Relationships with peers and friends are important and influential in the lives of youth, especially in adolescence (Buhrmester & Furman, 1987). Although attention recently has been drawn to the important roles of race, ethnicity, culture, and diversity in youths’ peer group interactions (Graham, Taylor, & Ho, 2008), surprisingly little is known about the formation of dyadic friendships between youths of differing ethnic backgrounds. The current research examines the prevalence of cross-ethnic friendships and the socioemotional adjustment correlates of cross-ethnic friendships among 6th through 8th grade adolescent youth in an ethnically diverse urban middle school (N = 372). Youths responded to questionnaires in their classrooms at school. Results indicated that cross-ethnic friendships were more prevalent than previously thought, and importantly, the findings for prevalence differed based on the method used to assess friendships. Gender, developmental, and ethnic differences in cross-ethnic friendship prevalence also were tested. In addition, relations between youths’ socioemotional adjustment and participation in cross-ethnic friendships were examined. Youths with advanced social perspective-taking skills had more cross-ethnic friends, whereas youths who experienced perceived barriers to forming cross-ethnic friendships had fewer cross-ethnic friends. Prosocial behavior, likeability among peers, depression, and anxiety were unrelated to cross-ethnic friendship. Associations of perceived popularity with cross-ethnic friendship were positive for boys, but negative for girls. In addition, youths’ ethnic identity was differently associated with cross-ethnic friendship for ethnic minority versus non-minority White youth. Applied implications are discussed. Race relations is a complex and compelling issue, and understanding youths’ friendships with peers who are different from themselves in terms of race/ethnicity will help to illuminate ways to foster positive intergroup relations.