

FINANCIAL STATEMENTS



FRIENDSHIP BRIDGE
Empower Women. Eliminate Poverty.

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

THE FRIENDSHIP BRIDGE

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Friendship Bridge
Lakewood, Colorado

Opinion

We have audited the accompanying financial statements of The Friendship Bridge, which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Friendship Bridge and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Friendship Bridge's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friendship Bridge's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Friendship Bridge's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

April 29, 2022

THE FRIENDSHIP BRIDGE
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

ASSETS		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents:			
Cash held in the United States	\$	977,801	\$ 1,766,348
Cash held in Guatemala		<u>812,939</u>	<u>325,511</u>
Total cash and cash equivalents		1,790,740	2,091,859
Investments		1,592,761	2,836,963
Loans receivable, net of allowance		9,891,707	7,536,209
Loan interest receivable, net of allowance		231,027	222,112
Accounts and pledges receivable		228,180	188,150
Prepaid expenses and other assets		<u>74,403</u>	<u>48,671</u>
Total current assets		<u>13,808,818</u>	<u>12,923,964</u>
PROPERTY AND EQUIPMENT			
Furniture and equipment		139,101	116,571
Computers and related equipment		293,557	306,009
Vehicles		97,762	96,627
Leasehold improvements		<u>105,634</u>	<u>72,072</u>
		636,054	591,279
Less: Accumulated depreciation and amortization		<u>(474,420)</u>	<u>(499,286)</u>
Net property and equipment		<u>161,634</u>	<u>91,993</u>
NONCURRENT ASSETS			
Loans receivable, net of current portion		32,033	194,726
Security deposits		<u>21,205</u>	<u>17,842</u>
Total noncurrent assets		<u>53,238</u>	<u>212,568</u>
TOTAL ASSETS		<u>\$ 14,023,690</u>	<u>\$ 13,228,525</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	926,297	\$ 983,308
Accrued salaries and related benefits		440,952	244,675
Deferred revenue		58,235	500
Loans payable		<u>1,571,214</u>	<u>3,483,626</u>
Total current liabilities		2,996,698	4,712,109
NONCURRENT LIABILITIES			
Loans payable, net of current portion		<u>4,827,916</u>	<u>2,689,550</u>
Total liabilities		<u>7,824,614</u>	<u>7,401,659</u>
NET ASSETS			
Without donor restrictions		5,323,470	4,680,555
With donor restrictions		<u>875,606</u>	<u>1,146,311</u>
Total net assets		<u>6,199,076</u>	<u>5,826,866</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 14,023,690</u>	<u>\$ 13,228,525</u>

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 982,092	\$ 294,115	\$ 1,276,207
Investment income	123,648	9,686	133,334
Loan interest and fees	5,038,978	-	5,038,978
In-kind contributions	111,844	-	111,844
Events	41,877	-	41,877
Sales and other income	128,479	-	128,479
Net assets released from donor restrictions - satisfaction of donor restrictions	<u>574,506</u>	<u>(574,506)</u>	<u>-</u>
Total support and revenue	<u>7,001,424</u>	<u>(270,705)</u>	<u>6,730,719</u>
EXPENSES			
Program Services:			
Financial Products	3,713,667	-	3,713,667
Plus Services	<u>2,236,838</u>	<u>-</u>	<u>2,236,838</u>
Total program services	<u>5,950,505</u>	<u>-</u>	<u>5,950,505</u>
Supporting Services:			
General and Administrative	564,930	-	564,930
Fundraising	<u>223,006</u>	<u>-</u>	<u>223,006</u>
Total supporting services	<u>787,936</u>	<u>-</u>	<u>787,936</u>
Total expenses	<u>6,738,441</u>	<u>-</u>	<u>6,738,441</u>
Changes in net assets before other items	<u>262,983</u>	<u>(270,705)</u>	<u>(7,722)</u>
OTHER ITEMS			
Net currency gains on loan portfolio	104,664	-	104,664
Other net currency gains	11,853	-	11,853
Forgiveness of debt	<u>263,415</u>	<u>-</u>	<u>263,415</u>
Total other items	<u>379,932</u>	<u>-</u>	<u>379,932</u>
Changes in net assets	642,915	(270,705)	372,210
Net assets at beginning of year	<u>4,680,555</u>	<u>1,146,311</u>	<u>5,826,866</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,323,470</u>	<u>\$ 875,606</u>	<u>\$ 6,199,076</u>

