

**FINANCIAL STATEMENTS**



**FRIENDSHIP BRIDGE**  
Empower Women. Eliminate Poverty.

**FOR THE YEARS ENDED  
DECEMBER 31, 2023 AND 2022**

# 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, 2023 and 2022, 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, 2023 and 2022, 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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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".

May 3, 2024

**THE FRIENDSHIP BRIDGE**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2023 AND 2022**

**ASSETS**

	<b>2023</b>	<b>2022</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents:		
Cash held in the United States	\$ 186,134	\$ 413,541
Cash held in Guatemala	<u>414,946</u>	<u>379,238</u>
Total cash and cash equivalents	601,080	792,779
Investments	2,769,464	1,840,272
Loans receivable, net	13,923,768	12,393,472
Loan interest receivable, net	331,570	286,051
Grants receivable	1,088,411	50,000
Prepaid expenses and other assets	<u>201,928</u>	<u>174,454</u>
Total current assets	<u>18,916,221</u>	<u>15,537,028</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	164,970	154,056
Computers and related equipment	608,359	408,112
Vehicles	149,960	149,652
Leasehold improvements	<u>161,555</u>	<u>130,752</u>
	1,084,844	842,572
Less: Accumulated depreciation and amortization	<u>(663,837)</u>	<u>(545,930)</u>
Net property and equipment	<u>421,007</u>	<u>296,642</u>
<b>NONCURRENT ASSETS</b>		
Loans receivable, net of current portion	262,812	151,282
Security deposits	23,873	33,111
Right-of-use assets, net	<u>285,743</u>	<u>356,713</u>
Total noncurrent assets	<u>572,428</u>	<u>541,106</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 19,909,656</u></b>	<b><u>\$ 16,374,776</u></b>

## THE FRIENDSHIP BRIDGE

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2023 AND 2022

## LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,533,988	\$ 1,141,757
Accrued salaries and related benefits	382,909	391,205
Deferred revenue	7,760	86,765
Loans payable	2,357,547	2,534,318
Operating lease liabilities	<u>114,016</u>	<u>140,579</u>
Total current liabilities	<u>4,396,220</u>	<u>4,294,624</u>
<b>NONCURRENT LIABILITIES</b>		
Loans payable, net of current portion	8,189,870	5,459,176
Operating lease liabilities, net of current portion	<u>180,741</u>	<u>223,756</u>
Total noncurrent liabilities	<u>8,370,611</u>	<u>5,682,932</u>
Total liabilities	<u>12,766,831</u>	<u>9,977,556</u>
<b>NET ASSETS</b>		
Without donor restrictions	5,520,845	5,486,638
With donor restrictions	<u>1,621,980</u>	<u>910,582</u>
Total net assets	<u>7,142,825</u>	<u>6,397,220</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 19,909,656</u></b>	<b><u>\$ 16,374,776</u></b>

## THE FRIENDSHIP BRIDGE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Loan interest and fees	\$ 6,849,665	\$ -	\$ 6,849,665
Grants and contributions	1,193,940	1,133,185	2,327,125
Investment return, net	150,628	25,519	176,147
Sales and other income	173,189	-	173,189
Events	37,897	-	37,897
Net assets released from donor restrictions - satisfaction of donor restrictions	<u>447,306</u>	<u>(447,306)</u>	<u>-</u>
Total support and revenue	<u>8,852,625</u>	<u>711,398</u>	<u>9,564,023</u>
<b>EXPENSES</b>			
Program Services:			
Financial Products	5,298,150	-	5,298,150
Plus Services	<u>2,778,406</u>	<u>-</u>	<u>2,778,406</u>
Total program services	<u>8,076,556</u>	<u>-</u>	<u>8,076,556</u>
Supporting Services:			
General and Administrative	572,643	-	572,643
Fundraising	<u>189,944</u>	<u>-</u>	<u>189,944</u>
Total supporting services	<u>762,587</u>	<u>-</u>	<u>762,587</u>
Total expenses	<u>8,839,143</u>	<u>-</u>	<u>8,839,143</u>
Changes in net assets before other items	<u>13,482</u>	<u>711,398</u>	<u>724,880</u>
<b>OTHER ITEMS</b>			
Net currency gain on loan portfolio	26,899	-	26,899
Other net currency losses	<u>(6,174)</u>	<u>-</u>	<u>(6,174)</u>
Total other items	<u>20,725</u>	<u>-</u>	<u>20,725</u>
Changes in net assets	34,207	711,398	745,605
Net assets at beginning of year	<u>5,486,638</u>	<u>910,582</u>	<u>6,397,220</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 5,520,845</u></b>	<b><u>\$ 1,621,980</u></b>	<b><u>\$ 7,142,825</u></b>

