

FINANCIAL STATEMENTS



FRIENDSHIP BRIDGE
Empower Women. Eliminate Poverty.

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

THE FRIENDSHIP BRIDGE

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2
EXHIBIT A - Statements of Financial Position, as of December 31, 2020 and 2019	3 - 4
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2020 and 2019	5 - 6
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2020	7
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2019	8
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2020 and 2019	9 - 10
NOTES TO FINANCIAL STATEMENTS	11 - 25



CPAs & ADVISORS

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, 2020 and 2019, 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, 2020 and 2019, and its changes in net assets, functional expenses 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 black ink that reads "Gelman Rosenberg & Freedman". The signature is written in a cursive, flowing style.

May 28, 2021

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

THE FRIENDSHIP BRIDGE
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents:		
Cash held in the United States	\$ 1,766,348	\$ 250,741
Cash held in Guatemala	<u>325,511</u>	<u>456,500</u>
Total cash and cash equivalents	<u>2,091,859</u>	<u>707,241</u>
Investments	2,836,963	1,901,015
Loans receivable, net of allowance and noncurrent portion	7,536,209	8,948,299
Loan interest receivable	222,112	305,026
Prepaid expenses and other assets	<u>236,821</u>	<u>228,539</u>
Total current assets	<u>12,923,964</u>	<u>12,090,120</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	116,571	115,813
Computers and related equipment	306,009	310,596
Vehicles	96,627	98,023
Leasehold improvements	<u>72,072</u>	<u>69,040</u>
	591,279	593,472
Less: Accumulated depreciation and amortization	<u>(499,286)</u>	<u>(455,129)</u>
Net property and equipment	<u>91,993</u>	<u>138,343</u>
NONCURRENT ASSETS		
Loans receivable, net of current portion	194,726	82,962
Security deposits	<u>17,842</u>	<u>18,236</u>
Total noncurrent assets	<u>212,568</u>	<u>101,198</u>
TOTAL ASSETS	<u>\$ 13,228,525</u>	<u>\$ 12,329,661</u>

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,228,482	\$ 1,156,095
Loans payable	<u>3,483,627</u>	<u>2,630,248</u>
Total current liabilities	<u>4,712,109</u>	<u>3,786,343</u>
NONCURRENT LIABILITIES		
Loans payable	<u>2,689,550</u>	<u>2,600,000</u>
Total liabilities	<u>7,401,659</u>	<u>6,386,343</u>
NET ASSETS		
Without donor restrictions	4,680,555	5,748,131
With donor restrictions	<u>1,146,311</u>	<u>195,187</u>
Total net assets	<u>5,826,866</u>	<u>5,943,318</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,228,525</u>	<u>\$ 12,329,661</u>

THE FRIENDSHIP BRIDGE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and contributions	\$ 694,674	\$ 1,217,560	\$ 1,912,234
Interest and investment income	148,390	14,978	163,368
Loan interest and fees	3,909,599	-	3,909,599
In-kind contributions	115,542	-	115,542
Events	85,550	-	85,550
Sales and other income	117,637	-	117,637
Net assets released from donor restrictions - satisfaction of donor restrictions	<u>281,414</u>	<u>(281,414)</u>	<u>-</u>
Total support and revenue	<u>5,352,806</u>	<u>951,124</u>	<u>6,303,930</u>
EXPENSES			
Program Services:			
Financial Products	4,136,501	-	4,136,501
Plus Service	1,482,249	-	1,482,249
Nurses Education (Vietnam)	<u>5,755</u>	<u>-</u>	<u>5,755</u>
Total program services	<u>5,624,505</u>	<u>-</u>	<u>5,624,505</u>
Supporting Services:			
General and Administrative	438,452	-	438,452
Fundraising	<u>223,002</u>	<u>-</u>	<u>223,002</u>
Total supporting services	<u>661,454</u>	<u>-</u>	<u>661,454</u>
Total expenses	<u>6,285,959</u>	<u>-</u>	<u>6,285,959</u>
Changes in net assets before other items	<u>(933,153)</u>	<u>951,124</u>	<u>17,971</u>
OTHER ITEMS			
Currency (losses) gains on loan portfolio	(116,543)	-	(116,543)
Other net currency (losses) gains	<u>(17,880)</u>	<u>-</u>	<u>(17,880)</u>
Total other items	<u>(134,423)</u>	<u>-</u>	<u>(134,423)</u>
Changes in net assets	(1,067,576)	951,124	(116,452)
Net assets at beginning of year	<u>5,748,131</u>	<u>195,187</u>	<u>5,943,318</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,680,555</u>	<u>\$ 1,146,311</u>	<u>\$ 5,826,866</u>