THE FRIENDSHIP BRIDGE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 694,674	\$ 1,217,560	\$ 1,912,234
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 Services	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			
Net currency losses on loan portfolio	(116,543)	-	(116,543)
Other net currency losses	<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>

THE FRIENDSHIP BRIDGE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services			Total Expenses
	Financial Products	Plus Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 2,025,835	\$ 1,063,284	\$ 3,089,119	\$ 393,314	\$ 149,876	\$ 543,190	\$ 3,632,309
Professional fees	37,252	38,709	75,961	31,055	11,834	42,889	118,850
Occupancy	131,776	80,199	211,975	19,264	7,341	26,605	238,580
Depreciation and amortization	33,059	17,094	50,153	-	-	-	50,153
Telecommunications	75,246	40,675	115,921	2,824	1,076	3,900	119,821
Travel, transportation, insight trips	218,892	116,913	335,805	5,963	2,272	8,235	344,040
Consulting fees	107,935	337,922	445,857	58,494	22,290	80,784	526,641
Supplies	70,708	128,715	199,423	7,417	2,826	10,243	209,666
Training and other personnel costs	168,006	88,503	256,509	2,611	995	3,606	260,115
Interest expense	158,172	81,784	239,956	-	-	-	239,956
Equipment, repairs and maintenance	70,847	40,599	111,446	6,336	2,415	8,751	120,197
Provision for bad debts and allowances	(122,603)	-	(122,603)	-	-	-	(122,603)
Software and other fees	183,299	106,378	289,677	18,527	7,060	25,587	315,264
Advertising	107,879	64,355	172,234	13,694	5,219	18,913	191,147
Credit checks	73,994	-	73,994	-	-	-	73,994
Taxes	362,627	-	362,627	-	-	-	362,627
Other	10,743	31,708	42,451	5,431	9,802	15,233	57,684
TOTAL	\$ 3,713,667	\$ 2,236,838	\$ 5,950,505	\$ 564,930	\$ 223,006	\$ 787,936	\$ 6,738,441

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 Services	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	39,695	25,988	-	65,683	17,051	6,443	23,494	89,177
Occupancy	115,927	56,446	-	172,373	22,171	8,378	30,549	202,922
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, transportation, insight trips	144,026	58,183	5,755	207,964	10,579	3,998	14,577	222,541
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 and other personnel costs	113,721	40,639	-	154,360	822	311	1,133	155,493
Interest expense	170,833	60,177	-	231,010	-	-	-	231,010
Equipment, repairs and maintenance	29,312	15,464	-	44,776	7,298	2,758	10,056	54,832
Provision for 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
Other	22,727	93,174	-	115,901	3,989	14,290	18,279	134,180
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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 372,210	\$ (116,452)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	50,153	51,026
(Increase) decrease in the provision for uncollectable loans	(408,931)	767,107
Loan principal written-off	242,153	204,590
Loan guarantee funds absorbed	312,866	180,037
Net currency (gain) loss on loan portfolio	(104,664)	116,543
Realized gain on sales of investments	(2,016)	(1,153)
Unrealized gain on investments	(7,865)	(20,538)
Forgiveness of loan payable	(263,415)	-
Interest receivable written off	51,099	93,901
(Increase) decrease in:		
Loan interest receivable	(60,014)	(10,987)
Accounts and pledges receivable	(40,030)	(188,150)
Prepaid expenses and other assets	(25,732)	179,869
Security deposits	(3,363)	394
(Decrease) increase in:		
Accounts payable and accrued liabilities	(57,011)	(112,985)
Deferred revenue	57,735	(9,400)
Accrued salaries and related benefits	196,277	194,771
Net cash provided by operating activities	<u>309,452</u>	<u>1,328,573</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(119,794)	(4,676)
Proceeds from sales of investments	2,639,987	4,275,955
Purchase of investments	(1,385,904)	(5,190,212)
Loan capital issued to beneficiaries	(20,498,496)	(14,757,077)
Loan capital collected from beneficiaries	<u>18,264,267</u>	<u>14,789,126</u>
Net cash used by investing activities	<u>(1,099,940)</u>	<u>(886,884)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from investors/lenders	5,355,337	2,846,800
Repayments on loans	<u>(4,865,968)</u>	<u>(1,903,871)</u>
Net cash provided by financing activities	<u>489,369</u>	<u>942,929</u>
Net (decrease) increase in cash and cash equivalents	(301,119)	1,384,618
Cash and cash equivalents at beginning of year	<u>2,091,859</u>	<u>707,241</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,790,740</u>	<u>\$ 2,091,859</u>

