

FINANCIAL STATEMENTS



FRIENDSHIP BRIDGE
Empower Women. Eliminate Poverty.

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

THE FRIENDSHIP BRIDGE

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2
EXHIBIT A - Statements of Financial Position, as of December 31, 2018 and 2017	3 - 4
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2018 and 2017	5 - 6
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2018	7 - 8
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2017	9 - 10
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2018 and 2017	11 - 12
NOTES TO FINANCIAL STATEMENTS	13 - 26



INDEPENDENT AUDITOR'S 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, 2018 and 2017, 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.

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, 2018 and 2017, 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.

A handwritten signature in cursive script that reads 'Gelman, Rosenberg & Freedman'.

May 16, 2019

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THE FRIENDSHIP BRIDGE
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents:		
Cash held in the United States	\$ 228,076	\$ 148,385
Cash held in Guatemala	<u>243,629</u>	<u>708,848</u>
Total cash and cash equivalents	<u>471,705</u>	<u>857,233</u>
Investments	2,522,916	2,204,505
Loans receivable, net of allowance and noncurrent portion	7,887,108	7,384,976
Loan interest receivable	228,525	216,907
Grants and pledges receivable	-	2,500
Prepaid expenses and other assets	<u>143,274</u>	<u>215,747</u>
Total current assets	<u>11,253,528</u>	<u>10,881,868</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	110,349	116,241
Computers and related equipment	265,223	239,616
Vehicles	97,541	60,074
Leasehold improvements	<u>40,914</u>	<u>41,528</u>
	514,027	457,459
Less: Accumulated depreciation and amortization	<u>(410,426)</u>	<u>(402,637)</u>
Net property and equipment	<u>103,601</u>	<u>54,822</u>
NONCURRENT ASSETS		
Loans receivable, net of current portion	82,156	72,890
Security deposits	<u>17,236</u>	<u>17,583</u>
Total noncurrent assets	<u>99,392</u>	<u>90,473</u>
TOTAL ASSETS	<u>\$ 11,456,521</u>	<u>\$ 11,027,163</u>

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Loans payable	\$ 891,982	\$ 2,235,941
Accounts payable and accrued liabilities	<u>1,124,037</u>	<u>1,131,470</u>
Total current liabilities	<u>2,016,019</u>	<u>3,367,411</u>
NONCURRENT LIABILITIES		
Loans payable	<u>3,930,000</u>	<u>2,280,000</u>
Total liabilities	<u>5,946,019</u>	<u>5,647,411</u>
NET ASSETS		
Without donor restrictions	5,360,499	5,206,297
With donor restrictions	<u>150,003</u>	<u>173,455</u>
Total net assets	<u>5,510,502</u>	<u>5,379,752</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,456,521</u>	<u>\$ 11,027,163</u>

THE FRIENDSHIP BRIDGE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and contributions	\$ 815,552	\$ 269,544	\$ 1,085,096
Interest and investment income	112,043	-	112,043
Loan interest and fees	4,216,237	-	4,216,237
In-kind contributions	50,427	-	50,427
Events	50,451	-	50,451
Sales and other income	69,484	-	69,484
Net assets released from donor restrictions - satisfaction of donor restrictions	<u>292,996</u>	<u>(292,996)</u>	<u>-</u>
Total support and revenue	<u>5,607,190</u>	<u>(23,452)</u>	<u>5,583,738</u>
EXPENSES			
Program Services:			
Financial Products	2,281,231	-	2,281,231
Plus Service	2,172,891	-	2,172,891
Nurses Education (Vietnam)	<u>24,013</u>	<u>-</u>	<u>24,013</u>
Total program services	<u>4,478,135</u>	<u>-</u>	<u>4,478,135</u>
Supporting Services:			
General and Administrative	389,242	-	389,242
Fundraising	<u>143,422</u>	<u>-</u>	<u>143,422</u>
Total supporting services	<u>532,664</u>	<u>-</u>	<u>532,664</u>
Total expenses	<u>5,010,799</u>	<u>-</u>	<u>5,010,799</u>
Changes in net assets before other items	<u>596,391</u>	<u>(23,452)</u>	<u>572,939</u>
OTHER ITEMS			
Currency (losses) gains on loan portfolio	(363,787)	-	(363,787)
Other net currency losses	<u>(78,402)</u>	<u>-</u>	<u>(78,402)</u>
Total other items	<u>(442,189)</u>	<u>-</u>	<u>(442,189)</u>
Changes in net assets	154,202	(23,452)	130,750
Net assets at beginning of year	<u>5,206,297</u>	<u>173,455</u>	<u>5,379,752</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,360,499</u>	<u>\$ 150,003</u>	<u>\$ 5,510,502</u>