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 817,769	\$ 305,512	\$ 1,123,281
130,430	4,664	135,094
4,729,338	-	4,729,338
61,937	-	61,937
56,158	-	56,158
125,495	-	125,495
<u>264,992</u>	<u>(264,992)</u>	<u>-</u>
<u>6,186,119</u>	<u>45,184</u>	<u>6,231,303</u>
2,938,830	-	2,938,830
2,245,877	-	2,245,877
<u>30,325</u>	<u>-</u>	<u>30,325</u>
<u>5,215,032</u>	<u>-</u>	<u>5,215,032</u>
469,581	-	469,581
<u>151,570</u>	<u>-</u>	<u>151,570</u>
<u>621,151</u>	<u>-</u>	<u>621,151</u>
<u>5,836,183</u>	<u>-</u>	<u>5,836,183</u>
<u>349,936</u>	<u>45,184</u>	<u>395,120</u>
11,977	-	11,977
<u>25,719</u>	<u>-</u>	<u>25,719</u>
<u>37,696</u>	<u>-</u>	<u>37,696</u>
387,632	45,184	432,816
<u>5,360,499</u>	<u>150,003</u>	<u>5,510,502</u>
<u>\$ 5,748,131</u>	<u>\$ 195,187</u>	<u>\$ 5,943,318</u>

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services				Total Expenses
	Financial Products	Plus Service	Nurses Education (Vietnam)	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 1,689,304	\$ 693,048	\$ -	\$ 2,382,352	\$ 291,776	\$ 110,252	\$ 402,028	\$ 2,784,380
Professional fees	19,579	12,257	-	31,836	7,613	2,877	10,490	42,326
Occupancy	115,927	56,446	-	172,373	22,171	8,378	30,549	202,922
Accounting and audit	20,116	13,731	-	33,847	9,438	3,566	13,004	46,851
Insurance	7,144	4,493	-	11,637	2,807	1,061	3,868	15,505
Depreciation and amortization	37,734	13,292	-	51,026	-	-	-	51,026
Telecommunications	85,616	33,032	-	118,648	4,080	1,542	5,622	124,270
Travel and transportation	141,827	52,885	5,755	200,467	4,154	1,570	5,724	206,191
Consulting fees	27,725	229,653	-	257,378	59,853	22,617	82,470	339,848
Supplies	39,096	76,892	-	115,988	3,693	1,396	5,089	121,077
Training	113,721	40,639	-	154,360	822	311	1,133	155,493
Hospitality	2,973	1,604	-	4,577	791	299	1,090	5,667
Insight trips	2,199	5,298	-	7,497	6,425	2,428	8,853	16,350
Interest expense	170,833	60,177	-	231,010	-	-	-	231,010
Equipment	29,312	15,464	-	44,776	7,298	2,758	10,056	54,832
Events	-	-	-	-	-	12,892	12,892	12,892
Bad debts and allowances	1,065,598	-	-	1,065,598	-	-	-	1,065,598
Software and other fees	161,240	68,866	-	230,106	17,140	6,476	23,616	253,722
Advertising	49,380	17,395	-	66,775	-	44,541	44,541	111,316
Credit checks	60,374	-	-	60,374	-	-	-	60,374
Taxes	284,193	-	-	284,193	-	-	-	284,193
Donated food and supplies	-	65,369	-	65,369	-	-	-	65,369
Other	12,610	21,708	-	34,318	391	38	429	34,747
TOTAL	\$ 4,136,501	\$ 1,482,249	\$ 5,755	\$ 5,624,505	\$ 438,452	\$ 223,002	\$ 661,454	\$ 6,285,959