## THE FRIENDSHIP BRIDGE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Loan interest and fees	\$ 5,905,015	\$ -	\$ 5,905,015
Grants and contributions	1,073,341	623,100	1,696,441
Sales and other income	218,254	-	218,254
Events	68,708	-	68,708
Investment return, net	73,845	(27,397)	46,448
Net assets released from donor restrictions - satisfaction of donor restrictions	<u>560,727</u>	<u>(560,727)</u>	<u>-</u>
Total support and revenue	<u>7,899,890</u>	<u>34,976</u>	<u>7,934,866</u>
<b>EXPENSES</b>			
Program Services:			
Financial Products	4,228,631	-	4,228,631
Plus Services	<u>2,505,296</u>	<u>-</u>	<u>2,505,296</u>
Total program services	<u>6,733,927</u>	<u>-</u>	<u>6,733,927</u>
Supporting Services:			
General and Administrative	580,876	-	580,876
Fundraising	<u>235,090</u>	<u>-</u>	<u>235,090</u>
Total supporting services	<u>815,966</u>	<u>-</u>	<u>815,966</u>
Total expenses	<u>7,549,893</u>	<u>-</u>	<u>7,549,893</u>
Changes in net assets before other items	<u>349,997</u>	<u>34,976</u>	<u>384,973</u>
<b>OTHER ITEMS</b>			
Net currency losses on loan portfolio	(175,832)	-	(175,832)
Other net currency losses	<u>(10,997)</u>	<u>-</u>	<u>(10,997)</u>
Total other items	<u>(186,829)</u>	<u>-</u>	<u>(186,829)</u>
Changes in net assets	163,168	34,976	198,144
Net assets at beginning of year	<u>5,323,470</u>	<u>875,606</u>	<u>6,199,076</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 5,486,638</u></b>	<b><u>\$ 910,582</u></b>	<b><u>\$ 6,397,220</u></b>



## THE FRIENDSHIP BRIDGE

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services			Supporting Services			Total Expenses
	Financial Products	Plus Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries, benefits and payroll taxes	\$ 2,471,952	\$ 1,130,757	\$ 3,602,709	\$ 359,030	\$ 110,064	\$ 469,094	\$ 4,071,803
Consulting fees	84,659	538,971	623,630	74,130	22,725	96,855	720,485
Travel and transportation	345,117	174,729	519,846	27,333	8,379	35,712	555,558
Taxes	486,948	-	486,948	-	-	-	486,948
Software and other fees	249,864	130,049	379,913	24,941	7,646	32,587	412,500
Interest expense	254,882	115,156	370,038	-	-	-	370,038
Provision for credit loss expense and allowances	347,628	-	347,628	-	-	-	347,628
Training and other personnel costs	212,940	101,159	314,099	7,197	2,207	9,404	323,503
Supplies	77,868	219,527	297,395	4,529	1,362	5,891	303,286
Occupancy	164,344	91,174	255,518	24,597	7,541	32,138	287,656
Advertising	165,661	82,203	247,864	10,692	3,278	13,970	261,834
Telecommunications	117,782	55,595	173,377	3,461	1,061	4,522	177,899
Equipment, repairs and maintenance	78,172	45,053	123,225	14,149	4,338	18,487	141,712
Depreciation and amortization	80,505	36,373	116,878	-	-	-	116,878
Professional fees	56,163	34,314	90,477	12,995	3,984	16,979	107,456
Credit checks	93,025	-	93,025	-	-	-	93,025
Other	10,640	23,346	33,986	9,589	17,359	26,948	60,934
<b>TOTAL</b>	<b>\$ 5,298,150</b>	<b>\$ 2,778,406</b>	<b>\$ 8,076,556</b>	<b>\$ 572,643</b>	<b>\$ 189,944</b>	<b>\$ 762,587</b>	<b>\$ 8,839,143</b>

See accompanying notes to financial statements.