2017		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 973,210	\$ 122,441	\$ 1,095,651
121,932	10,900	132,832
3,720,009	-	3,720,009
110,029	-	110,029
47,986	-	47,986
81,622	-	81,622
<u>214,328</u>	<u>(214,328)</u>	<u>-</u>
<u>5,269,116</u>	<u>(80,987)</u>	<u>5,188,129</u>
1,992,439	-	1,992,439
1,970,972	-	1,970,972
<u>20,295</u>	<u>-</u>	<u>20,295</u>
<u>3,983,706</u>	<u>-</u>	<u>3,983,706</u>
222,667	-	222,667
<u>488,126</u>	<u>-</u>	<u>488,126</u>
<u>710,793</u>	<u>-</u>	<u>710,793</u>
<u>4,694,499</u>	<u>-</u>	<u>4,694,499</u>
<u>574,617</u>	<u>(80,987)</u>	<u>493,630</u>
171,084	-	171,084
<u>(729)</u>	<u>-</u>	<u>(729)</u>
<u>170,355</u>	<u>-</u>	<u>170,355</u>
744,972	(80,987)	663,985
<u>4,461,325</u>	<u>254,442</u>	<u>4,715,767</u>
<u>\$ 5,206,297</u>	<u>\$ 173,455</u>	<u>\$ 5,379,752</u>

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services			Total Program Services
	Financial Products	Plus Service	Nurses Education (Vietnam)	
Salaries and benefits	\$ 1,376,847	\$ 1,034,865	\$ -	\$ 2,411,712
Professional fees	10,555	5,142	-	15,697
Occupancy	82,815	55,702	-	138,517
Accounting and audit	19,132	23,121	-	42,253
Insurance	6,774	11,161	-	17,935
Depreciation and amortization	17,957	8,748	-	26,705
Telecommunications	49,357	45,780	-	95,137
Travel and transportation	138,769	143,019	24,013	305,801
Consulting fees	36,070	318,696	-	354,766
Supplies	17,359	96,600	-	113,959
Training	68,396	48,813	-	117,209
Hospitality	1,250	2,619	-	3,869
Insight trips	2,981	6,246	-	9,227
Interest expense	106,255	74,205	-	180,460
Equipment	37,924	25,095	-	63,019
Events	3,633	7,612	-	11,245
Bad debts and allowances	183,440	74,513	-	257,953
Software and other fees	29,109	45,727	-	74,836
Advertising	27,415	23,108	-	50,523
Credit checks	39,296	19,144	-	58,440
Taxes	25,086	100,523	-	125,609
Other	811	2,452	-	3,263
TOTAL	\$ 2,281,231	\$ 2,172,891	\$ 24,013	\$ 4,478,135

Supporting Services			
General and Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 241,751	\$ 89,076	\$ 330,827	\$ 2,742,539
-	-	-	15,697
17,746	6,539	24,285	162,802
10,426	3,842	14,268	56,521
2,530	932	3,462	21,397
-	-	-	26,705
12,712	4,684	17,396	112,533
14,530	5,354	19,884	325,685
39,445	14,534	53,979	408,745
3,009	1,109	4,118	118,077
2,446	901	3,347	120,556
3,104	1,144	4,248	8,117
7,402	2,727	10,129	19,356
1,772	653	2,425	182,885
1,730	637	2,367	65,386
9,020	3,324	12,344	23,589
-	-	-	257,953
6,562	2,418	8,980	83,816
15,057	5,548	20,605	71,128
-	-	-	58,440
-	-	-	125,609
-	-	-	3,263
\$ 389,242	\$ 143,422	\$ 532,664	\$ 5,010,799