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			Supporting Services			Total Expenses	
	Financial Products	Plus Service	Nurses Education (Vietnam)	Total Program Services	General and Administrative	Fundraising		Total Supporting Services
Salaries and benefits	\$ 1,467,096	\$ 1,130,068	\$ -	\$ 2,597,164	\$ 302,471	\$ 79,776	\$ 382,247	\$ 2,979,411
Professional fees	11,569	5,690	-	17,259	-	-	-	17,259
Occupancy	95,789	61,255	-	157,044	21,293	5,617	26,910	183,954
Accounting and audit	17,145	21,514	-	38,659	10,324	2,723	13,047	51,706
Insurance	7,590	5,012	-	12,602	2,029	748	2,777	15,379
Depreciation and amortization	30,586	14,117	-	44,703	-	-	-	44,703
Telecommunications	65,436	52,861	-	118,297	17,427	4,597	22,024	140,321
Travel and transportation	153,146	115,163	30,325	298,634	17,939	4,731	22,670	321,304
Consulting fees	44,852	388,416	-	433,268	50,941	13,436	64,377	497,645
Supplies	22,359	105,616	-	127,975	2,523	665	3,188	131,163
Training	90,350	78,512	-	168,862	5,313	1,401	6,714	175,576
Hospitality	1,084	1,884	-	2,968	2,863	755	3,618	6,586
Insight trips	2,673	4,646	-	7,319	7,060	1,862	8,922	16,241
Interest expense	110,142	75,276	-	185,418	-	-	-	185,418
Equipment	49,454	33,249	-	82,703	2,483	655	3,138	85,841
Events	-	-	-	-	-	27,506	27,506	27,506
Bad debts and allowances	153,240	-	-	153,240	-	-	-	153,240
Software and other fees	144,902	115,768	-	260,670	20,002	5,275	25,277	285,947
Advertising	58,819	35,778	-	94,597	6,913	1,823	8,736	103,333
Credit checks	68,111	-	-	68,111	-	-	-	68,111
Taxes	343,618	-	-	343,618	-	-	-	343,618
Other	869	1,052	-	1,921	-	-	-	1,921
TOTAL	\$ 2,938,830	\$ 2,245,877	\$ 30,325	\$ 5,215,032	\$ 469,581	\$ 151,570	\$ 621,151	\$ 5,836,183

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (116,452)	\$ 432,816
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	51,026	44,703
Increase in the provision for uncollectable loans	767,107	4,422
Loan principal written-off	204,590	148,818
Loan guarantee funds absorbed	180,037	231,116
Currency loss (gain) on loan portfolio	116,543	(11,977)
Stock donation	-	(513)
Realized gain on sales of investments	(1,153)	(6,493)
Unrealized (gain) loss on investments	(20,538)	564
Interest receivable written off	93,901	-
(Increase) decrease in:		
Loan interest receivable	(10,987)	(76,501)
Prepaid expenses and other assets	(8,282)	(85,265)
Security deposits	394	(1,000)
Increase in:		
Accounts payable and accrued liabilities	<u>72,387</u>	<u>32,058</u>
Net cash provided by operating activities	<u>1,328,573</u>	<u>712,748</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,676)	(79,445)
Proceeds from sales of investments	4,275,955	4,931,457
Purchase of investments	(5,190,212)	(4,303,114)
Loan capital issued to beneficiaries	(14,757,077)	(18,771,729)
Loan capital collected from beneficiaries	<u>14,789,126</u>	<u>17,337,353</u>
Net cash used by investing activities	<u>(886,884)</u>	<u>(885,478)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from investors/lenders	2,846,800	2,476,813
Repayments on loans/notes	<u>(1,903,871)</u>	<u>(2,068,547)</u>
Net cash provided by financing activities	<u>942,929</u>	<u>408,266</u>
Net increase in cash and cash equivalents	1,384,618	235,536
Cash and cash equivalents at beginning of year	<u>707,241</u>	<u>471,705</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,091,859</u>	<u>\$ 707,241</u>

THE FRIENDSHIP BRIDGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

SUPPLEMENTAL INFORMATION	<u>2020</u>	<u>2019</u>
Interest Paid	\$ <u>210,988</u>	\$ <u>152,653</u>
Taxes Paid	\$ <u>254,667</u>	\$ <u>343,618</u>

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 income earned on investments.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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** - Net assets may be subject to donor-imposed stipulations that are more restrictive than The Friendship Bridge mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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 maintained \$325,511 and \$456,500 of cash and cash equivalents on hand and invested in financial institutions in Guatemala as of December 31, 2020 and 2019, respectively. The majority of these funds are uninsured. The Friendship Bridge's investment policy 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 banks in Guatemala on a semi-annual basis.

