FINANCIAL STATEMENTS



FRIENDSHIP BRIDGE

Empower Women. Eliminate Poverty.

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, 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, 2022 and 2021, 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.

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.



May 5, 2023

THE FRIENDSHIP BRIDGE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents:		
Cash held in the United States	$ 413,541	$ 977,801
Cash held in Guatemala	379,238	812,939
Total cash and cash equivalents	792,779	1,790,740
Investments	1,840,272	1,592,761
Loans receivable, net of allowance	12,393,472	9,891,707
Loan interest receivable, net of allowance	286,051	231,027
Accounts and pledges receivable	129,043	228,180
Prepaid expenses and other assets	95,411	74,403
Total current assets	15,537,028	13,808,818
PROPERTY AND EQUIPMENT		
Furniture and equipment	154,056	139,101
Computers and related equipment	408,112	293,557
Vehicles	149,652	97,762
Leasehold improvements	130,752	105,634
	842,572	636,054
Less: Accumulated depreciation and amortization	(545,930)	(474,420)
Net property and equipment	296,642	161,634
NONCURRENT ASSETS		
Loans receivable, net of current portion	151,282	32,033
Security deposits	33,111	21,205
Right-of-use asset, net	356,713	-
Total noncurrent assets	541,106	53,238
TOTAL ASSETS	**$ 16,374,776**	**$ 14,023,690**

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,141,757	$ 926,297
Accrued salaries and related benefits	391,205	440,952
Deferred revenue	86,765	58,235
Loans payable	2,534,318	1,571,214
Operating lease liability	140,579	-
Total current liabilities	4,294,624	2,996,698
NONCURRENT LIABILITIES		
Loans payable, net of current portion	5,459,176	4,827,916
Operating lease liability, net of current portion	223,756	-
Total noncurrent liabilities	5,682,932	4,827,916
Total liabilities	9,977,556	7,824,614
NET ASSETS		
Without donor restrictions	5,486,638	5,323,470
With donor restrictions	910,582	875,606
Total net assets	6,397,220	6,199,076
TOTAL LIABILITIES AND NET ASSETS	**$ 16,374,776**	**$ 14,023,690**

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

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

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Loan interest and fees	$ 5,905,015	$ -	$ 5,905,015
Grants and contributions	1,036,311	623,100	1,659,411
Sales and other income	218,254	-	218,254
Events	68,708	-	68,708
Investment income (loss)	73,845	(27,397)	46,448
In-kind contributions	37,030	-	37,030
Net assets released from donor restrictions - satisfaction of donor restrictions	560,727	(560,727)	-
Total support and revenue	7,899,890	34,976	7,934,866
EXPENSES			
Program Services:			
Financial Products	4,228,631	-	4,228,631
Plus Services	2,505,296	-	2,505,296
Total program services	6,733,927	-	6,733,927
Supporting Services:			
General and Administrative	580,876	-	580,876
Fundraising	235,090	-	235,090
Total supporting services	815,966	-	815,966
Total expenses	7,549,893	-	7,549,893
Changes in net assets before other items	349,997	34,976	384,973
OTHER ITEMS			
Net currency losses on loan portfolio	(175,832)	-	(175,832)
Other net currency losses	(10,997)	-	(10,997)
Total other items	(186,829)	-	(186,829)
Changes in net assets	163,168	34,976	198,144
Net assets at beginning of year	5,323,470	875,606	6,199,076
NET ASSETS AT END OF YEAR	**$ 5,486,638**	**$ 910,582**	**$ 6,397,220**

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

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

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

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

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

	Program Services			Supporting Services			
	Financial Products	Plus Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
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)
TOTAL	**$ 4,228,631**	**$ 2,505,296**	**$ 6,733,927**	**$ 580,876**	**$ 235,090**	**$ 815,966**	**$ 7,549,893**