THE FRIENDSHIP BRIDGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

SUPPLEMENTAL INFORMATION	<u>2021</u>	<u>2020</u>
Interest Paid	\$ <u>203,259</u>	\$ <u>210,988</u>
Taxes Paid	\$ <u>350,645</u>	\$ <u>254,667</u>

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 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** - Contributions restricted by donors 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 Statements of Activities and Changes in Net Assets as net assets released from donor restrictions.

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 \$812,939 and \$325,511 of cash and cash equivalents on hand and invested in financial institutions in Guatemala as of December 31, 2021 and 2020, 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.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Loans receivable -

Loans receivable are stated amortized cost, which approximates fair 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.

Accounts and pledges receivable -

Accounts and pledges receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income in the accompanying Statements of Activities and Changes in Net Assets. Friendship Bridge does not incur any management fees on investments held as of the date of the financial statements.

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, 2021 and 2020 totaled \$50,153 and \$51,026, respectively.

Revenue recognition -

Grants and contributions -

The Friendship Bridge receives contributions, including unconditional promises to give, from many sources, including foundations, individuals and corporations.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Revenue recognition (continued) -

Grants and contributions (continued) -

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 grant or contribution 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 under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. For grants and contributions 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.

Grants and contributions 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.

Grants and contributions qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional.

Funds received in advance of the incurrence of qualifying expenditures are recorded as deferred revenue. For grants and contributions treated as conditional contributions, The Friendship Bridge had approximately \$230,000 in unrecognized conditional awards as of December 31, 2021. The Friendship Bridge did not have any unrecognized conditional awards as of December 31, 2020.

Sales income -

Sales revenue classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers* is recorded as revenue at a point in time when the performance obligations are met. The The Friendship Bridge has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Sales revenue is included in "Sales and Other Income" on the accompanying Statement of Activities and Changes in Net Assets.

Loan interest and fees -

Loan interest and fees revenue are recorded over the life of the loan in accordance with the loan agreements.

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Income taxes (continued) -

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, 2021 and 2020 and incurred \$362,627 and \$284,193, 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, 2021 and 2020, 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.

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; and the appeal process continues as of the date of the independent audit report.

There is a possibility that the tax administration in Guatemala will review The Friendship Bridge's VAT treatment of loan interest received and require payment of back taxes. Management estimates that back taxes, if required, would not exceed \$1,100,000 and \$469,000 for the years ended December 31, 2021 and 2020, respectively. 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 2021 or 2020.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

In-kind contributions -

In-kind contributions consist of 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. In-kind contributions are recorded at their fair value as of the date of the gift. In-kind contributions totaled \$111,844 and \$115,542 during the years ended December 31, 2021 and 2020, 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 Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a basis of time and effort (such as salaries and benefits).

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 Services); as well as serving as a fiscal sponsor of independent volunteers continuing The Friendship Bridge's initial development activities in Vietnam, providing faculty support and training for a graduate level nurses education program (Nurses Education). No expenses were incurred on the Nurses Education program for the year ended December 31, 2021.

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. 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.

Functional currency -

The Quetzal (GTQ) is the functional currency of Guatemala.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Functional currency (continued) -

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, 2021 and 2020 of \$1.00 = GTQ 7.72 and \$1.00 = GTQ 7.81, 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 7.74 in 2021 and GTQ 7.73 in 2020). 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 \$191,147 and \$111,316 during the years ended December 31, 2021 and 2020, 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.

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.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Risks and uncertainties (continued) -

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

New accounting pronouncements (not yet adopted) -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosure of 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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying financial statements.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2. INVESTMENTS

Investments consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit (Guatemala)	\$ 1,326,627	\$ 1,326,627	\$ 2,629,484	\$ 2,629,484
Mutual funds	39,508	41,742	39,508	45,579
Equities	44,049	59,201	44,049	56,971
Money market funds	51,159	51,159	369	369
Annuity contracts	<u>84,425</u>	<u>114,032</u>	<u>84,425</u>	<u>104,560</u>
TOTAL INVESTMENTS	<u>\$ 1,545,768</u>	<u>\$ 1,592,761</u>	<u>\$ 2,797,835</u>	<u>\$ 2,836,963</u>

Included in investment income are the following for the year ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 123,453	\$ 141,677
Realized gain on sales of investments	2,016	1,153
Unrealized gain on investments	<u>7,865</u>	<u>20,538</u>
TOTAL INVESTMENT INCOME	<u>\$ 133,334</u>	<u>\$ 163,368</u>

3. LOANS RECEIVABLE

Loans receivable consist of group and individual loans provided to impoverished women in Guatemala.