Loans -

Loans receivable are stated at net realizable value, which approximates fair value.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Loans (continued) -

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 over the life of the loan in accordance with the loan agreements.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statements of Activities and Changes in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Friendship Bridge's policy is to liquidate all gifts of investments when received from a donor that places restrictions on the use of those funds; all other donated investments are liquidated at the discretion of management.

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. 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 those net assets are released from restrictions into "net assets without donor restrictions".

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 totaled \$51,026 and \$44,703, respectively.

Revenue recognition -

The majority of The Friendship Bridge's grants and contributions revenue is received through awards from foundations, individuals and other donors. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Friendship Bridge performs an analysis of the individual award to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Revenue recognition (continued) -

Awards qualifying as contributions that are unconditional that have 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; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision and a defined barrier (or barriers), and the entity has limited discretion over how funds transferred should be spent. Accordingly, revenue is recognized when the condition or conditions are satisfied (when the related barrier has been overcome; generally, when qualifying expenditures are incurred); these transactions are nonreciprocal and classified as conditional, and are recognized as contributions when the revenue becomes unconditional. During the year ended December 31, 2020, The Friendship Bridge did not recognize any revenue in the accompanying financial statements as conditional assistance.

Sales of products (which are produced by The Friendship Bridge's loan program beneficiaries) are recognized as income (in "Sales and Other Income") at the time those products are sold. Sales of such items do not include performance obligation considerations and pricing of the goods are at or below fair market value.

Income taxes -

The Friendship Bridge is exempt from Federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. The Friendship Bridge is not a private foundation. The Friendship Bridge maintains a branch office in Guatemala which is dually structured as a representative office of a U.S. non-governmental organization as well as a local Guatemalan not-for-profit entity. Since August 2014, The Friendship Bridge has been paying income taxes in Guatemala due to a change in tax law which was enacted during January 2013 that requires The Friendship Bridge to pay taxes on Guatemala-source income (however the law exempts income from donations received).

A resident company, which The Friendship Bridge is, can opt to be taxed under one of two regimes: (1) the general tax regime under which tax is levied on net taxable income (traditional corporate income tax) at 25%; or (2) the simplified optional tax regime, under which tax is levied on gross revenue (gross receipts tax) at a rate of 5% (up to GTQ 30,000) or 7% (in excess of GTQ 30,000). A company must elect which regime it opts prior to the tax year commencing (all companies must follow a calendar year tax year). The Friendship Bridge elected the optional tax regime for the years ended December 31, 2020 and 2019 and incurred \$284,193 and \$343,618, respectively, of gross receipts tax.

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, 2020 and 2019, 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.

The Friendship Bridge has been exempt from paying value added tax (VAT) on loan revenue, as it received an opinion in 2002 from the country's tax authority expressly stating that The Friendship Bridge is exempt from VAT.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Uncertain tax positions (continued) -

During 2020, the Superintendencia de Administración Tributaria (SAT, the country's tax authority, which is the equivalent of the Internal Revenue Service in the United States) implemented new systems and changed The Friendship Bridge's VAT tax regime, associating The Friendship Bridge with potentially having to pay 12% value added tax on loan revenue. The Friendship Bridge has engaged outside legal counsel to appeal SAT's change to The Friendship Bridge's VAT regime; no formal response to the appeal has been received at the time of issuing the financial statements.

There is a possibility that the tax administration in Guatemala will review The Friendship Bridge's VAT treatment of interest received and require payment of back taxes. Management estimates that back taxes, if required, would not exceed \$469,152 for the period January 1 to December 31, 2020. Due to the uncertainty of the applicability of the tax laws to years prior to 2020 and based on a professional opinion obtained from local professionals, The Friendship Bridge has not accrued this potential liability for 2020.

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 \$115,542 and \$61,937 during the years ended December 31, 2020 and 2019, 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.

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 The Friendship Bridge's program activities and ultimately furthering the organization's mission. Program activities include client lending (Financial Products); supplemental education, health and agricultural/artisanal training (Plus Service); as well as serving as a fiscal sponsor of independent volunteers continuing Friendship Bridge's initial development activities in Vietnam, providing faculty support and training for a graduate level nurses education program (Nurses Education).

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

1. General and Administrative (G&A): indirect expenses which The Friendship Bridge incurs in connection with carrying out its mission-related programs but which are not identified or allocable to specific programs or projects.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Functional allocation of expenses (continued) -

1. General and Administrative (G&A) (continued): 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 indirect 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 that serve multiple cost objectives 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, 2020 and 2019 of \$1.00 = GTQ 7.81 and \$1.00 = GTQ 7.70, 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 7.73 in 2020 and GTQ 7.70 in 2019). 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.

