

SHARED INTEREST, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

**SHARED INTEREST, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Shared Interest, Inc.
New York, NY 10001

Opinion

We have audited the accompanying financial statements of Shared Interest, Inc. (a nonprofit organization), which comprise the statement 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 Shared Interest, Inc. 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 Shared Interest, Inc. 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 Shared Interest, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

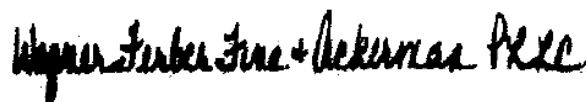
Auditor's Responsibilities for the Audit of the Financial Statements

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 Shared Interest, Inc.'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 Shared Interest, Inc.'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.



Floral Park, New York
July 3, 2024

**SHARED INTEREST, INC.
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	December, 31	
	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 50,934	\$ 327,626
Investments at fair value	12,515,842	13,762,113
Accrued interest receivable	113,788	135,459
Contributions and grant income receivable	46,344	50,600
Other receivables	82,242	25,127
Prepaid expenses	8,980	12,606
Property and equipment, net	8,349	10,201
Other assets	<u>1,454</u>	<u>6,390</u>
Total assets	<u>\$ 12,827,933</u>	<u>\$ 14,330,122</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 85,968	\$ 137,895
Accrued interest payable to note holders	24,246	42,522
Promissory notes payable	<u>10,707,500</u>	<u>12,102,500</u>
Total liabilities	<u>10,817,714</u>	<u>12,282,917</u>
Commitments and Contingencies		
Net Assets		
Without donor restrictions	2,010,219	2,037,205
With donor restrictions	<u>-</u>	<u>10,000</u>
Total net assets	<u>2,010,219</u>	<u>2,047,205</u>
Total liabilities and net assets	<u>\$ 12,827,933</u>	<u>\$ 14,330,122</u>

See independent auditors' report and accompanying notes to financial statements.

SHARED INTEREST, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 536,996	\$ -	\$ 536,996
Special events revenue	47,780	-	47,780
In-kind contributions	111,674	-	111,674
Interest and dividend income	372,691	-	372,691
Net assets released from restrictions	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Sub-total	1,079,141	(10,000)	1,069,141
Net realized gain on investments	138,422	-	138,422
Net unrealized gain on investments	<u>87,519</u>	<u>-</u>	<u>87,519</u>
Total support and revenue	<u>1,305,082</u>	<u>(10,000)</u>	<u>1,295,082</u>
Expenses			
Program services			
Other program services	1,104,837	-	1,104,837
Fundraising	129,824	-	129,824
General and administrative expenses	<u>97,407</u>	<u>-</u>	<u>97,407</u>
Total expenses	<u>1,332,068</u>	<u>-</u>	<u>1,332,068</u>
Change in net assets	(26,986)	(10,000)	(36,986)
Net assets - beginning	<u>2,037,205</u>	<u>10,000</u>	<u>2,047,205</u>
Net assets - ending	<u>\$ 2,010,219</u>	<u>\$ -</u>	<u>\$ 2,010,219</u>

See independent auditors' report and accompanying notes to financial statements.

SHARED INTEREST, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 737,265	\$ -	\$ 737,265
Special events revenue	142,165	-	142,165
In-kind contributions	273,833	-	273,833
Interest and dividend income	190,588	-	190,588
Miscellaneous income	7,695	-	7,695
Net assets released from restrictions	<u>10,700</u>	<u>(10,700)</u>	<u>-</u>
Subtotal	1,362,246	(10,700)	1,351,546
Net unrealized loss on investments	<u>(581,046)</u>	<u>-</u>	<u>(581,046)</u>
Total support and revenue	<u>781,200</u>	<u>(10,700)</u>	<u>770,500</u>
Expenses			
Program services			
Other program services	1,413,687	-	1,413,687
Fundraising	203,012	-	203,012
General and administrative expenses	<u>124,948</u>	<u>-</u>	<u>124,948</u>
Total expenses	<u>1,741,647</u>	<u>-</u>	<u>1,741,647</u>
Change in net assets	(960,447)	(10,700)	(971,147)
Net assets - beginning	<u>2,997,652</u>	<u>20,700</u>	<u>3,018,352</u>
Net assets - ending	<u>\$ 2,037,205</u>	<u>\$ 10,000</u>	<u>\$ 2,047,205</u>

See independent auditors' report and accompanying notes to financial statements.

