FINANCIAL STATEMENTS

THE FRIENDSHIP BRIDGE

FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

THE FRIENDSHIP BRIDGE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Friendship Bridge
Lakewood, Colorado

We have audited the accompanying statements of financial position of The Friendship Bridge, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Friendship Bridge as of December 31, 2013 and 2012, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

April 25, 2014

THE FRIENDSHIP BRIDGE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents:		
Cash held in the United States	$ 206,583	$ 150,470
Cash held in Guatemala	633,247	713,952
Total cash and cash equivalents	839,830	864,422
Investments (Notes 2, 10 and 11)	617,618	1,170,250
Loans receivable, net (Note 3)	4,780,642	3,313,535
Loan interest receivable	104,210	56,043
Grants and pledges receivable	10,840	28,907
Prepaid expenses and other assets	43,364	31,661
Total current assets	6,396,504	5,464,818
PROPERTY AND EQUIPMENT		
Furniture and equipment	85,902	78,211
Computers and related equipment	196,918	198,448
Vehicles	85,548	85,317
Leasehold improvements	4,131	2,404
	372,499	364,380
Less: Accumulated depreciation and amortization	(304,686)	(234,297)
Net property and equipment	67,813	130,083
NONCURRENT ASSETS		
Security deposits	15,512	15,512
Investments, net of current portion (Notes 2, 10 and 11)	-	10,120
Total noncurrent assets	15,512	25,632
TOTAL ASSETS	**$ 6,479,829**	**$ 5,620,533**

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Loans payable (Note 4)	$ 1,803,768	$ 143,665
Accounts payable and accrued liabilities	644,788	471,062
Total current liabilities	2,448,556	614,727
NONCURRENT LIABILITIES		
Loans payable (Note 4)	325,000	1,310,000
Total liabilities	2,773,556	1,924,727
NET ASSETS		
Unrestricted	3,453,943	3,411,255
Temporarily restricted (Note 5)	151,330	183,551
Permanently restricted (Note 11)	101,000	101,000
Total net assets	3,706,273	3,695,806
TOTAL LIABILITIES AND NET ASSETS	**$ 6,479,829**	**$ 5,620,533**

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Grants and contributions	$ 614,764	$ 108,625	$ -	$ 723,389
Interest and investment income (Note 2)	73,548	-	-	73,548
Loan interest and fees	1,817,680	-	-	1,817,680
In-kind contributions	37,809	-	-	37,809
Events	46,641	-	-	46,641
Sales and other income	20,349	-	-	20,349
Net assets released from donor restrictions - satisfaction of donor restrictions (Note 6)	140,846	(140,846)	-	-
Total support and revenue	2,751,637	(32,221)	-	2,719,416
EXPENSES				
Program Services:				
Financial Products	1,282,870	-	-	1,282,870
Education and Social Performance	998,149	-	-	998,149
Nurses Education (Vietnam)	42,929	-	-	42,929
Total program services	2,323,948	-	-	2,323,948
Supporting Services:				
General and Administrative	233,160	-	-	233,160
Fundraising	194,104	-	-	194,104
Total supporting services	427,264	-	-	427,264
Total expenses	2,751,212	-	-	2,751,212
Changes in net assets before other item	425	(32,221)	-	(31,796)
OTHER ITEM				
Currency gain (loss)	42,263	-	-	42,263
Changes in net assets	42,688	(32,221)	-	10,467
Net assets at beginning of year	3,411,255	183,551	101,000	3,695,806
NET ASSETS AT END OF YEAR	$ 3,453,943	$ 151,330	$ 101,000	$ 3,706,273