THE FRIENDSHIP BRIDGE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services			Total Program Services
	Financial Products	Plus Service	Nurses Education (Vietnam)	
Salaries and benefits	\$ 1,144,213	\$ 999,588	\$ -	\$ 2,143,801
Professional fees	8,953	6,647	-	15,600
Occupancy	75,844	51,904	-	127,748
Accounting and audit	16,503	9,406	-	25,909
Insurance	5,285	3,027	-	8,312
Depreciation and amortization	17,293	14,313	-	31,606
Telecommunications	31,686	24,102	-	55,788
Travel and transportation	110,717	128,296	20,295	259,308
Consulting fees	15,562	232,024	-	247,586
Supplies	13,488	65,687	-	79,175
Training	53,693	80,329	-	134,022
Hospitality	1,831	130	-	1,961
Insight trips	7,791	552	-	8,343
Interest expense	127,361	76,715	-	204,076
Equipment	30,631	23,825	-	54,456
Legal support and training services	16,938	1,253	-	18,191
Printing and production	6,721	13,750	-	20,471
Events	3,897	276	-	4,173
Bad debts and allowances	96,859	73,391	-	170,250
Software and other fees	53,145	44,711	-	97,856
Advertising	20,148	16,186	-	36,334
Credit checks	30,320	24,357	-	54,677
Taxes	99,556	79,977	-	179,533
Other	4,004	526	-	4,530
TOTAL	\$ 1,992,439	\$ 1,970,972	\$ 20,295	\$ 3,983,706

Supporting Services			
General and Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 122,303	\$ 334,675	\$ 456,978	\$ 2,600,779
611	1,673	2,284	17,884
10,107	27,656	37,763	165,511
4,314	11,805	16,119	42,028
1,365	3,737	5,102	13,414
-	-	-	31,606
1,514	4,143	5,657	61,445
6,158	16,852	23,010	282,318
4,487	12,278	16,765	264,351
1,407	3,851	5,258	84,433
1,143	3,128	4,271	138,293
1,502	4,110	5,612	7,573
6,391	17,489	23,880	32,223
-	-	-	204,076
876	2,398	3,274	57,730
46,187	5,544	51,731	69,922
5,513	15,086	20,599	41,070
3,197	8,748	11,945	16,118
-	-	-	170,250
5,464	14,953	20,417	118,273
-	-	-	36,334
-	-	-	54,677
-	-	-	179,533
128	-	128	4,658
\$ 222,667	\$ 488,126	\$ 710,793	\$ 4,694,499

THE FRIENDSHIP BRIDGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 130,750	\$ 663,985
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	26,705	31,606
Gain on disposal of fixed assets	-	(602)
Increase in the provision for uncollectable loans	44,239	48,740
Loan principal written-off	213,714	121,510
Loan guarantee funds written-off	158,309	189,219
Currency loss (gain) on loan portfolio	363,787	(171,084)
Stock donation	(12,347)	(84,425)
Realized gain on sales of investments	(2,677)	(1,264)
Unrealized loss (gain) on investments	5,953	(11,495)
(Increase) decrease in:		
Loan interest receivable	(11,618)	(62,182)
Grants and pledges receivable	2,500	(865)
Prepaid expenses and other assets	72,473	(44,087)
Security deposits	347	(821)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>(7,433)</u>	<u>(64,190)</u>
Net cash provided by operating activities	<u>984,702</u>	<u>614,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(75,484)	(36,757)
Proceeds from sale of property and equipment	-	2,197
Proceeds from sales of investments	4,460,276	2,408,132
Purchase of investments	(4,769,616)	(1,757,347)
Loan capital issued to beneficiaries	(17,067,924)	(15,436,442)
Loan capital collected from beneficiaries	<u>15,776,477</u>	<u>13,663,893</u>
Net cash used by investing activities	<u>(1,676,271)</u>	<u>(1,156,324)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from investors/lenders	1,070,479	604,022
Repayments on loans/notes	<u>(764,438)</u>	<u>(345,000)</u>
Net cash provided by financing activities	<u>306,041</u>	<u>259,022</u>
Net decrease in cash and cash equivalents	(385,528)	(283,257)
Cash and cash equivalents at beginning of year	<u>857,233</u>	<u>1,140,490</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 471,705</u>	<u>\$ 857,233</u>