SHARED INTEREST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salary, payroll taxes and employee benefits	\$ 437,906	\$ 83,147	\$ 33,258	\$ 554,311
Rent and utilities	13,668	2,595	1,038	17,301
Telephone, facsimile and postage	9,506	1,805	722	12,033
Office expenses and insurance	18,627	3,537	1,414	23,578
Equipment rental and repairs	5,355	1,017	407	6,779
Professional fees	477,770	-	35,961	513,731
Audit services	13,000	-	13,000	26,000
Public relations	54,744	13,686	-	68,430
Special event expense	9,615	17,856	-	27,471
Printing and publications	1,596	399	-	1,995
Bank service charges and management fees	15,107	-	7,441	22,548
Staff travel expenses	38,887	3,846	-	42,733
Dues and subscriptions	5,951	1,347	3,930	11,228
Miscellaneous	185	35	14	234
Depreciation	2,920	554	222	3,696
	<u>\$ 1,104,837</u>	<u>\$ 129,824</u>	<u>\$ 97,407</u>	<u>\$ 1,332,068</u>

See independent auditors' report and accompanying notes to financial statements.

SHARED INTEREST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Fundraising	General and Administrative	Total Expenses
Salary, payroll taxes and employee benefits	\$ 577,542	\$ 108,933	\$ 40,396	\$ 726,871
Rent and utilities	24,820	4,682	1,736	31,238
Telephone, facsimile and postage	8,198	1,546	574	10,318
Office expenses and insurance	15,552	2,933	1,088	19,573
Equipment rental and repairs	4,305	812	301	5,418
Professional fees	636,321	-	48,142	684,463
Audit services	9,500	-	9,500	19,000
Public relations	22,590	5,648	-	28,238
Special event expense	37,461	69,838	-	107,299
Printing and publications	1,150	287	-	1,437
Bank service charges and management fees	20,730	-	10,362	31,092
Staff travel expenses	32,977	3,405	-	36,382
Dues and subscriptions	17,512	3,979	11,369	32,860
Miscellaneous	2,873	542	201	3,616
Depreciation	2,156	407	1,279	3,842
	<u>\$ 1,413,687</u>	<u>\$ 203,012</u>	<u>\$ 124,948</u>	<u>\$ 1,741,647</u>

See independent auditors' report and accompanying notes to financial statements.

**SHARED INTEREST, INC.
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (36,986)	\$ (971,147)
Adjustments to reconcile change in net assets to net cash (used in) operating activities		
Depreciation	3,696	3,842
Net unrealized (gain) loss on investments	(87,519)	581,046
Gain on sale of investments	(138,422)	-
Changes in operating assets and liabilities		
Promissory notes payable	(1,395,000)	(55,000)
Interest receivable	21,671	(51,618)
Contributions and grant income receivable	4,256	110,300
Prepaid expenses	3,626	6,911
Other receivables	(57,115)	109,254
Other assets	4,936	-
Accounts payable and accrued expenses	(51,927)	36,008
Accrued interest payable to note holders	(18,276)	4,646
	<u>(1,747,060)</u>	<u>(225,758)</u>
Net cash used in operating activities		
Cash Flows from Investing Activities		
Proceeds from sale of investments	4,197,559	375,000
Purchase of investments	(2,725,347)	(283,753)
Acquisition of equipment	(1,844)	(3,444)
	<u>1,470,368</u>	<u>87,803</u>
Net cash provided by investing activities		
Net decrease in cash and cash equivalents	(276,692)	(137,955)
Cash and cash equivalents - beginning	<u>327,626</u>	<u>465,581</u>
Cash and cash equivalents - ending	<u>\$ 50,934</u>	<u>\$ 327,626</u>
Supplemental Disclosures of Cash Flow Information		
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Interest	<u>\$ 105,919</u>	<u>\$ 147,887</u>

SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF BUSINESS

Shared Interest, Inc. (“Shared Interest” or the “Organization”) is a not-for-profit entity supported by individuals and institutions committed to helping to strengthen the financial and community organizations needed to shape Southern Africa’s equitable and democratic development.