2012			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 554,308	$ 81,464	$ -	$ 635,772
46,029	-	-	46,029
1,565,958	-	-	1,565,958
21,232	-	-	21,232
38,670	-	-	38,670
91,546	-	-	91,546
134,436	(134,436)	-	-
2,452,179	(52,972)	-	2,399,207
1,071,944	-	-	1,071,944
791,125	-	-	791,125
42,163	-	-	42,163
1,905,232	-	-	1,905,232
250,528	-	-	250,528
208,607	-	-	208,607
459,135	-	-	459,135
2,364,367	-	-	2,364,367
87,812	(52,972)	-	34,840
(46,542)	-	-	(46,542)
41,270	(52,972)	-	(11,702)
3,369,985	236,523	101,000	3,707,508
$ 3,411,255	**$ 183,551**	**$ 101,000**	**$ 3,695,806**

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services			
	Financial Products	Education and Social Performance	Nurses Education (Vietnam)	Total Program Services
Salaries and benefits (Note 9)	$ 692,499	$ 710,830	$ 775	$ 1,404,104
Printing and production	-	-	78	78
Professional fees	7,636	5,798	-	13,434
Occupancy (Note 8)	54,437	43,042	49	97,528
Accounting and audit	9,954	7,558	52	17,564
Insurance	6,405	5,177	-	11,582
Depreciation and amortization	41,695	31,657	-	73,352
Telecommunications	19,299	15,475	14	34,788
Travel and transportation	49,027	47,602	40,838	137,467
Consulting fees	13,254	11,333	-	24,587
Supplies	11,627	11,127	6	22,760
Training	19,800	48,035	-	67,835
Hospitality	716	716	5	1,437
Insight trips	-	-	-	-
Interest expense (Note 4)	81,873	-	-	81,873
Equipment	14,343	11,243	-	25,586
Donated legal support and training services	-	-	-	-
Events	-	-	-	-
Bad debts and allowances (Note 3)	36,211	-	-	36,211
Software and other fees	85,035	7,926	1,110	94,071
Advertising	20,814	-	-	20,814
Credit checks	63,791	-	-	63,791
Taxes (Note 7)	52,381	39,769	-	92,150
Other	2,073	861	2	2,936
TOTAL	**$ 1,282,870**	**$ 998,149**	**$ 42,929**	**$ 2,323,948**

Supporting Services			
General and Administrative	**Fundraising**	**Total Supporting Services**	**Total Expenses**
$ 142,117	$ 118,374	$ 260,491	$ 1,664,595
14,314	11,923	26,237	26,315
-	-	-	13,434
8,953	7,458	16,411	113,939
9,571	7,972	17,543	35,107
1,652	1,368	3,020	14,602
-	-	-	73,352
2,553	2,127	4,680	39,468
6,259	5,213	11,472	148,939
4,116	3,409	7,525	32,112
1,164	970	2,134	24,894
80	67	147	67,982
901	751	1,652	3,089
4,039	3,346	7,385	7,385
-	-	-	81,873
1,800	1,492	3,292	28,878
15,145	12,546	27,691	27,691
14,277	11,828	26,105	26,105
-	-	-	36,211
5,206	4,417	9,623	103,694
-	-	-	20,814
-	-	-	63,791
-	-	-	92,150
1,013	843	1,856	4,792
$ 233,160	**$ 194,104**	**$ 427,264**	**$ 2,751,212**

THE FRIENDSHIP BRIDGE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services			
	Financial Products	**Education and Social Performance**	**Nurses Education (Vietnam)**	**Total Program Services**
Salaries and benefits (Note 9)	$ 615,391	$ 578,799	$ 770	$ 1,194,960
Printing and production	-	-	64	64
Professional fees	8,518	6,520	-	15,038
Occupancy (Note 8)	51,984	40,701	60	92,745
Accounting and audit	8,731	6,629	51	15,411
Insurance	7,066	5,685	-	12,751
Depreciation and amortization	40,056	30,412	-	70,468
Telecommunications	17,495	14,149	15	31,659
Travel and transportation	38,904	36,185	37,244	112,333
Consulting fees	12,157	9,519	-	21,676
Supplies	10,692	10,197	11	20,900
Training	19,317	38,250	-	57,567
Hospitality	-	-	12	12
Insight trips	-	-	-	-
Interest expense (Note 4)	60,576	-	-	60,576
Equipment	14,261	10,906	-	25,167
Donated legal support and training services	-	-	-	-
Events	-	-	-	-
Bad debts and allowances (Note 3)	44,402	-	-	44,402
Software and other fees	75,083	363	3,936	79,382
Advertising	13,560	-	-	13,560
Credit checks	26,180	-	-	26,180
Other	7,571	2,810	-	10,381
TOTAL	**$ 1,071,944**	**$ 791,125**	**$ 42,163**	**$ 1,905,232**

See accompanying notes to financial statements.