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

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

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 198,144	$ 372,210
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	78,609	50,153
Increase in the provision for uncollectable loans	(171,693)	(408,931)
Loan principal written off	97,731	242,153
Loan guarantee funds absorbed	269,651	312,866
Net currency loss (gain) on loan portfolio	175,832	(104,664)
Realized gain on sales of investments	-	(2,016)
Unrealized loss (gain) on investments	41,349	(7,865)
Forgiveness of loan payable	-	(263,415)
Change in the measurement of operating lease	7,622	-
Interest receivable written off	-	51,099
(Increase) decrease in:		
Loan interest receivable	(55,024)	(60,014)
Accounts and pledges receivable	99,137	(40,030)
Prepaid expenses and other assets	(21,008)	(25,732)
Security deposits	(11,906)	(3,363)
Increase (decrease) in:		
Accounts payable and accrued liabilities	215,460	(57,011)
Accrued salaries and related benefits	(49,747)	196,277
Deferred revenue	28,530	57,735
Net cash provided by operating activities	902,687	309,452
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(213,617)	(119,794)
Proceeds from sales of investments	1,654,444	2,639,987
Purchase of investments	(1,943,304)	(1,385,904)
Loan capital issued to beneficiaries	(24,921,010)	(20,498,496)
Loan capital collected from beneficiaries	21,928,475	18,264,267
Net cash used by investing activities	(3,495,012)	(1,099,940)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from investors/lenders	4,769,401	5,355,337
Repayments on loans	(3,175,037)	(4,865,968)
Net cash provided by financing activities	1,594,364	489,369
Net decrease in cash and cash equivalents	(997,961)	(301,119)
Cash and cash equivalents at beginning of year	1,790,740	2,091,859
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 792,779**	**$ 1,790,740**

See accompanying notes to financial statements.

THE FRIENDSHIP BRIDGE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
SUPPLEMENTAL INFORMATION		
Interest Paid	$ 208,675	$ 203,259
Taxes Paid	$ 401,745	$ 350,645
SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Right-of-Use Asset	$ 443,594	$ -
Operating Lease Liability for Right-of-Use Asset	$ 443,594	$ -

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 Entitie*s. 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.

New accounting pronouncements adopted -

During 2022, The Friendship Bridge adopted ASU 2019-01, *Leases* (Topic 842), which changed 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. The Friendship Bridge applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 11 for further details.

During the year ended December 31, 2022, The Friendship Bridge adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. 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 was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

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

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 $429,275 and $51,159 as of December 31, 2022 and 2021, 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 $379,238 and $812,939 of cash and cash equivalents on hand and invested in financial institutions in Guatemala as of December 31, 2022 and 2021, respectively. The majority of these funds are uninsured. The Friendship Bridge's investment policy ensures cash in Guatemala is distributed among numerous banks to mitigate the risk of any bank failure, and the Finance Committee of the Board of Directors reviews the credit ratings of the banks in Guatemala on a semi-annual basis.

Loans receivable -

Loans receivable are stated at 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 (loss) income in the accompanying Statements of Activities and Changes in Net Assets. The Friendship Bridge does not incur any management fees on investments held as of the date of the financial statements.

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 are accepted by The Friendship Bridge only if they can be liquidated through a third-party payment processor and they are liquidated upon receipt.

Property and equipment -

Property and equipment (with an acquisition value greater than $1,500) are stated at cost.

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

Property and equipment (continued) -

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, 2022 and 2021 totaled $78,609 and $50,153, respectively.

Revenue recognition -

Grants and contributions -

The Friendship Bridge receives contributions, including unconditional promises to give, from many sources, including foundations, individuals and corporations. 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 contribution or grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transaction is 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 $79,000 and $230,000 in unrecognized conditional awards as of December 31, 2022 and 2021, respectively.

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

Revenue recognition (continued) -

Sales and event income -

Sales and event 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 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 Statements of Activities and Changes in Net Assets. Event income is included in "Events" on the accompanying Statements of Activities and Changes in Net Assets.

There were no receivables, deferred revenue from contracts with customers as of December 31, 2022 or 2021 or 2020.

Loan interest and fees -

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

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 $37,030 and $111,844 during the years ended December 31, 2022 and 2021, 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.