Advertising -

The Friendship Bridge expenses advertising costs as incurred. Advertising expense totaled \$111,316 and \$103,333 during the years ended December 31, 2020 and 2019, respectively.

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.

Risks and uncertainties -

Investment risk - 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.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Risks and uncertainties (continued) -

Credit risk - the risk of financial loss to The Friendship Bridge if a borrower fails to meet its contractual obligations, and arises principally from The Friendship Bridge's lending activities. Allowances for impairment are accounted for where there is objective evidence that the loans to beneficiaries are impaired. Significant changes in the economy, depreciation of local currencies against the currencies of the indexed portfolios, natural disasters (that impair borrowers' ability to repay loans), or in the health of a particular industry segment, could result in evidence that the expected future cash flows are different from those provided for at the end of the reporting period. Management, therefore, carefully monitors and manages its exposure to credit risk.

Market risk - defined as external influences, generally outside of the control of The Friendship Bridge's executive management, but which can be identified, assessed and mitigating actions put in place to reduce any adverse impact. Management monitors and manages its exposure to market risk on a regular basis.

Currency risk - The Friendship Bridge is exposed to currency risk through transactions in foreign currencies against the U.S. Dollar (USD). There is also a Statement of Financial Position risk that the net monetary liabilities in foreign currencies will take a higher value when translated into USD's as a result of currency movements.

Economic uncertainties - On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact The Friendship Bridge's operations. The overall potential impact is unknown at this time.

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.

New accounting pronouncements (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842), 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 Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Friendship Bridge plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

THE FRIENDSHIP BRIDGE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

2. INVESTMENTS

Investments consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit (Guatemala)	\$ 2,629,484	\$ 2,629,484	\$ 1,695,685	\$ 1,695,685
Mutual funds	39,508	45,579	44,951	48,548
Equities	44,049	56,971	46,982	51,786
Money market funds	369	369	10,382	10,382
Annuity contracts	<u>84,425</u>	<u>104,560</u>	<u>84,425</u>	<u>94,614</u>
TOTAL INVESTMENTS	<u>\$ 2,797,835</u>	<u>\$ 2,836,963</u>	<u>\$ 1,882,425</u>	<u>\$ 1,901,015</u>

Included in interest and investment income are the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 141,677	\$ 129,165
Realized gain on sales of investments	1,153	6,493
Unrealized gain (loss) on investments	<u>20,538</u>	<u>(564)</u>
TOTAL INTEREST AND INVESTMENT INCOME	<u>\$ 163,368</u>	<u>\$ 135,094</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 collateral (both guarantees as well as social collateral) for these loans.

During the year ended December 31, 2020, The Friendship Bridge recorded \$971,697 of bad debts based on a \$767,107 increase in the loan loss allowance from 2019 and direct write-offs of loans during the current year totaling \$204,590. Additionally, The Friendship Bridge recorded \$93,901 of interest receivable write-offs, accordingly, the total bad debts expense realized during the year ended December 31, 2020 aggregated \$1,065,598. The majority of the increase in the loan loss allowance (as well as the interest receivable write-offs) recorded is due to the circumstances surrounding the COVID-19 worldwide pandemic.

As of December 31, 2020, the total loans receivable balance, net of the allowance of \$1,046,424, which represents 11.92% of the gross portfolio balance of \$8,777,359, aggregated \$7,730,935. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2019 to December 31, 2020, the total loans receivable balance experienced a \$116,543 loss on valuation at fiscal year-end.

During the year ended December 31, 2019, The Friendship Bridge recorded \$153,240 of bad debts based on a \$4,422 increase in the loan loss allowance from 2018 and direct write-offs of loans during the current year totaling \$148,818.

As of December 31, 2019, the total loans receivable balance, net of the allowance of \$279,317, which represents 3.00% of the gross portfolio balance of \$9,310,578, aggregated \$9,031,261. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2018 to December 31, 2019, the total loans receivable balance experienced a \$11,977 gain on valuation at fiscal year-end.