Supporting Services			
General and Administrative	Fundraising	Total Supporting Services	Total Expenses
$ 141,242	$ 117,645	$ 258,887	$ 1,453,847
11,752	9,789	21,541	21,605
465	385	850	15,888
10,934	9,106	20,040	112,785
9,382	7,815	17,197	32,608
1,216	1,008	2,224	14,975
-	-	-	70,468
2,836	2,362	5,198	36,857
7,797	6,494	14,291	126,624
12,392	10,266	22,658	44,334
2,091	1,742	3,833	24,733
217	180	397	57,964
2,219	1,849	4,068	4,080
8,305	6,880	15,185	15,185
-	-	-	60,576
385	319	704	25,871
11,612	9,620	21,232	21,232
14,626	12,117	26,743	26,743
-	-	-	44,402
9,432	7,856	17,288	96,670
-	-	-	13,560
-	-	-	26,180
3,625	3,174	6,799	17,180
$ 250,528	**$ 208,607**	**$ 459,135**	**$ 2,364,367**

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 10,467	$ (11,702)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	73,352	70,468
(Decrease) increase in the provision for uncollectible loans	(16,914)	3,782
Loans directly written-off	53,125	40,620
Stock donations	(9,533)	(4,847)
Loan guarantee funds absorbed	209,353	170,503
Currency (gain) loss on loan portfolio currency valuation	(26,635)	41,669
Realized loss on sales of investments	335	499
Unrealized gain on investments	(8,666)	(5,832)
Loss on disposal (gain on sale) of fixed assets	887	(1,982)
Forgiveness of loan liability	-	(6,000)
(Increase) decrease in:		
Loan interest receivable	(48,167)	(4,165)
Grants and pledges receivable	18,067	28,335
Prepaid expenses and other assets	(11,703)	1,099
Security deposits	-	51
Increase (decrease) in:		
Accounts payable and accrued liabilities	173,728	(22,924)
Net cash provided by operating activities	417,696	299,574
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(11,970)	(49,755)
Proceeds from sale of vehicle	-	1,982
Proceeds from sales of investments	1,309,427	750,904
Purchase of investments	(728,811)	(1,070,208)
Loan capital issued to beneficiaries	(9,870,757)	(6,980,370)
Loan capital collected from beneficiaries	8,184,720	6,983,407
Net cash used by investing activities	(1,117,391)	(364,040)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from investors/lendees	675,103	409,595
Repayments on loans/notes	-	(284,000)
Net cash provided by financing activities	675,103	125,595
Net (decrease) increase in cash and cash equivalents	(24,592)	61,129
Cash and cash equivalents at beginning of year	864,422	803,293
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 839,830**	**$ 864,422**
SUPPLEMENTAL INFORMATION		
Interest Paid	**$ 69,132**	**$ 58,685**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Friendship Bridge was incorporated as a Colorado non-profit corporation on March 20, 1990. The Friendship Bridge provides microcredit and education to empower women in Guatemala to create a better future for themselves, their children and their communities. The Friendship Bridge's primary sources of revenue are grants, public contributions and interest on microcredit loans.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

The Friendship Bridge considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, The Friendship Bridge maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal. Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). The Friendship Bridge maintains a portion of its cash balances at financial institutions in non-interest bearing accounts; thereby, all of these cash balances are protected by FDIC under this Act.