Income taxes -

The Friendship Bridge is exempt from Federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

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

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

Income taxes (continued) -

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, 2022 and 2021 and incurred $421,450 and $362,627, 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, 2022 and 2021, 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 engaged outside legal counsel to appeal SAT's change to The Friendship Bridge's VAT. During 2022, The Friendship Bridge's VAT exemption has been reinstated in SAT's system; therefore, management has suspended the appeal process with SAT in line with legal counsel's opinion. The Friendship Bridge has not accrued a potential liability for 2022 or 2021, as it considers the previous uncertainty to be resolved.

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, 2022 or 2021.

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

Functional allocation of expenses (continued) -

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

1. General and Administrative (G&A): indirect expenses 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. 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, 2022 and 2021 of $1.00 = GTQ 7.84 and $1.00 = GTQ 7.72, 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 7.84 in 2022 and GTQ 7.74 in 2021). 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 $192,923 and $191,147 during the years ended December 31, 2022 and 2021, 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.

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

Risks and uncertainties (continued) -

Investment risk (continued) - 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.

Fair value measurement -

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

New accounting pronouncement (not yet adopted) -

Accounting Standard 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. The ASU is effective for The Friendship Bridge for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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

2. INVESTMENTS

Investments consisted of the following at December 31, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit (U.S.)	$ 175,000	$ 175,000	$ -	$ -
Certificates of deposit (Guatemala)	959,769	959,769	1,326,627	1,326,627
Mutual funds	80,096	71,541	39,508	41,742
Equities	103,532	98,582	44,049	59,201
Money market funds	429,275	429,275	51,159	51,159
Annuity contracts	84,425	106,105	84,425	114,032
TOTAL INVESTMENTS	**$ 1,832,097**	**$ 1,840,272**	**$ 1,545,768**	**$ 1,592,761**

Included in investment income are the following for the year ended December 31, 2022 and 2021:

	2022	2021
Interest and dividends	$ 87,797	$ 123,453
Realized gain on sales of investments	-	2,016
Unrealized (loss) gain on investments	(41,349)	7,865
TOTAL INVESTMENT INCOME	**$ 46,448**	**$ 133,334**

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 and are unsecured; they do, however, require social collateral which relies on joint liability by fellow group members. 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, 2022, The Friendship Bridge recorded $58,806 of a bad debt provision based on a $171,693 decrease in the loan loss allowance from 2021 and direct write-offs of loans during the current year 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.

3. LOANS RECEIVABLE (Continued)

During the year ended December 31, 2021, The Friendship Bridge recorded $166,778 of bad debts 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 debts expense 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.

4. LOANS PAYABLE

The Friendship Bridge has unsecured promissory note agreements with numerous qualified private investors totaling $1,580,000 which matured in October 2021. In October 2021, The Friendship Bridge entered into new unsecured promissory note agreements with 46 private investors totaling $2,505,000. The notes mature in October 2025 and bear interest of 4.00%.

Among the investors participating in the Private Placement as of December 31, 2022 and 2021 were eleven and ten related parties, respectively, including Board Members and family of Board Members, for a total of $360,000 and $400,000 (4.50% and 6.25% of total outstanding loans payable balance at December 31, 2022 and 2021, 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, 2022 and 2021, with terms ranging between 12 and 60 months.

As of December 31, 2022 and 2021, the outstanding principal balance on such loans aggregated $5,488,494 and $3,894,130, 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. 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.

4. LOANS PAYABLE (Continued)

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, 2022 and 2021, the outstanding principal balance on all loans aggregated $7,993,494 and $6,399,130, respectively.

In accordance with generally accepted accounting principles, The Friendship Bridge has imputed interest expense totaling $14,084 and $9,722 on all aforementioned non-interest bearing notes during the years ended December 31, 2022 and 2021, respectively.

Total interest expense during the years ended December 31, 2022 and 2021 under all loans payable (including imputed interest of $14,084 in 2022 and $9,722 in 2021), aggregated $267,793 and $239,956, 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:

Year Ended December 31,	2022	2021
2022	$ -	$ 1,571,214
2023	2,534,318	1,518,740
2024	519,306	519,306
2025	2,789,870	2,789,870
2026	1,000,000	-
2027	1,150,000	-
	$ 7,993,494	**$ 6,399,130**

5. LINE OF CREDIT

During 2022 and 2021, The Friendship Bridge maintained one line of credit with a local financial institution. As of December 31, 2022, the total amount available under the line of credit aggregated GTQ1,800,000 ($229,500); as of December 31, 2021, the total amount available under the line of credit aggregated GTQ950,000 ($123,066).