THE FRIENDSHIP BRIDGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

SUPPLEMENTAL INFORMATION	<u>2018</u>	<u>2017</u>
Interest Paid	\$ <u>140,179</u>	\$ <u>163,330</u>
Taxes Paid	\$ <u>306,860</u>	\$ <u>270,274</u>

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 empowers impoverished Guatemalan women to create a better future for themselves, their children and their communities through microfinance, health and education. The Friendship Bridge's primary sources of revenue include microcredit loan interest, donations, grants, and interest earned on investments.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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.

U.S. bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, The Friendship Bridge maintains cash balances at financial institutions in excess of the U.S. Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

The Friendship Bridge had \$243,629 and \$708,848 of cash and cash equivalents on hand and invested in financial institutions in Guatemala as of December 31, 2018 and 2017, respectively. The majority of these funds 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 Finance Committee of the Board of Directors reviews the credit ratings of the country's banks on a semi-annual basis.

Loans -

Loans receivable are stated at net realizable value. The allowance for loan losses 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 revenue are recorded as they accrue per the loan agreement.

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. 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.

THE FRIENDSHIP BRIDGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

Property and equipment (continued) -

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 specific 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, at which time the temporarily restricted net assets are released from restrictions into unrestricted net assets.

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 totaled \$26,705 and \$31,606, respectively.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Statements of Activities and Changes in Net Assets as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Grants and contributions with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; funds recognized as revenue in excess of expenses incurred are presented as "net assets with donor restrictions" in the accompanying financial statements.

Income taxes -

The Friendship Bridge is exempt from Federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. However, The Friendship Bridge is required to pay Guatemalan income taxes on its gross income stemming from microlending activities in Guatemala.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Income taxes (continued) -

During August 2014, The Friendship Bridge began making tax payments to the local Guatemalan authorities based on the aforementioned activities in that country (Note 9).

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, 2018 and 2017, The Friendship Bridge has documented its consideration of FASB ASC 740-10 and concluded there is no uncertainty regarding its compliance with U.S. tax laws. See Note 9 for a discussion of income taxes accrued on gross income as required under the laws of Guatemala.

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 donated legal support, training services, small equipment and other unbilled costs which have been provided by volunteer professionals and other individuals. In-kind contributions also include imputed interest expense on non-interest bearing notes (Note 4). In-kind contributions totaled \$50,427 and \$110,029 during the years ended December 31, 2018 and 2017, respectively.

The Friendship Bridge also receives contributions from other sources in which the value of their 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 accompanying Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program Services expenses are defined as direct costs (those with a singular cost objective), specifically attributable to enhancing its program activities and ultimately furthering the organization's mission.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Functional allocation of expenses (continued) -

Supporting Services expenses includes (and specifically defines) the following categories:

1. General and Administrative (G&A): indirect expenses (those with multiple cost objectives) which the organization incurs in connection with carrying out its mission-related programs but cannot be specifically identified or directly allocated to a specific program or project, i.e. office rent, insurance, general supplies and other administrative-type costs. This category also includes development indirect expenses which the organization incurs in support of its fundraising function but cannot be specifically identified or directly allocated to a specific fundraising activity. Development costs include, but are not limited to, those expenses incurred in connection with maintaining the basic infrastructure supporting the fundraising function, i.e. donor outreach, grant proposal design, preparation, and submission to prospective funders, e-mail communications, and maintenance of CRM software and data.
2. Fundraising: direct costs (those with a singular cost objective), specifically attributable to the activities related to raising funds, i.e. direct solicitation of a single donor and fundraising events.