## THE FRIENDSHIP BRIDGE

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Supporting Services			Total Expenses
	Financial Products	Plus Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries, benefits and payroll taxes	\$ 2,229,324	\$ 1,143,730	\$ 3,373,054	\$ 382,851	\$ 130,934	\$ 513,785	\$ 3,886,839
Consulting fees	83,914	410,498	494,412	82,570	28,239	110,809	605,221
Travel and transportation	306,909	174,900	481,809	21,267	7,273	28,540	510,349
Taxes	421,450	-	421,450	-	-	-	421,450
Software and other fees	200,485	119,829	320,314	22,736	7,775	30,511	350,825
Training and other personnel costs	196,183	107,315	303,498	6,485	2,218	8,703	312,201
Occupancy	154,321	94,330	248,651	28,441	7,120	35,561	284,212
Interest expense	175,467	92,326	267,793	-	-	-	267,793
Supplies	65,019	147,112	212,131	4,273	1,461	5,734	217,865
Advertising	121,266	66,317	187,583	3,979	1,361	5,340	192,923
Telecommunications	98,002	53,298	151,300	2,746	939	3,685	154,985
Credit checks	97,916	-	97,916	-	-	-	97,916
Professional fees	40,468	29,488	69,956	12,993	4,444	17,437	87,393
Depreciation and amortization	51,507	27,102	78,609	-	-	-	78,609
Other	7,381	16,301	23,682	8,019	41,782	49,801	73,483
Equipment, repairs and maintenance	37,825	22,750	60,575	4,516	1,544	6,060	66,635
Provision for bad debts and allowances	(58,806)	-	(58,806)	-	-	-	(58,806)
<b>TOTAL</b>	<b>\$ 4,228,631</b>	<b>\$ 2,505,296</b>	<b>\$ 6,733,927</b>	<b>\$ 580,876</b>	<b>\$ 235,090</b>	<b>\$ 815,966</b>	<b>\$ 7,549,893</b>

See accompanying notes to financial statements.

**THE FRIENDSHIP BRIDGE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 745,605	\$ 198,144
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	116,878	78,609
Decrease in the provision for uncollectable loans	(465,800)	(171,693)
Increase in the provision for expected credit losses	591,107	-
Loan principal written off	178,210	97,731
Loan guarantee funds absorbed	323,995	269,651
Net currency (gain) loss on loan portfolio	(26,899)	175,832
Unrealized (gain) loss on investments	(31,658)	41,349
Amortization of right-of-use assets	12,385	86,881
(Increase) decrease in:		
Loan interest receivable	(45,519)	(55,024)
Grants receivable	(1,038,411)	-
Prepaid expenses and other assets	(27,474)	78,129
Security deposits	9,238	(11,906)
Increase (decrease) in:		
Accounts payable and accrued liabilities	392,231	215,460
Accrued salaries and related benefits	(8,296)	(49,747)
Deferred revenue	(79,005)	28,530
Operating lease liabilities	<u>(10,993)</u>	<u>(79,259)</u>
Net cash provided by operating activities	<u>635,594</u>	<u>902,687</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(241,243)	(213,617)
Proceeds from sales of investments	3,077,157	1,654,444
Purchase of investments	(3,974,691)	(1,943,304)
Loan capital issued to beneficiaries	(26,525,980)	(24,921,010)
Loan capital collected from beneficiaries	<u>24,283,541</u>	<u>21,928,475</u>
Net cash used by investing activities	<u>(3,381,216)</u>	<u>(3,495,012)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from investors/lenders	6,702,100	4,769,401
Repayments on loans	<u>(4,148,177)</u>	<u>(3,175,037)</u>
Net cash provided by financing activities	<u>2,553,923</u>	<u>1,594,364</u>
Net decrease in cash and cash equivalents	(191,699)	(997,961)
Cash and cash equivalents at beginning of year	<u>792,779</u>	<u>1,790,740</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 601,080</u></b>	<b><u>\$ 792,779</u></b>

**THE FRIENDSHIP BRIDGE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

<b>SUPPLEMENTAL INFORMATION</b>	<u>2023</u>	<u>2022</u>
Interest Paid	\$ <u>323,561</u>	\$ <u>208,675</u>
Taxes Paid	\$ <u>472,596</u>	\$ <u>401,745</u>
Right-of-Use Asset	\$ <u>37,188</u>	\$ <u>443,594</u>
Operating Lease Liability for Right-of-Use Asset	\$ <u>37,188</u>	\$ <u>443,594</u>

**THE FRIENDSHIP BRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**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.