THE FRIENDSHIP BRIDGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 were due on October 10, 2020; however, the notes were extended by investors for one year to October 10, 2021. Among the investors participating in the Private Placement are six related parties, including Board members and family of Board members, for a total of \$250,000 (4.05% and 4.78% of total outstanding loans payable balance at December 31, 2020 and 2019, respectively); the details of these loans are disclosed in The Friendship Bridge 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 6.25%, with terms ranging between 24 and 60 months. As of December 31, 2020 and 2019 the outstanding principal balance on such loans aggregated \$4,461,400 and \$3,650,248, respectively.

Additionally, on May 5, 2020, The Friendship Bridge received loan proceeds in the amount of \$131,777 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the two-year term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. During 2020, The Friendship Bridge used the proceeds for purposes consistent with the Paycheck Protection Program, and has met the conditions for forgiveness of the loan. Subsequent to fiscal year-end, The Friendship Bridge applied for forgiveness (after completing the 24-week period), and the full value of the loan was forgiven on April 16, 2021. During 2021, The Friendship Bridge will record revenue from debt extinguishment.

As of December 31, 2020 and 2019 the outstanding principal balance on all loans aggregated \$6,173,177 and \$5,230,248, respectively.

In accordance with generally accepted accounting principles, The Friendship Bridge has imputed interest expense totaling \$25,347 and \$21,096 on all aforementioned non-interest bearing notes during the years ended December 31, 2020 and 2019, respectively.

Total interest expense during the years ended December 31, 2020 and 2019 under all loans payable (including imputed interest of \$25,347 in 2020 and \$21,096 in 2019), aggregated \$231,010 and \$185,418, 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>2020</u>	<u>2019</u>
2020	\$ -	\$ 2,630,248
2021	3,483,627	1,550,000
2022	516,633	200,000
2023	1,368,740	850,000
2024	519,306	-
2025	284,871	-
	<u>\$ 6,173,177</u>	<u>\$ 5,230,248</u>

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

5. LINE OF CREDIT

During 2020 and 2019, The Friendship Bridge maintained one line of credit with a local financial institution. As of December 31, 2020, the total amount available under the line of credit aggregated GTQ950,000 (\$121,638); as of December 31, 2019, the total amount available under the lines of credit aggregated GTQ950,000 (\$123,396).

The lines of credit are guaranteed by investments (certificates of deposit) on deposit at the financial institutions totaling GTQ1,340,000 (\$171,574) at December 31, 2020, and GTQ1,340,000 (\$174,053) at December 31, 2019.

During 2020, borrowings on the lines of credit bore interest 8.70%; during 2019, borrowings on the lines of credit bore interest between 9.00% and 10.00%. There were no borrowings made during 2020 or 2019.

The lines of credit expire as the certificates of deposit mature, with a current expiration date of May 2, 2021. As of December 31, 2020 and 2019, there were no outstanding borrowings.

6. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Entrepreneur Program	\$ 967,800	\$ -
MIS Project	51,253	61,332
Education Program	15,000	-
Health Program	-	22,352
Nurses Education (Vietnam)	9,339	7,935
Rebranding	-	745
Endowments to be invested in perpetuity (Note 13)	101,000	101,000
Accumulated earnings on endowment invested in perpetuity (Note 13)	<u>1,919</u>	<u>1,823</u>
TOTAL NET ASSETS WITH RESTRICTIONS	<u>\$ 1,146,311</u>	<u>\$ 195,187</u>

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:

	<u>2020</u>	<u>2019</u>
Health Program	\$ 104,805	\$ 72,232
Pandemic Food Relief	63,861	-
Agricultural Program	40,000	44,503
Entrepreneur Program	30,000	168
Financial Products	10,079	85,668
Nurses Education (Vietnam)	5,755	30,325
Artisan Sewing Machines	5,000	-
Safety Protocol Supplies	4,990	-
Training	1,250	-
Rebranding	745	29,255
Other	1,870	-
Use of endowment earnings (Note 13)	<u>13,059</u>	<u>2,841</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 281,414</u>	<u>\$ 264,992</u>

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

8. 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, 2020 and 2019, The Friendship Bridge had cash, property and equipment and loans receivable in Guatemala totaling \$11,311,010 and \$11,837,849, respectively, which represent 86% and 96% of The Friendship Bridge's total assets as of December 31, 2020 and 2019, respectively.