Expenses are allocated on a basis of time and effort (such as salaries and benefits) as well as square footage (such as depreciation, office and occupancy) or other reasonable basis.

Functional currency -

The Quetzal (GTQ) 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 spot exchange rate in effect at December 31, 2018 and 2017 of \$1.00 = GTQ 7.74 and \$1.00 = GTQ 7.34, 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 based on average annual exchange rates (GTQ 7.52 in 2018 and GTQ 7.35 in 2017). The effect of 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.

Fair value measurement -

The Friendship Bridge adopted the provisions of FASB ASC 820, *Fair Value Measurement*. 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 measurement. The Friendship Bridge accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under accounting principles generally accepted in the United States of America (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. The Friendship Bridge has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Friendship Bridge has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Friendship Bridge plans to adopt the new ASUs at the respective required implementation dates.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of FASB Accounting Standards Update (ASU) 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$5,206,297 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets and permanently restricted net assets totaling \$72,455 and \$101,000, respectively, are now collectively classified as "net assets with donor restrictions".

THE FRIENDSHIP BRIDGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

2. INVESTMENTS

Investments consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit (U.S.)	\$ -	\$ -	\$ 250,000	\$ 250,000
Certificates of deposit (Guatemala)	2,216,679	2,216,679	1,589,066	1,589,066
Mutual funds	43,213	51,232	37,833	41,790
Equities	31,650	40,900	39,280	59,552
Money market funds	127,795	127,795	178,794	178,794
Annuity contracts	<u>84,425</u>	<u>86,310</u>	<u>84,425</u>	<u>85,303</u>
TOTAL INVESTMENTS	<u>\$ 2,503,762</u>	<u>\$ 2,522,916</u>	<u>\$ 2,179,398</u>	<u>\$ 2,204,505</u>

Included in interest and investment income are the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 115,319	\$ 120,073
Realized gain on sales of investments	2,677	1,264
Unrealized (loss) gain on investments	<u>(5,953)</u>	<u>11,495</u>
TOTAL INTEREST AND INVESTMENT INCOME	<u>\$ 112,043</u>	<u>\$ 132,832</u>

3. LOANS RECEIVABLE

Loans receivable consist of group and individual loans provided to impoverished women in Guatemala. The term of the loans range between four and twelve months and bear interest between 2.00% and 3.00% per month.

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, 2018, The Friendship Bridge recorded \$257,953 of bad debts based on a \$44,239 increase in the loan loss allowance from 2017 and direct write-offs of loans during the current year totaling \$213,714. As of December 31, 2018, the total loans receivable balance, net of the allowance of \$274,895, which represents 3.33% of the gross portfolio balance of \$8,244,159, aggregated \$7,969,264. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2017 to December 31, 2018, the total loans receivable balance experienced a \$363,787 loss on valuation at fiscal year-end.

During the year ended December 31, 2017, The Friendship Bridge recorded \$170,250 of bad debts based on a \$48,740 increase in the loan loss allowance from 2016 and direct write-offs of loans during the current year totaling \$121,510. As of December 31, 2017, the total loans receivable balance, net of the allowance of \$230,656, which represents 3.00% of the gross portfolio balance of \$7,688,522, aggregated \$7,457,866. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2016 to December 31, 2017, the total loans receivable balance experienced a \$171,084 gain on valuation at fiscal year-end.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

4. LOANS PAYABLE

The Friendship Bridge maintains unsecured promissory note agreements with numerous qualified private investors totaling \$1,580,000. The notes bear interest of 4.00% and are due on October 10, 2020. Among the investors participating in the Private Placement are six related parties (as defined by the IRS), including Board members and family of Board members, for a total of \$200,000 (4.15% and 4.43% of total outstanding loans payable balance at December 31, 2018 and 2017, respectively); the details of these loans are disclosed in The Friendship Bridge's IRS Form 990 tax return.