Program Services -

*Financial Products* - The Friendship Bridge extends microcredit loans to aspiring women entrepreneurs in Guatemala enabling them to expand their small businesses. These loans are characterized by their accessibility and flexibility, catering to impoverished women who have limited access to traditional banking services. In order to support our clients with the most appropriate Microcredit Plus services and financial products, we place them into one of two distinct client segments: Dreamers and Entrepreneurs.

Dreamer loan products include:

- Group Loans - This is The Friendship Bridge's entry loan product, offered to individuals who form a Trust Bank (7 to 25 women) and co-guarantee each others' loans as a form of social collateral.
- Parallel Loans - This individual loan is available to clients already borrowing as part of a Trust Bank who have a good credit history and a need for additional credit in order to expand their businesses.
- Chanim-Chanim Loans - Meaning "very, very fast" in Kaqchikel (Mayan language), this loan is available to Trust Bank clients for quick access to short-term loan capital for emergency or last-minute opportunities.

Entrepreneur loan products include:

- Individual Loans - A larger, longer-term loan offered to accelerate the growth of The Friendship Bridge's entrepreneur clients' businesses and prepare them for the formal banking sector.
- Lines of Credit - A pre-approved source of funding that can readily be tapped at the client's discretion for business or personal use.

*Plus Services* - The Friendship Bridge goes beyond conventional financial products by providing non-financial services such as preventive health services, non-formal education, agriculture, advanced business training, intensive business development, mentoring and social support. These holistic services address the multifaceted needs of clients, contributing to their overall well-being, resilience and socioeconomic empowerment.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

**THE FRIENDSHIP BRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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

Basis of presentation (continued) -

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". Net assets set aside 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 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.

New accounting pronouncements adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by The Friendship Bridge that are subject to the guidance in FASB ASC 326 are loans and loan interest receivable. The Friendship Bridge implemented the ASU on January 1, 2023 using a modified retrospective approach.

Cash and cash equivalents -

The Friendship Bridge considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents, and excluding money market funds held by investment managers in the amount of \$207,460 and \$429,275 as of December 31, 2023 and 2022, respectively.

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 \$414,946 and \$379,238 of cash and cash equivalents on hand and invested in financial institutions in Guatemala as of December 31, 2023 and 2022, 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, 2023 AND 2022**

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

Investments -

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

Equity 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 equity investments when received from a donor that places restrictions on the use of those funds; all other donated equity investments are liquidated at the discretion of management.

Cryptocurrency acquired by gift is accepted by The Friendship Bridge only if it can be liquidated through a third-party payment processor, and it is liquidated upon receipt.

Grants receivable -

Grants receivable include unconditional promises to give that are expected to be collected in the subsequent fiscal year. Any non-current grants receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The Friendship Bridge did not have any non-current grants receivable as of December 31, 2023 or 2022. Accordingly, a discount has not been established.

Loans and loan interest receivable -

Loans and loan interest receivable consists of unsecured programmatic loans to various individuals (customers). The loans have various origination dates and maturity dates and are typically repaid over six months to five years. Loans receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The Friendship Bridge reviews the credit quality of each debtor on an annual basis. The Friendship Bridge uses consumer credit risk scores in conjunction with internal credit risk grades based on collection experience in combination with current economic conditions and a forecast of future economic conditions to determine credit quality. The allowance for credit losses is based upon a discounted cash flows model using the contractual effective interest rate applied to the expected payments, which equal contractual payments adjusted for prepayment rates, probability of default, loss given default, and recovery delay.

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 support without donor restrictions 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 support with donor restriction. 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".

**THE FRIENDSHIP BRIDGE**  
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**DECEMBER 31, 2023 AND 2022**

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

Property and equipment (continued) -

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 totaled \$116,878 and \$78,609, respectively.

Revenue from contracts with customers -

The Friendship Bridge's Loan interest and fees are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. The Friendship Bridge has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Friendship Bridge's contracts with customers generally have initial terms of one year or less.

Support from grants and contributions, including Federal awards -

The Friendship Bridge receives grants and contributions, including Federal awards from various organizations and individuals, as well as from the U.S. Government. Contributions are recognized in the appropriate category of net assets in the period received. The Friendship Bridge performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support 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. Contributions, including grants qualifying as contributions, that are unconditional but 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. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, The Friendship Bridge had no refundable advances as of December 31, 2023 or 2022.