The mission of the Organization is, through the use of guaranteed capital provided by outside investors, to partially collateralize Southern African commercial loans to community development financial institutions, social enterprises, and emerging farmers engaged in Southern Africa’s development process. Shared Interest relies on Third Party Advisors in Southern Africa to place and monitor the guarantees and ensure that the beneficiary organizations and lenders receive necessary technical support.

The Organization receives investments from individual and institutional investors that serve as collateral for loans made in South Africa, Eswatini, Mozambique, and Malawi. The Organization invests amounts received in high-quality, socially screened debt securities and deposits in U.S financial institutions, and it acknowledges through the issuance of promissory notes the obligation to return these funds to the investors at a future date.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization’s financial statements have been prepared in conformity with accounting policies generally accepted in the United States of America, which involves the application of the accrual method of accounting; accordingly, the financial statements reflect all material receivables, payables, and other liabilities.

Basis of Presentation

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued new rules for nonprofits which apply to annual financial statements issued for fiscal years beginning after December 15, 2017. ASU 2016-14, “Not-For-Profit Entities” (Topic 958):

SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of Presentation *(Continued)*

Presentation of Financial Statements of Not-For-Profit Entities simplifies and improves how not-for-profit entities classify net assets as well as the information presented in the financial statements and notes about liquidity, financial performance, and cash flows.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, "Revenue Recognition", contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

The financial statement presentation is in conformity with FASB ASC 958, "Not-for-Profit Entities" which requires the Organization to report information regarding its financial position according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- 1) Net assets without donor restrictions include assets, revenues, and gains that are available for support of the Organization's general operations. Included in net assets without donor restrictions are board designated guarantee loss reserves in the amounts of \$2,010,219 and \$2,037,205 at December 31, 2023 and 2022, respectively.
- 2) Net assets with donor restrictions include contributions that are donor restricted for uses which have not yet been fulfilled whether by the passage of time or by purpose. When a time restriction ends or a purpose restriction is accomplished, they are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions. The Organization has \$0 and \$10,000 in net assets with donor restrictions at December 31, 2023 and 2022, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits at banks and other short-term highly liquid investments with original maturities of three months or less.

**SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments

Investments in marketable securities are classified and accounted for as available-for-sale and accordingly, carried at fair value based on market quotes, with unrealized and realized gains and/or losses included in earnings along with charges for impairments that are other than temporary. All other investments are carried at fair value based on management's estimate.

Contributions and Grant Income Receivable

Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using a current risk-free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period.

The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of unconditional promises to give. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. At December 31, 2023 and 2022, no allowance for uncollectible unconditional promises to give was deemed necessary.

Contributions and grant income receivable from various sources are as follows:

	<u>2023</u>	<u>2022</u>
In less than one year	<u>\$46,344</u>	<u>\$50,600</u>

Property and Equipment, Net

Property and equipment, consisting of computer equipment and leasehold improvements, are stated at cost less accumulated depreciation and amortization. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in statement of activities. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets.

SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance leases. Leases are classified as finance leases when the Organization expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, the Organization is not expected to consume a major part of the economic benefits of assets classified as operating leases. The lease classification affects both the pattern and presentation of the expense recognized in the statement of income, the categorization of assets and liabilities in the balance sheet, and classification of cash flows in the statement of cash flows.

Total lease cost consists of two components; amortization expense related to the write-off of right-of-use assets, and interest expense from lease obligations.

For financing leases, total lease cost is recorded on an accelerated basis whereby interest expense is recorded using the effective interest method and right-of-use assets are amortized on a straight-line basis over the remaining lease term. For operating leases, total lease cost is measured and recorded on a straight-line basis over the lease term.

Non-lease components, such as common area maintenance (CAM) charges, are separated from lease components based on terms of related lease. Variable lease components consist of real estate taxes and insurance charges related to the real estate lease, and are recorded as lease expense as incurred.

Lease obligations are measured and recorded at the present value of future lease payments using a discount rate. Because the Organization generally does not have access to the rate implicit in each lease, lease obligations are measured using the incremental borrowing rate as the discount rate. The incremental borrowing rate is the rate that would be paid to borrow on a collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment.

Right-of-use assets are generally measured and recorded at the sum of the lease obligation, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date.

SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of Long-Lived Assets

In accordance with FASB ASC 360, long-lived assets, including property and equipment and intangible assets subject to amortization, if any, are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future undiscounted cash flows. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairment has been recognized for the years ending December 31, 2023 and 2022.

Contributions

Contributions are recorded as income upon receipt of cash or unconditional pledges. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Individual and institutional investors are encouraged to donate a portion of their investment income to the Organization to help cover the transaction costs of its guarantees and maintain its operations. For the years ended December 31, 2023 and 2022, investment income attributable to promissory agreements amounted to \$165,153 and \$182,913, respectively of which \$77,510 and \$30,380 was contributed by the investors to the Organization. The latter amounts were included in Contribution Revenue of \$536,996 and \$737,265.

In-kind Contributions

In-kind contributions consist of donated services and are recognized as contributions in accordance with FASB ASC 958 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by the people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Intermediary Transactions

Interest earned on investments is returned to investors who loaned funds to the Organization, and accordingly, is not reflected as earnings of Shared Interest. Investors may donate all or a portion of their investment income to the Organization and such income is reflected as contribution revenue in the accompanying financial statements.

SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income Taxes

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3). The Organization is also exempt from state and local income taxes. Accordingly, no provision for income taxes is made in the financial statements.

The Organization has concluded that there are no uncertain tax positions requiring recognition in the financial statements. If the Organization was to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Organization's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations, and interpretations thereof as well as other factors. Generally, federal, state, and local authorities may examine the Organization's tax returns for three years from the date of filing; consequently, the respective tax returns for years prior to 2020 are no longer subject to examination by tax authorities.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. The statements of functional expenses presents the natural classification of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services in ratios determined by management.

Use of Estimates

The preparation of 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, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Reclassification

The 2022 combined financial statements have been reclassified for comparative purposes to conform to the 2023 presentation. Such reclassifications had no effect on the net income or financial position.

SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

New Accounting Standard Recently Adopted

Effective January 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, Leases (ASC Topic 842) and subsequent amendments. ASC 842 affects all companies that enter into lease arrangements, with certain exclusions under limited scope limitations. Under ASU 2016-02, an entity recognizes right-of-use assets and lease obligations on its balance sheet for all leases with a lease term of more than twelve months. Short-term rentals under year-to-year leases or remaining lease terms of twelve months or less are exempt from being capitalized.

In adopting the new lease standard, the Organization elected to use a transition method under which existing leases were measured and capitalized as of the date of adoption, January 1, 2022, in lieu of applying the standard retrospectively to January 1, 2021.

Additionally, as part of the implementation, the Organization elected to use a package of optional practical expedients which permit the Organization to avoid reassessing previous lease identifications within contracts, the existence of initial direct costs, and the lease classifications of any expired and existing leases. Moreover, in accordance with the expedients, all lease classified as operating lease under previous Generally Accepted Accounting Principles (“GAAP”) are automatically classified as operating leases under the new standard, and all leases previously classified as capital lease are recorded as finance leases.

Leases recognized under the new standard include leases that were not capitalized under previous GAAP, as well as certain other leases that were capitalized based on different GAAP criteria.

On January 1, 2022, the Organization had no agreements that needed to be capitalized.

Subsequent Events

The Organization has evaluated subsequent events or transactions through July 9, 2024, 2024, the date on which the financial statements are available to be issued and has determined that there were no material events.

SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 - GUARANTEE LOSS RESERVE FUND

The Guarantee Loss Reserve Fund was created by the Board of Shared Interest out of its unrestricted net assets for the purpose of maintaining funds to cover potential defaults by borrowers on loans guaranteed by Shared Interest.

In the event that a loss on a loan guarantee exceeds Shared Interest's risk coverage provisions, including the additional loss provisions described in Note 4, that loss may be drawn from the Shared Interest unrestricted net assets and/or lenders' outstanding principal.

Recognizing that the guarantees carry considerable risk of non-repayment, Shared Interest has refined its system for assessing and monitoring outstanding guarantees and providing for potential losses. Shared Interest's Third-Party Advisors monitor its outstanding guarantees and reports to Shared Interest on the risk of each outstanding guarantee on a quarterly basis. Shared Interest's policy is to maintain a guarantee loss reserve fund equal to at least 7% of the outstanding guarantees it backs (see Note 10) with its securities and to increase that amount if quarterly risk assessments indicate the need.