The Friendship Bridge had $633,247 and $713,952 of cash and cash equivalents on hand and invested in financial institutions in Guatemala as of December 31, 2013 and 2012, respectively. The majority of funds invested abroad are uninsured. The investment policy for the organization ensures cash in Guatemala is distributed among numerous banks to mitigate the risk of any bank failure and the Investment Committee of the Board of Directors reviews the credit ratings of the country’s banks on a semiannual basis.

Loans -

Loans receivable are stated net of an allowance for loan losses. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the loan beneficiary. Loan interest and fees are recorded as revenue as earned.

Investments -

Investments are recorded at fair value. Unrealized and realized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets.

Property and equipment -

Property and equipment (with an acquisition value greater than $1,500) are stated at cost. Property and equipment (including vehicles) are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Property and equipment (continued) -

The cost of maintenance and repairs is recorded as expenses are incurred. Donations of property and equipment are recorded as current support at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, The Friendship Bridge reports expirations of donor restrictions when the donated or acquired assets are placed in service (or when depreciated) as instructed by the donor. At that time, The Friendship Bridge releases the temporarily restricted net assets from restrictions to unrestricted net assets.

Income taxes -

The Friendship Bridge is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, The Friendship Bridge has established a provision for income taxes in the accompanying financial statements based on its local microcredit (and related earnings) activities in Guatemala (Note 7). The Friendship Bridge is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended December 31, 2013 and 2012, The Friendship Bridge has documented its consideration of FASB ASC 740-10 and concluded its tax position as discussed in Footnote 7.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of The Friendship Bridge and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of The Friendship Bridge and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by The Friendship Bridge.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Donated services and in-kind contributions -

Accounting standards require that the value of services provided by individuals with specialized skills be recognized in The Friendship Bridge's financial statements; the standards also require that other donated items such as equipment and certain unbilled expenditures be recognized by The Friendship Bridge as current support (and expense). In-kind contributions recorded in the accompanying financial statements include legal support, training services and other unbilled costs which have been provided by volunteer professionals and other individuals. In-kind contributions totaled $37,809 and $21,232 during the years ended December 31, 2013 and 2012, respectively.

The Friendship Bridge also receives contributions from other sources in which the value of those services cannot be reasonably determined. Accordingly, the value of those contributions has not been recorded in the accompanying financial statements.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Functional currency -

The Quetzal is the functional currency of Guatemala. All assets and liabilities held in Guatemala are reported in the accompanying Statements of Financial Position and translated into U.S. Dollars using the exchange rate in effect at December 31, 2013 and 2012 of $1.00 = $7.84 Quetzal and $1.00 = $7.90 Quetzal, respectively. All revenues and expenses transacted in Guatemala are reported in the accompanying Statements of Activities and Changes in Net Assets and have been translated to U.S. Dollars using the average annual exchange rate. All year-end assets and liabilities (held in Guatemala) have been revalued at the current spot rates; therefore, exchange rate variances have been reflected as currency gains or losses in the accompanying Statements of Activities and Changes in Net Assets

Risks and uncertainties -

The Friendship Bridge invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurements -

The Friendship Bridge adopted the provisions of FASB ASC 820, *Fair Value Measurements*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Friendship Bridge accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2013 and 2012:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit (U.S.)	$ 85,000	$ 85,056	$ 205,999	$ 206,123
Certificates of deposit (Guatemala)	434,235	434,235	693,975	693,975
Mutual funds	61,272	64,358	49,202	49,041
Equities	22,814	28,848	26,032	26,931
Cash and money market funds	5,121	5,121	200,272	200,272
Index fund (futures contract)	-	-	4,380	4,028
TOTAL INVESTMENTS	$ 608,442	$ 617,618	$1,179,860	$1,180,370
Current portion	$ 608,442	$ 617,618	$1,169,861	$1,170,250
Noncurrent portion	-	-	9,999	10,120
TOTAL INVESTMENTS	$ 608,442	$ 617,618	$1,179,860	$1,180,370

Included in interest and investment income are the following at December 31, 2013 and 2012:

	2013	2012
Interest and dividends	$ 65,217	$ 40,696
Realized loss on sales of investments	(335)	(499)
Unrealized gain on investments	8,666	5,832
TOTAL INTEREST AND INVESTMENT INCOME	$ 73,548	$ 46,029

3. LOANS RECEIVABLE

Loans receivable consist of loans provided to groups of impoverished women in Guatemala. The term of the loans range between four and twelve months and bear interest of 2.60% per month flat (since February 2013). During calendar year 2012 (and the month of January 2013), the interest rate was 2.00% per month flat, plus an administrative fee of 2.50%. The change in the rates is the result of the consolidation of the 2.00% interest, and the administrative and credit check fee. Principal and interest payments are due monthly. The Friendship Bridge requires no collateral (other than social collateral) for these loans.

During the year ended December 31, 2013, The Friendship Bridge recorded $36,211 of bad debts based on a $16,914 decrease in the loan loss allowance from 2012 and direct write-offs of loans during the current year totaling $53,125. As of December 31, 2013, the total loans receivable balance, net of the allowance of $97,339 (which represents 2.00% of the gross portfolio balance of $4,877,981), aggregated $4,780,642. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2012 to December 31, 2013, the total loans receivable balance experienced a $26,635 gain on valuation at fiscal year-end.

The allowance for doubtful accounts changed from 3.00% to 2.00% (of the year-end portfolio balance) based on a review of the account balances, including the age of the balance and because the portfolio of at-risk loans was less than 0.50% at December 31, 2013.

During the year ended December 31, 2012, The Friendship Bridge recorded $44,402 of bad debts based on a $3,782 increase in the loan loss allowance from 2011 and direct write-offs of loans during the current year totaling $40,620. As of December 31, 2012, the total loans receivable balance, net of the allowance of $114,253 (which represents 3.33% of the gross portfolio balance of $3,427,788), aggregated $3,313,535. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2011 to December 31, 2012, the total loans receivable balance experienced a $41,669 loss on valuation at fiscal year-end.

4. LOANS PAYABLE

Private Placement -

The Friendship Bridge has entered into a promissory note agreement with a group of individuals for $985,000 for the purpose of increasing its lending activities in Guatemala. The note bears interest of 4.00% and is due in full on December 15, 2014.

Other loans -

On October 13, 2011, The Friendship Bridge received $50,000 under an unsecured note agreement with Capital Sisters International, Inc. The note was non-interest bearing and terminated on October 13, 2012, at which point the note converted to a new $50,000 non-interest bearing note with $25,000 due on October 15, 2013 and $25,000 due in full on October 15, 2014. The portion due on October 15, 2013 was converted to a new $25,000 unsecured, non-interest bearing note due in full on October 15, 2015. Additionally, on March 16, 2012 The Friendship Bridge received another $50,000 under an unsecured note agreement with Capital Sisters International, Inc. The note was non-interest bearing and terminated on March 18, 2013, at which point the note converted to a new $50,000 non-interest bearing note with $25,000 due on March 18, 2014 and $25,000 due in full on March 18, 2015. On November 18, 2013, The Friendship Bridge received another $50,000 under an unsecured note agreement with Capital Sisters International, Inc. The note is non-interest earning, with $25,000 due in full on November 18, 2014 and $25,000 due in full on November 18, 2015.

4. LOANS PAYABLE (Continued)

Other loans (continued) -

On July 13, 2012, The Friendship Bridge received $300,000 under an unsecured note agreement with Global Partnerships. The note bears interest of 7.25% and is due in full on October 12, 2014. On July 26, 2013, The Friendship Bridge received another $300,000 under an unsecured note agreement with Global Partnerships. The note bears interest of 6.75% and is due in full on October 12, 2014.

On October 10, 2013, The Friendship Bridge received $250,000 under an unsecured note agreement with the Erich and Hannah Sachs Foundation. The note bears interest of 3.0% and is due in full on October 9, 2018.