In addition, The Friendship Bridge has obtained funding source agreements related to conditional contributions, such as Federal awards from the U.S. Government, which will be received in future years. The Friendship Bridge's unrecognized conditional contributions to be received in future years totaled approximately \$179,000 and \$79,000 as of December 31, 2023 and 2022, respectively.



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

Income taxes -

The Friendship Bridge is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. 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, 2023 and 2022 and incurred \$486,948 and \$421,450, respectively, of gross receipts tax.

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 years ended December 31, 2023 or 2022.

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.

**THE FRIENDSHIP BRIDGE**  
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**DECEMBER 31, 2023 AND 2022**

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

Functional allocation of expenses (continued) -

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. 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, 2023 and 2022 of \$1.00 = GTQ 7.83 and \$1.00 = GTQ 7.84, 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 7.83 in 2023 and GTQ 7.84 in 2022). 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 \$261,834 and \$192,923 during the years ended December 31, 2023 and 2022, 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.

**THE FRIENDSHIP BRIDGE**  
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**DECEMBER 31, 2023 AND 2022**

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

Risks and uncertainties (continued) -

*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 Statements 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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications had no effect on the previously reported changes in net assets.

**2. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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 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, 2023 and 2022. 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.

**THE FRIENDSHIP BRIDGE**

**NOTES TO FINANCIAL STATEMENTS  
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**2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

- *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 value and to transact at that price. 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* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Annuity Contracts* - Include guaranteed annuities, equities and money market funds (see above)

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2023.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments:</b>				
Certificates of deposit	\$ -	\$2,254,155	\$ -	\$ 2,254,155
Mutual funds	191,529	-	-	191,529
Equities	41,271	-	-	41,271
Money market funds	207,460	-	-	207,460
Annuity contracts	<u>-</u>	<u>75,049</u>	<u>-</u>	<u>75,049</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 440,260</u></b>	<b><u>\$2,329,204</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,769,464</u></b>

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments:</b>				
Certificates of deposit	\$ -	\$1,134,769	\$ -	\$ 1,134,769
Mutual funds	71,541	-	-	71,541
Equities	98,582	-	-	98,582
Money market funds	429,275	-	-	429,275
Annuity contracts	<u>-</u>	<u>106,105</u>	<u>-</u>	<u>106,105</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 599,398</u></b>	<b><u>\$1,240,874</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,840,272</u></b>

Net investment return consisted of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 144,489	\$ 87,797
Unrealized gain (loss) on investments	<u>31,658</u>	<u>(41,349)</u>
<b>TOTAL INVESTMENT RETURN</b>	<b><u>\$ 176,147</u></b>	<b><u>\$ 46,448</u></b>

**THE FRIENDSHIP BRIDGE**  
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**3. LOANS AND INTEREST RECEIVABLE**

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

The terms of group loans range between six and twelve months and bear a non-declining interest rate between 2.30% and 3.50% per month. Loans range from \$191 to \$3,200 and are unsecured; they do, however, require social collateral which relies on joint liability by fellow group members. Individual loan terms range from six to sixty months and bear a declining balance interest rate between 2.00% and 3.67% per month. The Friendship Bridge requires hard collateral for individual loans, i.e. – rights of possession of a property or a mortgage, or other major asset (machinery, vehicle), or a fiscal guarantor. Loan amounts range from \$1,300 to \$25,000. Principal and interest payments are due monthly on all loans.

During the year ended December 31, 2023, The Friendship Bridge recorded \$347,628 of a credit loss expense provision based on a \$125,307 increase in the loan loss allowance from 2022, direct write-offs of loans during the current year totaling \$178,210 and recoveries of \$44,111.

As of December 31, 2023, the total loans receivable balance, net of the allowance of \$591,107, which represents 4.0% of the gross portfolio balance of \$14,777,687, aggregated \$14,186,580. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2022 to December 31, 2023, the total loans receivable balance experienced a \$26,899 gain on valuation at fiscal year-end.

During the year ended December 31, 2022, The Friendship Bridge recorded \$58,806 of bad debts recovery based on a \$171,693 decrease in the loan loss allowance from 2021 and direct write-offs of loans during the year ended December 31, 2022 totaling \$97,731.