The Friendship Bridge has also entered into numerous unsecured loans with a variety of social investors. Loans are all unsecured and bear interest between 0% and 6.97%, with terms ranging between 24 and 64 months. As of December 31, 2018 and 2017 the outstanding principal balance on such loans aggregated \$3,241,982 and \$2,935,941, respectively.

As of December 31, 2018 and 2017 the outstanding principal balance on all loans aggregated \$4,821,982 and \$4,515,941, respectively

In accordance with generally accepted accounting principles, The Friendship Bridge has imputed interest expense totaling \$19,652 and \$40,107 on all aforementioned non-interest bearing notes during the years ended December 31, 2018 and 2017, respectively.

Total interest expense during the years ended December 31, 2018 and 2017 under all loans payable (including imputed interest of \$19,652 in 2018 and \$40,107 in 2017), aggregated \$182,885 and \$204,076, 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.

Future estimated maturities of the aforementioned loans are as follows:

<u>Year Ended December 31,</u>	<u>2018</u>	<u>2017</u>
2018	\$ -	\$ 2,235,941
2019	891,982	100,000
2020	1,730,000	1,580,000
2021	1,150,000	-
2022	200,000	600,000
2023	<u>850,000</u>	<u>-</u>
	<u>\$ 4,821,982</u>	<u>\$ 4,515,941</u>

5. LINES OF CREDIT

During 2018 and 2017, The Friendship Bridge maintained three lines of credit with three local financial institutions. As of December 31, 2018, the total amount available under the lines of credit aggregated GTQ950,000 (\$122,787); as of December 31, 2017, the total amount available under the lines of credit aggregated GTQ3,906,500 (\$531,875).

THE FRIENDSHIP BRIDGE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

5. LINES OF CREDIT (Continued)

The lines of credit are guaranteed by investments (certificates of deposit) on deposit at the financial institutions totaling GTQ1,000,000 or a total of \$129,250 at December 31, 2018, and GTQ4,898,000 or a total of \$666,869 at December 31, 2017.

During 2018, borrowings on the lines of credit bore interest between 10.00% and 10.25%; during 2017, borrowings on the lines of credit bore interest between 10.25% and 11.00%.

The lines of credit expire as the certificates of deposit mature, with a current expiration date of May 13, 2019. As of December 31, 2018 and 2017, there were no outstanding borrowings.

6. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following at December 31, 2018 and 2017:

	2018	2017
Financial Products	\$ -	\$ 50,842
Nurses Education (Vietnam)	6,662	3,722
Health Program	12,173	17,891
Rebranding	30,000	-
Artisan Program	168	-
Endowments to be invested in perpetuity (Note 13)	101,000	101,000
TOTAL NET ASSETS WITH RESTRICTIONS	\$ 150,003	\$ 173,455

7. NET ASSETS RELEASED FROM RESTRICTIONS

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

	2018	2017
Financial Products	\$ 50,842	\$ -
Nurses Education (Vietnam)	24,013	20,295
Health Program	100,719	65,759
MIS Project	-	8,211
Agricultural Program	107,590	109,163
Artisan Program	9,832	-
Use of endowment earnings (Note 13)	-	10,900
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 292,996	\$ 214,328

8. LIQUIDITY AND AVAILABILITY

The Friendship Bridge monthly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

8. LIQUIDITY AND AVAILABILITY (Continued)

The Friendship Bridge's financial assets available within one year of the Statements of Financial Position date for general expenditures at December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Cash	\$ 471,705	\$ 857,233
Investments	2,522,916	2,204,505
Loans receivable (gross)	8,244,159	7,688,522
Loan interest receivable	<u>228,525</u>	<u>216,907</u>
 Total financial assets available within one year	 <u>11,467,305</u>	 <u>10,967,167</u>
 Receivables scheduled:		
Due after one year	(82,156)	(72,890)
More than 30 days overdue	(61,756)	(125,137)
 Contractual or donor-imposed restrictions:		
Endowment	(101,000)	(101,000)
Donor restrictions	(49,003)	(72,455)
 Designations:		
Board-designated net assets (a)	(43,260)	(82,635)
Operating reserves (b)	(922,035)	(1,135,148)
Debt obligations reserve (c)	(651,250)	(803,752)
Client guarantees (d)	<u>(640,059)</u>	<u>(613,190)</u>
 FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	 <u>\$ 8,916,786</u>	 <u>\$ 7,960,960</u>