The terms of group loans range between four and twelve months and bear a non-declining interest rate between 2.00% and 3.00% per month. Loans range from \$100 to \$2,700. Social collateral is required on all group loans. Individual loan terms range from twelve to forty-eight months and bear a declining balance interest rate between 2.7% and 3.7% per month. The Friendship Bridge requires hard collateral for individual loans, ie – rights of possession of a property or a mortgage, or other major asset (machinery, vehicle), or a fiscal guarantor. Loan amounts range from \$1,900 to \$13,000. Principal and interest payments are due monthly on all loans.

During the year ended December 31, 2021, The Friendship Bridge recorded \$166,778 of a bad debt provision based on a \$408,931 decrease in the loan loss allowance from 2020 and direct write-offs of loans during the current year totaling \$242,153. Additionally, The Friendship Bridge recorded \$51,099 of interest receivable write-offs; accordingly, the total bad debt provision realized during the year ended December 31, 2021 aggregated \$122,603.

As of December 31, 2021, the total loans receivable balance, net of the allowance of \$637,493, which represents 6% of the gross portfolio balance of \$10,561,233, aggregated \$9,923,740. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2020 to December 31, 2021, the total loans receivable balance experienced a \$104,664 gain on valuation at fiscal year-end.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

3. LOANS RECEIVABLE (Continued)

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.

4. LOANS PAYABLE

During 2020, The Friendship Bridge maintained unsecured promissory note agreements with numerous qualified private investors totaling \$1,580,000. The notes bore 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. During 2021, The Friendship Bridge re-financed the unsecured promissory note agreements with numerous qualified private investors for a total of \$2,505,000. The notes continue to bear interest of 4.00%, and are due on October 10, 2025.

Among the investors participating in the Private Placement as of December 31, 2021 and 2020 were ten and seven related parties, respectively, including staff, Board members and family of Board members, for a total of \$400,000 and \$250,000, respectively (6.25% and 4.05% of total outstanding loans payable balance at December 31, 2021 and 2020, 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 6.00% as of December 31, 2021 (0 to 6.25% as of December 31, 2020), with terms ranging between 24 and 60 months.

As of December 31, 2021 and 2020 the outstanding principal balance on such loans aggregated \$2,322,916 and \$846,135, respectively.

Additionally, on May 5, 2020, The Friendship Bridge received loan proceeds in the amount of \$131,778 under the Paycheck Protection Program. The promissory note called 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. During 2020, The Friendship Bridge used the proceeds for purposes consistent with the Paycheck Protection Program, and met the conditions for forgiveness of the loan. On April 16, 2021 the full value of the loan was forgiven and The Friendship Bridge recorded revenue from forgiveness of debt, which is included in the accompanying Statement of Activities and Changes in Net Assets under Other Items.

On March 15, 2021, The Friendship Bridge received loan proceeds in the amount of \$131,637 under the Paycheck Protection Program. The promissory note called for monthly principal and interest payments amortized over the five-year term of the promissory note with a deferral of payments until forgiveness is determined.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

4. LOANS PAYABLE (Continued)

During 2021, The Friendship Bridge used the proceeds for purposes consistent with the Paycheck Protection Program, and met the conditions for forgiveness of the loan. On July 20, 2021 the full value of the loan was forgiven and The Friendship Bridge recorded revenue from forgiveness of debt, which is included in the accompanying Statements of Activities and Changes in Net Assets under Other Items.

As of December 31, 2021 and 2020 the outstanding principal balance on all loans aggregated \$4,827,916 and \$2,689,550, respectively.

In accordance with generally accepted accounting principles, The Friendship Bridge has imputed interest expense totaling \$9,722 and \$25,347 on all aforementioned non-interest bearing notes during the years ended December 31, 2021 and 2020, respectively.