As of December 31, 2022, the total loans receivable balance, net of the allowance of \$465,800, which represents 3.6% of the gross portfolio balance of \$13,010,554, aggregated \$12,544,754. Based on the Guatemala Quetzal spot exchange rate fluctuation from December 31, 2021 to December 31, 2022, the total loans receivable balance experienced a \$175,832 loss on valuation at fiscal year-end.

The following is a schedule of expected receipts of principal under the loans receivable (net of allowance for credit losses):

<u>Year Ending December 31,</u>	
2024	\$ 14,514,875
2025	203,159
2026	39,573
2027	10,040
2028	10,040
Less: Provision for expected credit losses	<u>(591,107)</u>
<b>TOTAL</b>	<b><u>\$ 14,186,580</u></b>

The allowance for credit losses on loans receivable consisted of the following as of and for the year ended December 31, 2023:

Allowance for credit losses, beginning of year	\$ 465,800
Additions (charges to expenses)	347,628
Deductions (write-offs, net of recoveries)	<u>(222,321)</u>
<b>ALLOWANCE FOR CREDIT LOSSES, END OF YEAR</b>	<b><u>\$ 591,107</u></b>

**THE FRIENDSHIP BRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**3. LOANS AND INTEREST RECEIVABLE (Continued)**

The allowance for credit losses on loan interest receivable consisted of the following as of and for the year ended December 31, 2023:

Allowance for credit losses, beginning of year	\$ 18,668
Additions (charges to expenses)	<u>10,720</u>
<b>ALLOWANCE FOR CREDIT LOSSES, END OF YEAR</b>	<b><u>\$ 29,388</u></b>

During the year ended December 31, 2023, the total allowance for loan interest losses increased by \$10,720. The total bad debt expense was \$10,720 during the year ended December 31, 2023.

**4. LOANS PAYABLE**

The Friendship Bridge has unsecured promissory note agreements with numerous qualified private investors totaling \$2,505,000 which mature in October 2025 and bear interest of 4.00%.

Among the investors participating in the Private Placement as of December 31, 2023 and 2022 were ten and eleven related parties, respectively, including Board Members and family of Board Members, for a total of \$335,000 and \$360,000 (3.18% and 4.50% of total outstanding loans payable balance at December 31, 2023 and 2022, 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, 2023 and 2022, with terms ranging between 12 and 60 months. As of December 31, 2023 and 2022, the outstanding principal balance on such loans aggregated \$8,042,417 and \$5,488,494, respectively.

As of December 31, 2023 and 2022, the outstanding principal balance on all loans from both private and social investors aggregated \$10,547,417 and \$7,993,494, respectively.

In accordance with generally accepted accounting principles, The Friendship Bridge has imputed interest expense totaling \$14,084 on all aforementioned non-interest bearing notes during the year ended December 31, 2022. There was no imputed interest expense for the year ended December 31, 2023.

Total interest expense during the years ended December 31, 2023 and 2022 under all loans payable (including imputed interest of \$14,084 in 2022), aggregated \$370,038 and \$267,793, 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.

**THE FRIENDSHIP BRIDGE**  
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**4. LOANS PAYABLE (Continued)**

Future estimated maturities of the aforementioned loans are as follows:

<u>Year Ended December 31,</u>	<u>2023</u>	<u>2022</u>
2023	\$ -	\$ 2,534,318
2024	2,357,547	519,306
2025	2,789,870	2,789,870
2026	1,000,000	1,000,000
2027	2,650,000	1,150,000
2028	<u>1,750,000</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 10,547,417</u></b>	<b><u>\$ 7,993,494</u></b>

**5. LINE OF CREDIT**

During 2023 and 2022, The Friendship Bridge maintained one line of credit with a local financial institution. As of December 31, 2023, the total amount available under the line of credit aggregated GTQ1,800,000 (\$229,920); as of December 31, 2022, the total amount available under the line of credit aggregated GTQ1,800,000 (\$229,500).

The line of credit is guaranteed by investments (certificates of deposit) on deposit at the financial institutions totaling \$255,320 (GTQ2,000,000) at December 31, 2023, and \$254,942 (GTQ2,000,000) at December 31, 2022.

The interest rate on the line of credit was 7.75% during 2023 and 2022. During 2023, there was one borrowing on the line of credit which was re-paid prior to December 31, 2023. During 2022, there was one borrowing on the line of credit which was re-paid within the same month.