Liquidity Disclosure

- (a) On December 22, 2017, the Board of Directors voted to establish a Board designated net asset reserve totaling \$82,635 with a balance at December 31, 2018 of \$43,260. The objective of this board-designated reserve is for a Rebranding Project and Management Information Systems upgrades, which are considered strategic projects. The reserve was established with funds received from a planned gift.
- (b) Operating reserves should be held to cover Guatemalan capital equivalent to three months of operating expenses.
- (c) The debt obligations reserve is calculated so that by the maturity date of the loan the reserve equals 60% of the principal repayment amount.
- (d) Client Guarantees are held for the sole purpose of supporting loans to clients and are not permitted for any other use. The Guarantees (required deposits made by clients to secure their loans) must be paid back if the clients pay off their loans without renewing.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

9. CONTINGENCIES

Concentration of assets -

The Friendship Bridge provides microloans, education, and preventative health services to impoverished 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; management monitors both factors and implements mitigation actions if possible.

As of December 31, 2018 and 2017, The Friendship Bridge had cash, property and equipment and loans receivable in Guatemala totaling \$10,894,461 and \$10,211,350, respectively, which represent 95% and 93% of The Friendship Bridge's total assets as of December 31, 2018 and 2017, respectively.

Tax situation -

The Friendship Bridge has a branch in Guatemala which is structured as a not-for-profit and does pay income taxes in Guatemala (The Friendship Bridge started paying taxes in August 2014). Before January 2013, management believed there was no clear tax law defining the tax obligations for not-for-profit organizations providing microloans and receiving interest income.

During January 2013, a new tax law was enacted and the tax obligations related to interest revenue were made clearer. However there were questions regarding the amount of taxes due on what income and whether or not a not-for-profit must also pay. On February 17, 2014, The Friendship Bridge presented a binding consultation to the tax administration, regarding the specific application of the law. The Tax administration replied formally in late July 2014, and indicated that based on the changes in the law (enacted in January 2013), the Friendship Bridge was deemed to be: (1.) exempt from income tax only on donations received and (2.) subject to tax on interest and fees earned from lending and education services, based on the fact that both fulfill the "profit" concept (as defined in the Income Tax law).

Based on this response, The Friendship Bridge: (1.) added the Income Tax line to its corporate tax registration, without changing its corporate structure, (2.) began making monthly payments of income tax, starting in August 2014, calculated as follows: 7% over the previous month's gross interest income, and (3.) recalculated and adjusted the accrual for tax liability and late fees owed from January 2013 to July 2014 totaling GTQ 2,067,175, which has since been fully released (\$181,251 and \$90,741 in 2018 and 2017, respectively).

During the years ended December 31, 2018 and 2017, total tax expense (net of tax recoveries of \$181,251 and \$90,741 in 2018 and 2017) aggregated \$125,609 and \$179,533.

During the year 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. In April 2016 the Congress of the Republic of Guatemala approved a new Microfinance Law which went into effect November 2016. The law establishes three types of microfinance organizations: two regulated (MIC and MAC by their initials in Spanish) and one non-regulated. The MIC and MAC require capital investments of \$2M and \$5M respectively, to be deposited in the central bank. Both of these types of organizations should be private institutions with shareholders. The nonregulated organizations are required to be registered in the Ministry of Economy and will follow a regulation that has not yet been defined. The Friendship Bridge has been properly registered with the Ministry of Economy.

THE FRIENDSHIP BRIDGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

10. LEASE COMMITMENTS

The Friendship Bridge rents office space for its principal headquarters in Lakewood, Colorado under an operating lease that expires on August 31, 2021. The Friendship Bridge also rents office space in Boulder, Colorado under an agreement currently expiring on June 14, 2019. Additionally, The Friendship Bridge rents several offices in Guatemala under various leases which expire on various periods through 2020).