9. 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's financial assets available within one year of the Statements of Financial Position date for general expenditures at December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,091,859	\$ 707,241
Investments	2,836,963	1,901,015
Loans receivable (gross)	8,777,359	9,310,578
Loan interest receivable	<u>222,112</u>	<u>305,026</u>
Total financial assets available within one year	<u>13,928,293</u>	<u>12,223,860</u>
Receivables scheduled:		
Due after one year	(194,726)	(82,962)
More than 30 days overdue	(178,048)	(56,795)
Contractual or donor-imposed restrictions:		
Endowment	(101,000)	(101,000)
Donor restrictions	(1,045,311)	(94,187)
Designations:		
Board-designated net assets (a)	(43,260)	(43,260)
Operating reserves (b)	(1,000,132)	(1,202,767)
Debt obligations reserve (c)	(353,650)	(1,222,250)
Client guarantees (d)	<u>(666,599)</u>	<u>(692,446)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 10,345,567</u>	<u>\$ 8,728,193</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, 2020 and 2019 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.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

9. LIQUIDITY AND AVAILABILITY (Continued)

- (c) The debt obligations reserve had been calculated so that by the maturity date of the loan the reserve equals 60% of the principal repayment amount. In 2020, policy was modified whereby, for purposes of the debt obligation reserve calculation, liabilities are reviewed at a minimum annually and adjusted (reduced) by a probability of rollover based on prior history and management's relationship with, and knowledge of, the investors and the investment, which has the effect of lowering the reserve.
- (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.
- (e) As of December 31, 2020 and 2019, The Friendship Bridge has financial assets equal to more than a year of total operating expenses.

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, 2021. Additionally, The Friendship Bridge rents several offices in Guatemala under various leases which expire on various periods through 2025.

Future minimum payments required under the leases are as follows:

<u>Year Ended December 31,</u>	
2021	\$ 99,748
2022	35,649
2023	28,742
2024	10,769
2025	<u>10,769</u>
	<u>\$ 185,677</u>

Occupancy expense for the years ended December 31, 2020 and 2019 totaled \$202,922 and \$183,954, 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, 2020 and 2019, The Friendship Bridge made contributions to the Plan totaling \$23,356 and \$23,415, 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).

THE FRIENDSHIP BRIDGE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

12. FAIR VALUE MEASUREMENT (Continued)

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.

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, 2020 and 2019, 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, 2020:

Asset Category:	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 2,629,484	\$ -	\$ 2,629,484
Mutual funds	45,579	-	-	45,579
Equities	56,971	-	-	56,971
Money market funds	369	-	-	369
Annuity contracts	-	104,560	-	104,560
TOTAL	\$ 102,919	\$ 2,734,044	\$ -	\$ 2,836,963

THE FRIENDSHIP BRIDGE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

12. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, The Friendship Bridge's investments as of December 31, 2019:

Asset Category:	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 1,695,685	\$ -	\$ 1,695,685
Mutual funds	48,548	-	-	48,548
Equities	51,786	-	-	51,786
Money market funds	10,382	-	-	10,382
Annuity contracts	-	94,614	-	94,614
TOTAL	<u>\$ 110,716</u>	<u>\$ 1,790,299</u>	<u>\$ -</u>	<u>\$ 1,901,015</u>

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, 2020 and 2019 the total fair value of such investments aggregated \$102,919 and \$102,823, respectively; accordingly, there were no deficiencies as of December 31, 2020 and 2019.

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 endowment net assets with donor restriction: (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) accumulations to the endowment held in perpetuity 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 endowment net asset held in perpetuity is classified as net assets with donor restrictions 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, 2020, the remaining amounts classified as net assets with donor restrictions in the accompanying financial statements (reflected accumulated unexpended endowment earnings) aggregated \$1,919.

As of December 31, 2019, the remaining amounts classified as net assets with donor restrictions in the accompanying financial statements (reflected accumulated unexpended endowment earnings) aggregated \$1,823.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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, 2020 and 2019:

Donor-Restricted Endowment Funds	\$ <u>101,000</u>
---	--------------------------

Changes in endowment net assets for the years ended December 31, 2019 and 2020:

Endowment net assets, December 31, 2018	\$ 101,000
Investment gains	4,664
Use of investment gains	(2,841)
Transfer to accumulated earnings on endowment invested in perpetuity	(1,823)
Endowment net assets, December 31, 2019	101,000
Investment gains	14,978
Use of investment gains	(13,059)
Transfer to accumulated earnings on endowment invested in perpetuity	(1,919)
ENDOWMENT NET ASSETS, DECEMBER 31, 2020	\$ <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.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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 28, 2021, the date the financial statements were issued.