The Friendship Bridge also receives short-term, non-interest bearing loans, from Kiva (an online lending service) which collects loan proceeds on behalf of the organization. Loans are repaid to Kiva when the loans are due. As of December 31, 2013 and 2012, total loans payable under these short-term loan agreements aggregated $143,768 and $68,665, respectively.

In accordance with generally accepted accounting principles, The Friendship Bridge has imputed interest expense totaling $10,118 and $5,087 on all aforementioned non-interest bearing notes during the year ended December 31, 2013 and 2012, respectively.

Total interest expense during the year ended December 31, 2013 and 2012 under all loans payable (including imputed interest of $10,118 in 2013 and $5,087 in 2012), aggregated $81,873 and $60,576, respectively.

The loan agreements contain various covenants, which among other things, ensure that at all times the obligations with respect to the loans and other amounts payable rank at least equally with all other present and future unsecured and unsubordinated obligations; to provide information within specified periods including unaudited and audited financial reports; to use loan proceeds to support clients, providing microloans and education to Guatemalan women; to comply with all OFAC guidelines; and to maintain certain financial ratios. As of the date of this report, The Friendship Bridge was in compliance with all loan covenants.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013 and 2012:

	2013	2012
Financial Products	$ 88,777	$ 120,572
Nurses Education (Vietnam)	9,402	30,205
MIS Project	53,151	32,774
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 151,330**	**$ 183,551**

6. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

	2013	2012
Financial Products	$ 59,536	$ 34,488
Nurses Education (Vietnam)	41,687	42,332
MIS Project	39,623	57,616
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**$ 140,846**	**$ 134,436**

7. CONTINGENCIES

The Friendship Bridge provides education and access to microcredit for women in Guatemala. Accordingly, The Friendship Bridge maintains a significant portion of its assets within Guatemala. The future results of its programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate. As of December 31, 2013 and 2012, The Friendship Bridge had cash, property and equipment and loans receivable in Guatemala totaling $6,048,960 and $4,896,931, respectively, which represent 93% and 87% of The Friendship Bridge's total assets as of December 31, 2013 and 2012, respectively.

The Friendship Bridge has a branch in Guatemala which is structured as a not-for-profit and does not pay income taxes. Management believes there is no clear tax law defining the tax obligations for not-for-profit organizations providing microloans and receiving interest income. In January 2013, a new tax law was enacted and the tax obligations related to interest revenue was made more clear, however, there continues to exist some questions regarding the amount of taxes due on what income and whether or not a not-for-profit must also pay. In February 17, 2014, The Friendship Bridge presented a binding consultation to the tax administration, regarding the specific application of the law; the response to the consultation is expected by mid-year, at which moment The Friendship Bridge will determine how to become compliant with the law.

Also, during 2011, the banking regulators in Guatemala proposed a new regulation specifically for microfinance institutions. The main objective for the proposed regulation is to eliminate money laundering. At this time, it is anticipated that, if this regulation is adopted as proposed, The Friendship Bridge will be required to change its registration and corporate structure; as of March 2014, this regulation is not yet approved. The potential effect of this change is currently under analysis as well. If The Friendship Bridge makes changes in its corporate structure or certain elections for tax purposes, related or unrelated to the proposed legislations, there is a possibility that the tax administration in Guatemala will review The Friendship Bridge’s tax treatment of interest received for the past four years and require payment of back taxes. Management estimates that back taxes, if required, would not exceed $328,473. Due to the uncertainty of the applicability of the tax laws to years prior to 2013, and based on a professional opinion obtained from local professionals, The Friendship Bridge has not accrued this potential liability for the years 2010-2012; however, a reserve for the potential taxes due for the year 2013 for a total of $84,948 was recorded as an expense.

8. LEASE COMMITMENT

The Friendship Bridge leases office space for its principal headquarters in Lakewood, Colorado under an operating lease expiring on March 31, 2015. The Friendship Bridge also leases several offices in Guatemala under short-term leases; its Central Office lease commitment of $672 is due monthly through July 31, 2015. Future minimum lease payments required under these leases are as follows.

