change in net assets as of December 31, 2008 or for the year then ended.

As defined in Statement No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, Endeavor uses various methods including market, income and cost approaches. Based on these approaches, Endeavor often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Endeavor utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques Endeavor is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended December 31, 2008, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

## Endeavor Global, Inc.

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

**Income Taxes:** The FASB has issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109* (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Endeavor is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Endeavor is subject to taxes on unrelated business income, if any. Endeavor currently discloses or recognizes income tax positions based on management’s estimate of the degree to which it is reasonable, possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*.

Endeavor has elected to defer the application of FIN 48 in accordance with FASB Staff Position (“FSP”) FIN 48-3. This FSP defers the effective date of FIN 48 for nonpublic enterprises included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. Endeavor will be required to adopt FIN 48 in its 2009 annual financial statements. The provisions of FIN 48 are to be applied to all tax positions upon initial application for this standard. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption.

The cumulative effect of applying the provisions of FIN 48 will be reported as an adjustment to the opening balance of net assets for the fiscal year of adoption. Management is currently assessing the impact of FIN 48 on its financial position and change in its net assets and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

#### Note 3. Investments

Investments measured on a recurring basis, consists of the following at December 31, 2008:

Description	Cost	Fair Value	Fair Value Measurements Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income:					
U.S. Treasury Bills	\$ 3,998,272	\$ 4,001,239	\$ -	\$ 4,001,239	\$ -

The Unrealized gain from these investments during December 31, 2008 was \$2,967. Endeavor held no investments as of December 31, 2007.

## Endeavor Global, Inc.

### Notes to Financial Statements

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#### Note 4. Property and Equipment

As of December 31, 2008 and 2007, property and equipment consists of the following:

	<u>2008</u>	<u>2007</u>
Leasehold improvements	\$ 143,819	\$ 46,580
Furniture and fixtures	108,997	56,565
Computer equipment	94,831	71,730
Other equipment	61,327	37,297
Software	481,424	481,424
	<u>890,398</u>	693,596
Less accumulated depreciation	<u>(572,990)</u>	<u>(454,195)</u>
<b>Total</b>	<b><u>\$ 317,408</u></b>	<b><u>\$ 239,401</u></b>

#### Note 5. Commitments

On August 1, 2004, Endeavor entered into a 10-year operating lease for office space scheduled to end July 31, 2014. In January 2008, Endeavor and the landlord mutually agreed to terminate this lease at no cost to Endeavor. On January 31, 2008, Endeavor entered into a 4-year operating lease for new office space, ending February 28, 2012. In addition to base rent, this lease includes monthly electric charges of approximately \$1,300. Future minimum rental payments required under this operating lease as of December 31, 2008 are as follows:

Year ending December 31,

2009	\$ 211,000
2010	218,000
2011	225,000
2012	<u>19,000</u>
	<u>\$ 673,000</u>

Endeavor has capital lease obligations for office equipment and computer hardware. These lease terms are 33-month to 63-month contracts, which commenced at various dates between November 2002 and December 2008. At December 31, 2008, future lease payments are \$15,750 and are payable through November 2012. Rent expense for the office space for the year ended December 31, 2008 and 2007 was approximately \$218,000 and \$79,000, respectively. Equipment rent expense for the year ended December 31, 2008 and 2007 was approximately \$3,900 and \$600, respectively.

#### Note 6. Concentration of Credit Risk

Endeavor maintains its cash and cash equivalents in a number of bank accounts. The cash in these accounts from time to time exceeds the Federal Deposit Insurance Coverage and subjects Endeavor to concentration risk. However, Endeavor monitors this risk on a regular basis.

## Endeavor Global, Inc.

### Notes to Financial Statements

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#### Note 7. In-Kind Services and Goods

In-kind services are recognized as revenues and expenses on the statement of activities at the estimated fair value at the date the services were donated. In-kind goods are recognized as revenues in the statement of activities at their estimated fair value at the date the goods were donated and are expensed over the estimated useful lives. Endeavor received the following in-kind services and goods in 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Technology support for global programs	\$ 87,210	\$ 91,002
Legal services for Country Expansion Program	80,380	56,183
Public relations support	24,180	-
Entertainment for Gala	65,431	145,000
Marketing	-	21,000
	<u>\$ 257,201</u>	<u>\$ 313,185</u>

#### Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2008</u>	<u>2007</u>
Latin America	\$ 889,771	\$ -
South Africa, Egypt, Turkey	29,750	-
Search and Selection Program	300,000	-
Future Periods	650,420	125,481
	<u>\$ 1,869,941</u>	<u>\$ 125,481</u>

Net assets released from restrictions during the years ended December 31, 2008 and 2007 were released from restriction by incurring expenses satisfying the restricted purposes or by the occurrence of other events, as follows:

	<u>2008</u>	<u>2007</u>
Latin America	\$ -	\$ -
South Africa, Egypt, Turkey	59,500	-
Search and Selection Program	150,000	-
Central Andean Foundation	48,650	264,419
	<u>\$ 258,150</u>	<u>\$ 264,419</u>

**Notes to Financial Statements**

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**Note 9. Permanently Restricted Net Assets**

Permanently restricted net assets represent contributions received in prior years for the establishment of an endowment for Endeavor's Global Initiative Fund.

**Note 10. Line of Credit**

In September 2008, Endeavor renewed a \$250,000 business line of credit (the "Line") with its lender. Borrowings under these arrangements are for general operating needs of Endeavor. Interest charge on the unpaid principle balance on the Line is at prime plus .25 %, with monthly repayments equal to the greater of \$250, or the aggregate sum of accrued interest plus 1/60<sup>th</sup> of the unpaid principle balance immediately following the Final Availability Date until the outstanding balance is paid in full. There is no maturity date for the Line, and the Line remains open until terminated by either Endeavor or the lender. There was no outstanding balance on the Line at December 31, 2008 and 2007.

**Note 11. Retirement Plan**

Endeavor maintains a SIMPLE IRA Plan (the "Plan"). All contributions made to the Plan are fully vested when made. Individuals become eligible to enroll on the first of any month that follows their date of hire, provided they have then attained age 21. Endeavor makes matching contributions equal to salary reductions elected by the participant, up to \$10,500 or 3% of the participant's annual salary, whichever is lower. Endeavor paid matching contributions totaling \$36,107 and \$33,337 during 2008 and 2007, respectively.

**Note 12. Major Contributors**

During fiscal 2008, Endeavor received grant commitments from four donors totaling approximately \$8,313,000, which represents 68% of total support and revenue. Grants receivable attributable to these four donors was approximately \$1,763,000 as of December 31, 2008. There were no significant contributors during fiscal 2007.

During fiscal 2008, one of the above mentioned donors contributed \$6,000,000 to Endeavor, with an additional conditional award of \$4,000,000 which has not been reflected in the accompanying statement of activities. This grant contains a 1:1 match requirement. The matching funds requirement is determined by Endeavor's total revenue and support excluding the donor's award in excess of revenue thresholds stipulated in the grant agreement. Matching amounts will be paid in subsequent fiscal periods each year upon receipt of audited financial statements, and the matching amount will be calculated based upon the audited revenue for the previous year. The grant was made to support Endeavor's accelerated expansion plans.

**Note 13. Related Party Transactions**

Endeavor received contributions of \$530,000 and \$460,000 from its Board Members during 2008 and 2007, respectively.