The line of credit is guaranteed by investments (certificates of deposit) on deposit at the financial institutions totaling $254,942 (GTQ2,000,000) at December 31, 2022, and $251,313 (GTQ1,940,000) at December 31, 2021.

The interest rate on the line of credit was 7.75% and 5.25% during 2022 and 2021, respectively. During 2022, there was one borrowing on the line of credit which was re-paid within the same month. There were no borrowings made during 2021.

5. LINE OF CREDIT (Continued)

The line of credit expires as the certificates of deposit mature, with a current expiration date of December 2, 2023. As of December 31, 2022 and 2021, there were no outstanding borrowings.

6. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following at December 31, 2022 and 2021:

	2022	2021
Friendship University	$ 494,158	$ -
Entrepreneur Program	172,234	593,324
MIS Project	51,253	51,253
Artisan Program	10,338	3,788
Agriculture Program	-	15,800
Nurses Education (Vietnam)	9,339	9,339
Endowments to be invested in perpetuity (Note 14)	201,100	201,000
Accumulated (losses) earnings from endowments not yet authorized for spending (Note 14)	(27,840)	1,102
TOTAL NET ASSETS WITH RESTRICTIONS	**$ 910,582**	**$ 875,606**

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:

	2022	2021
Entrepreneur Program	$ 421,090	$ 374,476
Health Program	85,000	117,739
Agriculture Program	45,800	30,000
Friendship University	5,842	-
Artisan Program	1,450	3,211
Training	-	22,922
Education Program	-	15,000
Other	-	655
Use of endowment earnings (Note 14)	1,545	10,503
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**$ 560,727**	**$ 574,506**

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.

8. CONCENTRATION OF ASSETS (Continued)

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, 2022 and 2021, The Friendship Bridge had cash, investments, property and equipment and loans receivable in Guatemala totaling $14,572,662 and $12,697,278, respectively, which represent 89% and 91% of The Friendship Bridge's total assets as of December 31, 2022 and 2021, 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, 2022 and 2021, were as follows:

	2022	2021
Cash	$ 792,779	$ 1,790,740
Investments	1,840,272	1,592,761
Loans receivable	13,010,554	10,561,233
Loan interest receivable	286,051	231,027
Accounts and pledges receivable	129,043	228,180
Total financial assets available	16,058,699	14,403,941
Receivables scheduled:		
Due after one year	(151,282)	(32,033)
More than 30 days overdue	(44,236)	(37,442)
Contractual or donor-imposed restrictions:		
Endowment	(201,100)	(201,000)
Donor restrictions	(709,482)	(674,606)
Designations:		
Board-designated net assets (a)	-	(43,260)
Operating reserves (b)	(1,485,533)	(1,308,945)
Debt obligations reserve (c)	(452,175)	(334,450)
Client guarantees (d)	(882,930)	(751,760)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 12,131,961**	**$ 11,020,445**

9. LIQUIDITY AND AVAILABILITY (Continued)

Liquidity Disclosure

(a) On December 22, 2017, the Board of Directors voted to establish a Board designated net asset reserve. The objective of this Board-designated reserve was 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. During 2022, the Board voted to release the Board-designated reserve. The balance of the Board-designated reserve at December 31, 2021 was $43,260.

(b) Operating reserves should be held to cover Guatemalan capital equivalent to three months of operating expenses.

(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, 2022 and 2021, 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, 2022 and 2021, The Friendship Bridge was the beneficiary of goods and services which allowed The Friendship Bridge to provide greater resources toward various programs. There were no donor-imposed restrictions associated with the in-kind contributions during the years ended December 31, 2022 and 2021.

Legal services are valued based on the attorney's standard hourly rate multiplied by the number of hours the attorney worked for The Friendship Bridge. Interest expense is valued based on the dollar value of interest paid for The Friendship Bridge by the donor. Professional services are valued based on the professional's standard hourly rate multiplied by the number of hours the professional worked for The Friendship Bridge. Rent is valued based on the standard cost of the rental space that was paid for on behalf of The Friendship Bridge. Hygiene products are valued based on the standard market cost of the products donated.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended December 31, 2022 and 2021.