Future minimum payments required under the leases are as follows:

Year Ended December 31,

2019	\$	95,429
2020		42,870
2021		<u>26,451</u>
	\$	<u>164,750</u>

Occupancy expense for the years ended December 31, 2018 and 2017 totaled \$162,802 and \$165,511, respectively.

11. 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. During the years ended December 31, 2018 and 2017, The Friendship Bridge made contributions to the Plan totaling \$4,679 and \$5,386, respectively.

12. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, 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.

THE FRIENDSHIP BRIDGE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

12. FAIR VALUE MEASUREMENT (Continued)

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

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, 2018 and 2017, respectively.

- *Certificates of deposit*—Generally valued at original cost plus accrued interest, which approximates fair value.
- *Mutual funds*—Valued at the daily closing price as reported by the fund. Mutual funds held by The Friendship Bridge are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by The Friendship Bridge are deemed to be actively traded.
- *Common stocks/equities*—Valued at the closing price reported on the active market in which the individual securities are traded.
- *Money market funds*—Money market funds are open-end mutual funds that are registered with the Securities and Exchange Commission and deemed to be actively traded.
- *Annuity contracts*—Includes guaranteed annuities, equities and money market funds (see above).

The table below summarizes, by level within the fair value hierarchy, The Friendship Bridge's investments as of December 31, 2018:

Asset Category:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 2,216,679	\$ -	\$ 2,216,679
Mutual funds	51,232	-	-	51,232
Equities	40,900	-	-	40,900
Money market funds	127,795	-	-	127,795
Annuity contracts	-	86,310	-	86,310
TOTAL	<u>\$ 219,927</u>	<u>\$ 2,302,989</u>	<u>\$ -</u>	<u>\$ 2,522,916</u>

The table below summarizes, by level within the fair value hierarchy, The Friendship Bridge's investments as of December 31, 2017:

Asset Category:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 1,839,066	\$ -	\$ 1,839,066
Mutual funds	41,790	-	-	41,790
Equities	59,552	-	-	59,552
Money market funds	178,794	-	-	178,794
Annuity contracts	-	85,303	-	85,303
TOTAL	<u>\$ 280,136</u>	<u>\$ 1,924,369</u>	<u>\$ -</u>	<u>\$ 2,204,505</u>

THE FRIENDSHIP BRIDGE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

13. ENDOWMENT (NET ASSETS WITH RESTRICTIONS)

The Friendship Bridge has received seven contributions totaling \$101,000 (four \$12,500 contributions, one \$50,000 contribution from one donor, and two \$500 contributions from another donor) for the purpose of supporting the women's 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 equities, mutual funds and money market funds. As of December 31, 2018 and 2017 the total fair value of such investments aggregated \$92,728 and \$101,798, respectively; the deficiency of \$8,272 has reduced the net assets without restrictions balance at December 31, 2018.

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.

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. Any 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. As of December 31, 2018 and 2017, there were no remaining amounts classified as temporarily restricted net assets in the accompanying financial statements as all accumulated endowment earnings were fully utilized by The Friendship Bridge.

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, 2018 and 2017:

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

THE FRIENDSHIP BRIDGE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

13. ENDOWMENT (NET ASSETS WITH RESTRICTIONS) (Continued)

Changes in endowment net assets for the years ended December 31, 2018 and 2017:

Endowment net assets, December 31, 2016	\$ 101,000
Investment gains	10,900
Transfer (use) of investment gains	<u>(10,900)</u>
Endowment net assets, December 31, 2017	101,000
Investment gains	-
Transfer (use) of investment gains	<u>-</u>
ENDOWMENT NET ASSETS, DECEMBER 31, 2018	<u>\$ 101,000</u>

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 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.

14. SUBSEQUENT EVENTS

In preparing these financial statements, The Friendship Bridge has evaluated events and transactions for potential recognition or disclosure through May 16, 2019, the date the financial statements were issued.