Year Ended December 31,	
2014	$ 39,596
2015	12,642
	$ 52,238

Occupancy expense for the years ended December 31, 2013 and 2012 totaled $113,939 and $112,785, respectively.

9. RETIREMENT PLAN

The Friendship Bridge adopted an IRS 403(b) plan (the Plan) covering all eligible U.S. employees. Under the provisions of the Plan, an eligible employee may defer up to 100% of annual compensation, with the total dollar amount limited by law. At its discretion, The Friendship Bridge may make matching contributions or elective contributions. Participants are 100% vested in all contributions to the Plan. The Friendship Bridge did not make any contributions to the Plan during the years ended December 31, 2013 and 2012.

10. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, The Friendship Bridge has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market The Friendship Bridge has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

10. FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012, respectively.

- *Money market funds*—Fair value is equal to the reported net asset value of the fund.
- *Common stocks/equities*—Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds*—Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Certificates of deposit*—Generally valued at original cost plus accrued interest, which approximates fair value.
- *Interests in hedge funds, limited partnerships, private equity funds*—These instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

The table below summarizes, by level within the fair value hierarchy, The Friendship Bridge's investments as of December 31, 2013 and 2012:

	2013			
	Level 1	Level 2	Level 3	Total
Asset Category:				
Investments	$ 98,327	$ 519,291	$ -	$ 617,618

	2012			
	Level 1	Level 2	Level 3	Total
Asset Category:				
Investments	$ 276,244	$ 900,098	$ 4,028	$ 1,180,370

11. ENDOWMENT

The Friendship Bridge has received seven contributions totaling $101,000 (four $12,500 contributions and one $50,000 contribution from one donor, and two $500 contributions from another donor) for the purpose of supporting women education program of The Friendship Bridge. Under the terms of the awards, the principal amount is to be invested in-perpetuity and only the earnings can be used for the aforementioned purpose.

The endowment is held in an brokerage account and is comprised of several investment instruments. As of December 31, 2013 and 2012 the total fair value of such investments aggregated $103,569 (all current) and $101,917 ($91,797 current and $10,120 noncurrent), respectively.

The Friendship Bridge's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

11. ENDOWMENT (Continued)

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Friendship Bridge classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 Friendship Bridge in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, The Friendship Bridge considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2013:

	Endowment
Donor-Restricted Endowment Funds	**$ 101,000**

Endowment net asset composition by type of fund as of December 31, 2012:

	Endowment
Donor-Restricted Endowment Funds	**$ 101,000**

Changes in endowment net assets for the years ended December 31, 2013 and 2012:

	Endowment
Endowment net assets, December 31, 2011	$ 101,000
Investment gains	4,599
Transfer (use) of investment gains	(4,599)
Endowment net assets, December 31, 2012	101,000
Investment gains	12,018
Transfer (use) of investment gains	(12,018)
ENDOWMENT NET ASSETS, DECEMBER 31, 2013	**$ 101,000**

11. ENDOWMENT (Continued)

Return Objectives and Risk Parameters -

The Friendship Bridge has adopted investment and spending policies for endowment assets that attempt to provide long-term growth of principal consistent with reasonable income. The Friendship Bridge attempts to preserve the capital by minimizing the probability of loss of principal over the investment horizon. Emphasis is placed on minimizing return volatility rather than maximizing total return. The Friendship Bridge shall manage the assets with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in like capacity and familiar with such matters would use in the conduct of an entity of a like character with the like aims.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, The Friendship Bridge relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Friendship Bridge targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The current spending policy is in accordance with donor restrictions. Accordingly, over the long-term, The Friendship Bridge expects the current spending policy to allow its endowment to grow annually; this is consistent with The Friendship Bridge's objective to maintain the purchasing power of the endowment assets held in-perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

12. SUBSEQUENT EVENTS

In preparing these financial statements, The Friendship Bridge has evaluated events and transactions for potential recognition or disclosure through April 25, 2014, the date the financial statements were issued.