	2022	2021
Legal services	$ 5,000	$ 43,274
Interest expenses	14,084	9,722
Professional services	17,946	37,640
Rent	-	4,377
Hygiene products	-	5,005
Food products	-	11,826
TOTAL	**$ 37,030**	**$ 111,844**

10. IN-KIND CONTRIBUTIONS (Continued)

The following programs have benefited from these donated services:

	2022	2021
Financial Products	$ 14,084	$ 14,513
Plus Services	-	55,376
General and Administrative	22,946	30,178
Fundraising	-	11,777
TOTAL	**$ 37,030**	**$ 111,844**

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.

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. The Friendship Bridge elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. The Friendship Bridge also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

The Friendship Bridge adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, The Friendship Bridge recorded a right-of-use asset in the amount of $443,594. The Friendship Bridge recorded an operating lease liability in the amount of $443,594 by calculating the present value using the discount rate of 3.5%.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,	
2023	$ 149,777
2024	109,898
2025	60,955
2026	45,085
2027	13,500
Thereafter	5,099
Subtotal	384,314
Less: Imputed interest	(19,979)
Less: Current portion	(140,579)
LONG-TERM PORTION	**$ 223,756**

11. LEASE COMMITMENTS (Continued)

Occupancy expense for the years ended December 31, 2022 and 2021 totaled $284,212 and $238,580, respectively.

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, 2022 and 2021, The Friendship Bridge made contributions to the Plan totaling $37,913 and $34,384, 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, 2022 and 2021. 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.

13. FAIR VALUE MEASUREMENT (Continued)

- *Money Market Funds* - Money market funds are open-end mutual funds that are registered with the Securities and Exchange Commission and deemed to be actively traded.

- *Annuity Contracts* - Includes guaranteed annuities, equities and money market funds (see above).

The table below summarizes, by level within the fair value hierarchy, The Friendship Bridge's investments as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Asset Category:				
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	-	106,105	-	106,105
TOTAL	**$ 599,398**	**$ 1,240,874**	**$ -**	**$ 1,840,272**

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

	Level 1	Level 2	Level 3	Total
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	-	114,032	-	114,032
TOTAL	**$ 152,102**	**$ 1,440,659**	**$ -**	**$ 1,592,761**

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.

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

The Friendship Bridge has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. 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 Statements of Financial Position. As of December 31, 2022 and 2021, the total fair value of the related brokerage account aggregated $173,260 and $152,102, respectively.

Endowment net asset composition by type of fund as of December 31, 2022:

	Without Donor Restriction	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 201,100	$ 201,100
Accumulated investment losses with purpose restrictions	-	(27,840)	(27,840)
TOTAL ENDOWMENT FUNDS	**$ -**	**$ 173,260**	**$ 173,260**

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

	Without Donor Restriction	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 201,000	$ 201,000
Accumulated investment earnings with purpose restrictions	-	1,102	1,102
TOTAL ENDOWMENT FUNDS	**$ -**	**$ 202,102**	**$ 202,102**

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

Changes in endowment net assets for the years ended December 31, 2021 and 2022:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, December 31, 2020	$ -	$ 102,919	$ 102,919
Investment income	-	9,686	9,686
Contributions	-	100,000	100,000
Appropriation of endowment assets for expenditure	-	(10,503)	(10,503)
Endowment net assets, December 31, 2021	-	202,102	202,102
Investment return	-	(27,397)	(27,397)
Contributions	-	100	100
Appropriation of endowment assets for expenditure	-	(1,545)	(1,545)
ENDOWMENT NET ASSETS, DECEMBER 31, 2022	**$ -**	**$ 173,260**	**$ 173,260**

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 retain as fund of perpetual duration. Deficiencies of this nature exist in the amount of $27,840 for the year ended December 31, 2022. There were no deficiencies during the year ended December 31, 2021. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriations for certain programs that was deemed prudent by the Board of Directors.

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).

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

Strategies Employed for Achieving Objectives (continued) -

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 May 5, 2023, the date the financial statements were issued.