The line of credit expires as the certificates of deposit mature, with a current expiration date of January 4, 2025. As of December 31, 2023 and 2022, there were no outstanding borrowings.

**6. NET ASSETS WITH RESTRICTIONS**

Net assets with restrictions consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Entrepreneur Program	\$ 990,390	\$ 172,234
Friendship University	383,810	494,158
MIS Project	20,887	51,253
Bridge to Success	9,819	-
Artisan Program	9,283	10,338
Agriculture Program	4,750	-
BEA Program	4,500	-
Nurses Education (Vietnam)	-	9,339
Endowments to be invested in perpetuity (Note 12)	201,100	201,100
Accumulated losses from endowments not yet authorized for spending (Note 12)	<u>(2,559)</u>	<u>(27,840)</u>
<b>TOTAL NET ASSETS WITH RESTRICTIONS</b>	<b><u>\$ 1,621,980</u></b>	<b><u>\$ 910,582</u></b>

**THE FRIENDSHIP BRIDGE**  
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**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>2023</u>	<u>2022</u>
Entrepreneur Program	\$ 181,848	\$ 421,090
Friendship University	110,348	5,842
Agriculture Program	55,250	45,800
MIS Project	30,366	-
Health Program	28,090	85,000
Safety Protocol Supplies	10,591	-
Bridge to Success	10,181	-
Opportunity collaboration	10,000	-
Nurses Education (Vietnam)	9,339	-
Artisan Program	1,055	1,450
Use of endowment earnings (Note 12)	<u>238</u>	<u>1,545</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>\$ <u>447,306</u></b>	<b>\$ <u>560,727</u></b>

**8. CONCENTRATION OF ASSETS**

The Friendship Bridge provides microloans, education, and preventive 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, 2023 and 2022, The Friendship Bridge had cash, investments, property and equipment and loans receivable in Guatemala totaling \$16,988,051 and \$14,572,662, respectively, which represent 85% and 89% of The Friendship Bridge's total assets as of December 31, 2023 and 2022, 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, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 601,080	\$ 792,779
Investments	2,769,464	1,840,272
Loans receivable, net	14,186,580	12,544,754
Loan interest receivable, net	331,570	286,051
Grants receivable	<u>1,088,411</u>	<u>50,000</u>
Total financial assets available	<u>18,977,105</u>	<u>15,513,856</u>



**THE FRIENDSHIP BRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**9. LIQUIDITY AND AVAILABILITY (Continued)**

	<b>2023</b>	<b>2022</b>
Receivables scheduled:		
Due after one year	\$ (262,812)	\$ (151,282)
More than 30 days overdue	(50,244)	(44,236)
Contractual or donor-imposed restrictions:		
Endowment	(201,100)	(201,100)
Donor restrictions	(1,420,880)	(709,482)
Designations:		
Operating reserves (a)	(1,577,912)	(1,485,533)
Debt obligations reserve (b)	(435,582)	(452,175)
Client guarantees (c)	<u>(1,029,732)</u>	<u>(882,930)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 13,998,843</u></b>	<b><u>\$ 11,587,118</u></b>

**Liquidity Disclosure**

- (a) Operating reserves should be held to cover Guatemalan capital equivalent to three months of operating expenses.
- (b) 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.
- (c) 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.
- (d) As of December 31, 2023 and 2022, The Friendship Bridge has financial assets equal to more than a year of total operating expenses.

**10. LEASE COMMITMENTS**

The Friendship Bridge follows FASB ASC 842 for leases. The Friendship Bridge has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Friendship Bridge has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

The Friendship Bridge has an operating lease for office space for its principal headquarters in Lakewood, Colorado under an operating lease that expires in October 2025. 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 2028.

**THE FRIENDSHIP BRIDGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**10. LEASE COMMITMENTS (Continued)**

For the year ended December 31, 2023 total lease cost was \$194,306 and total cash paid was \$195,308 for all operating leases. As of December 31, 2023, the weighted-average remaining lease term and rate for operating leases is 5.65 years and 3.5%, respectively.

For the year ended December 31, 2022 total lease cost was \$189,736 and total cash paid was \$182,114 for all operating leases. As of December 31, 2022, the weighted-average remaining lease term and rate for operating leases is 5.02 years and 3.5%, respectively.