Total interest expense during the years ended December 31, 2021 and 2020 under all loans payable (including imputed interest of \$9,722 in 2021 and \$25,347 in 2020), aggregated \$239,956 and \$231,010, 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>2021</u>	<u>2020</u>
2021	\$ -	\$ 3,483,626
2022	1,571,214	516,633
2023	1,518,740	1,368,740
2024	519,306	519,306
2025	<u>2,789,870</u>	<u>284,871</u>
	<u>\$ 6,399,130</u>	<u>\$ 6,173,176</u>

5. LINE OF CREDIT

During 2021 and 2020, The Friendship Bridge maintained one line of credit with a local financial institution. As of December 31, 2021, the total amount available under the line of credit aggregated GTQ950,000 (\$123,066); as of December 31, 2020, the total amount available under the line of credit aggregated GTQ950,000 (\$121,638).

The line of credit is guaranteed by investments (certificates of deposit) on deposit at the financial institutions totaling GTQ1,940,000 (\$251,313) at December 31, 2021, and GTQ1,340,000 (\$171,574) at December 31, 2020.

The interest rate on the line of credit was 5.25% and 8.70% during 2021 and 2020, respectively. There were no borrowings made during 2021 or 2020.

The line of credit expires as the certificates of deposit mature, with a current expiration date of May 2, 2022. As of December 31, 2021 and 2020, there were no outstanding borrowings.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

6. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Entrepreneur Program	\$ 593,324	\$ 967,800
MIS Project	51,253	51,253
Artisan Program	3,788	-
Agriculture Program	15,800	-
Nurses Education (Vietnam)	9,339	9,339
Education Program	-	15,000
Endowments to be invested in perpetuity (Note 14)	201,000	101,000
Accumulated earnings on endowment invested in perpetuity (Note 14)	<u>1,102</u>	<u>1,919</u>
TOTAL NET ASSETS WITH RESTRICTIONS	<u>\$ 875,606</u>	<u>\$ 1,146,311</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>2021</u>	<u>2020</u>
Entrepreneur Program	\$ 374,476	\$ 30,000
Health Program	117,739	104,805
Agriculture Program	30,000	40,000
Training	22,922	1,250
Education Program	15,000	-
Artisan Program	3,211	5,000
Other	655	1,870
Pandemic Food Relief	-	63,861
Financial Products	-	10,079
Nurses Education (Vietnam)	-	5,755
Safety Protocol Supplies	-	4,990
Rebranding Project	-	745
Use of endowment earnings (Note 14)	<u>10,503</u>	<u>13,059</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 574,506</u>	<u>\$ 281,414</u>

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.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

8. CONCENTRATION OF ASSETS (Continued)

As of December 31, 2021 and 2020, The Friendship Bridge had cash, property and equipment and loans receivable in Guatemala totaling \$12,697,278 and \$11,311,010, respectively, which represent 91% and 86% of The Friendship Bridge's total assets as of December 31, 2021 and 2020, 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, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,790,740	\$ 2,091,859
Investments	1,592,761	2,836,963
Loans receivable (gross)	10,561,233	8,777,359
Loan interest receivable	231,027	222,112
Accounts and pledges receivable	<u>228,180</u>	<u>188,150</u>
Total financial assets available within one year	14,403,941	14,116,443
Receivables scheduled:		
Due after one year	(32,033)	(194,726)
More than 30 days overdue	(37,442)	(178,048)
Contractual or donor-imposed restrictions:		
Endowment	(201,000)	(101,000)
Donor restrictions	(674,606)	(1,045,311)
Designations:		
Board-designated net assets (a)	(43,260)	(43,260)
Operating reserves (b)	(1,308,945)	(1,000,132)
Debt obligations reserve (c)	(334,450)	(353,650)
Client guarantees (d)	<u>(751,760)</u>	<u>(666,599)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 11,020,445</u>	<u>\$ 10,533,717</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, 2021 and 2020 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, 2021 AND 2020

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. 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, 2021 and 2020, The Friendship Bridge has financial assets equal to more than a year of total operating expenses.

10. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2021 and 2020, The Friendship Bridge was the beneficiary of services which allowed The Friendship Bridge to provide greater resources toward various donated goods as programs. The following programs have benefited from these donated services:

	<u>2021</u>	<u>2020</u>
Financial Products	\$ 14,513	\$ 23,305
Plus Services	55,376	33,946
General and Administrative	30,178	13,290
Fundraising	<u>11,777</u>	<u>45,001</u>
TOTAL	<u>\$ 111,844</u>	<u>\$ 115,542</u>

11. LEASE COMMITMENTS

The Friendship Bridge rents office space for its principal headquarters in Lakewood, Colorado under an operating lease that expires on September 30, 2024. The Friendship Bridge also rented office space in Boulder, Colorado during 2021 under an agreement which expired on February 28, 2022. Additionally, The Friendship Bridge rents several offices in Guatemala under various leases which expire on various periods through 2027. Future minimum payments required under the leases are as follows:

Year Ended December 31,

2022	\$ 139,266
2023	122,709
2024	81,008
2025	41,233
2026	26,272
Thereafter	<u>1,023</u>
	<u>\$ 411,511</u>

Occupancy expense for the years ended December 31, 2021 and 2020 totaled \$238,580 and \$202,922, respectively.

THE FRIENDSHIP BRIDGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

12. 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, 2021 and 2020, The Friendship Bridge made contributions to the Plan totaling \$34,384 and \$23,356, respectively.

13. 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.

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 and there were no transfers between levels in the fair value hierarchy during the years ended December 31, 2021 and 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *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.
- *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 FRIENDSHIP BRIDGE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

13. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, The Friendship Bridge's investments as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
Certificates of deposit	\$ -	\$ 1,326,627	\$ -	\$ 1,326,627
Mutual funds	41,742	-	-	41,742
Equities	59,201	-	-	59,201
Money market funds	51,159	-	-	51,159
Annuity contracts	<u>-</u>	<u>114,032</u>	<u>-</u>	<u>114,032</u>
TOTAL	<u>\$ 152,102</u>	<u>\$ 1,440,659</u>	<u>\$ -</u>	<u>\$ 1,592,761</u>

The table below summarizes, by level within the fair value hierarchy, The Friendship Bridge's investments as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
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	<u>-</u>	<u>104,560</u>	<u>-</u>	<u>104,560</u>
TOTAL	<u>\$ 102,919</u>	<u>\$ 2,734,044</u>	<u>\$ -</u>	<u>\$ 2,836,963</u>

14. ENDOWMENT (NET ASSETS WITH RESTRICTIONS)

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 is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, The Friendship Bridge considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Friendship Bridge has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

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

Additionally, 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.

The endowment is held in an brokerage account and is comprised of equities, mutual funds and money market funds. Additionally, at December 31, 2021, \$50,000 is included in accounts and pledges receivable in the accompanying Statement of Financial Position. As of December 31, 2021 and 2020 the total fair value of the related brokerage account aggregated \$152,102 and \$102,919, respectively. There were no deficiencies as of December 31, 2021 and 2020.

Endowment net asset composition by type of fund as of December 31, 2021:

	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 201,000
Accumulated investment earnings	1,102
TOTAL ENDOWMENT FUNDS	\$ 202,102

Endowment net asset composition by type of fund as of December 31, 2020:

	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 101,000
Accumulated investment earnings	1,919
TOTAL ENDOWMENT FUNDS	\$ 102,919

Changes in endowment net assets for the years ended December 31, 2020 and 2021:

	With Donor Restrictions
Endowment net assets, December 31, 2019	\$ 101,000
Investment return	14,978
Appropriation of endowment assets for expenditure	(13,059)
Endowment net assets, December 31, 2020	102,919
Investment return	9,686
Contributions	100,000
Appropriation of endowment assets for expenditure	(10,503)
ENDOWMENT NET ASSETS, DECEMBER 31, 2021	\$ 202,102

THE FRIENDSHIP BRIDGE
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14. ENDOWMENT (NET ASSETS WITH RESTRICTIONS) (Continued)

Return Objectives and Risk Parameters -

The Friendship Bridge has adopted investment and spending policies for endowment assets that attempt to provide long-term growth of principal consistent with reasonable income. The Friendship Bridge attempts to preserve the capital by minimizing the probability of loss of principal over the investment horizon.

Emphasis is placed on minimizing return volatility rather than maximizing total return. The Friendship Bridge shall manage the assets with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in like capacity and familiar with such matters would use in the conduct of an entity of a like character with 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.

15. SUBSEQUENT EVENTS

In preparing these financial statements, The Friendship Bridge has evaluated events and transactions for potential recognition or disclosure through April 29, 2022, the date the financial statements were issued.