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of December 31, 2023:

<u>Year Ending December 31,</u>		
2024		\$ 122,528
2025		117,574
2026		50,854
2027		13,499
2028		<u>5,099</u>
Subtotal		309,554
Less: Imputed interest		(14,797)
Less: Current portion		<u>(114,016)</u>
<b>LONG-TERM PORTION</b>		<b><u>\$ 180,741</u></b>

**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, 2023 and 2022, The Friendship Bridge made contributions to the Plan totaling \$29,000 and \$37,913, respectively.

**12. ENDOWMENT FUNDS**

The Friendship Bridge's endowment funds consist 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.

Interpretation of relevant law -

The Friendship Bridge has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by Colorado as requiring the preservation of the fair value of the original gift made to the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result, of this interpretation, The Friendship Bridge classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**THE FRIENDSHIP BRIDGE**  
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**12. ENDOWMENT FUNDS (Continued)**

Interpretation of relevant law (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.

Return Objectives and Risk Parameters -

The Friendship Bridge has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that The Friendship Bridge must hold in perpetuity or for a donor specified period. The endowment assets are invested in a conservative manner in mutual funds, equities and money market funds with the expectation to provide an average annual rate of return of more than 7% for equities and more than 3% for fixed income. Actual returns in any given year may vary from this amount.

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 Friendship Bridge has adopted a spending policy for its endowment funds such that, over the long-term, The Friendship Bridge expects the current spending policy to allow its endowments to grow at an average of 8% 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.

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires The Friendship Bridge to maintain as a fund of perpetual duration. Deficiencies of this nature exist in the donor-restricted endowment funds, which together have an original gift value of \$201,100, and a deficiency of \$2,559 and \$27,840 as of December 31, 2023 and 2022, respectively.

Endowment funds consisted of the following as of December 31, 2022:

	<b>With Donor Restrictions</b>		
	<b>Available for Appropriation</b>	<b>Held in Perpetuity</b>	<b>Total</b>
<b>Donor Restricted Funds</b>	<b>\$ <u>(2,559)</u></b>	<b>\$ <u>201,100</u></b>	<b>\$ <u>198,541</u></b>

**THE FRIENDSHIP BRIDGE**  
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**12. ENDOWMENT FUNDS (Continued)**

Changes in endowment funds consisted of the following as of and for the year ended December 31, 2023:

	<u>With Donor Restrictions</u>		
	<u>Available for</u>	<u>Available for</u>	<u>Total</u>
	<u>Appropriation</u>	<u>Appropriation</u>	
Endowment funds, beginning of year	\$ (27,840)	\$ 201,100	\$ 173,260
Net investment return	25,519	-	25,519
Appropriations	<u>(238)</u>	<u>-</u>	<u>(238)</u>
<b>ENDOWMENT FUNDS, END OF YEAR</b>	<b><u><u>\$ (2,559)</u></u></b>	<b><u><u>\$ 201,100</u></u></b>	<b><u><u>\$ 198,541</u></u></b>

Endowment funds consisted of the following as of December 31, 2022:

	<u>With Donor Restrictions</u>		
	<u>Available for</u>	<u>Held in</u>	<u>Total</u>
	<u>Appropriation</u>	<u>Perpetuity</u>	
<b>Donor Restricted Funds</b>	<b><u><u>\$ (27,840)</u></u></b>	<b><u><u>\$ 201,100</u></u></b>	<b><u><u>\$ 173,260</u></u></b>

Changes in endowment funds consisted of the following as of and for the year ended December 31, 2022:

	<u>With Donor Restrictions</u>		
	<u>Available for</u>	<u>Held in</u>	<u>Total</u>
	<u>Appropriation</u>	<u>Perpetuity</u>	
Endowment net assets, beginning of year	\$ 1,102	\$ 201,000	\$ 202,102
Contributions	-	100	100
Net investment return	(27,397)	-	(27,397)
Appropriations	<u>(1,545)</u>	<u>-</u>	<u>(1,545)</u>
<b>ENDOWMENT FUNDS, END OF YEAR</b>	<b><u><u>\$ (27,840)</u></u></b>	<b><u><u>\$ 201,100</u></u></b>	<b><u><u>\$ 173,260</u></u></b>

**13. SUBSEQUENT EVENTS**

In preparing these financial statements, The Friendship Bridge has evaluated events and transactions for potential recognition or disclosure through May 3, 2024, the date the financial statements were issued.