The Organization invests a considerable portion of its Guarantee Loss Reserve Fund into rand-based investments to minimize the risk of currency fluctuation on rand denominated calls, should the rand appreciate against the-dollar.

During 2023, there was a call of approximately \$4,100.

NOTE 4 - INVESTMENTS

Investment assets held by the Organization are stated at quoted market value. Shared Interest's investment policy requires that investments for the Guarantee or Guarantee Loss Reserve Funds be fixed income securities or deposits that are investment quality and meet requirements of the bank issuing letters of credit. The Organization interprets investment quality to include bonds rated BBB and stocks rated

Moody's and Standard and Poor's. In 2023, no investments were defaulted upon. Gains and losses from these investments, if any, are reported in the Statement of Activities. Since the investments are held to maturity, any change in value is of a temporary nature. For the year ended December 31, 2023 and 2022 net unrealized (gain) and loss on investments totaled \$(87,519) and \$581,046, respectively. At December 31, 2023 and 2022 investments consist of the following:

SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 - INVESTMENTS *(Continued)*

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents held in brokerage accounts	\$ 18,719	\$ 1,119,060
Corporate bonds	10,490,055	11,164,785
South African sovereign bonds	-	560,018
Listed equities	-	4,038
Mutual funds	2,007,068	914,212
	<u>\$ 12,515,842</u>	<u>\$ 13,762,113</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Major classes of property and equipment for years ended December 31, are as follows:

	<u>2023</u>	<u>2022</u>
Computer and office equipment	\$ 23,503	\$ 21,659
Leasehold improvements	7,791	7,791
	<u>31,294</u>	<u>29,450</u>
Less: accumulated depreciation and amortization	22,945	19,249
	<u>\$ 8,349</u>	<u>\$ 10,201</u>

Related depreciation and amortization expense for the years ended December 31, 2023 and 2022 was \$3,696 and \$ 3,842, respectively.

NOTE 6 - FAIR VALUE MEASUREMENTS

Basis of Fair Value Measurement

The Organization accounts for marketable securities in accordance with FASB ASC 820, "Fair Value Measurements and Disclosures". FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

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NOTE 6 - FAIR VALUE MEASUREMENTS *(Continued)*

Basis of Fair Value Measurement *(Continued)*

- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table presents by level, within the fair value hierarchy the Company investment assets at fair value, as of December 31, 2023 and 2022. As required by FASB ASC 820, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

<u>Description</u>	<u>12/31/23</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Bonds, Municipal Bonds, Mutual Funds and Listed Equities	<u>\$ 12,497,123</u>	<u>\$2,007,068</u>	<u>\$ 10,490,055</u>	<u>\$ -</u>
	<u>12/31/22</u>			
Corporate Bonds, Municipal Bonds, Mutual Funds and Listed Equities	<u>\$ 12,643,053</u>	<u>\$918,250</u>	<u>\$ 11,724,803</u>	<u>\$ -</u>

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NOTE 7 - PROMISSORY NOTES

The promissory notes are stated at their face amounts. All of the notes used to back guarantees carry a provision evidencing the fact that the underlying principle of their promissory note may be used to satisfy the guarantee of a failed loan in South Africa.

Interest is paid semi-annually in arrears on March 31 and September 30 of each year. The rate of interest paid to note holders is set at the date a note is issued and in accordance with prevailing rates for U.S. Treasury Notes. Currently, rates on outstanding notes range from 0% to 4.05%. As discussed in Note 2, investors are encouraged to donate a portion of their investment earnings to the Organization.

Promissory notes issued mature as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 3,145,500
2025	2,791,000
2026	825,000
2027	1,208,000
2028	1,090,000
Thereafter	<u>1,648,000</u>
	<u>\$ 10,707,500</u>

NOTE 8 - INTEREST AND DIVIDEND INCOME

Interest and dividend income for the years ended December 31, 2023 and 2022 totaled \$372,691 and \$190,588, respectively. This represents interest and dividends earned on all of the Organization's investments except for those supported by promissory notes. The income earned on the investments supported by promissory notes that is donated back to the Organization is included in contribution income.

NOTE 9 - CONCENTRATION OF CREDIT RISK

At December 31, 2023 and 2022, cash balances in excess of the Federal Deposit Insurance Corporation ("FDIC") limits were approximately \$0 and \$80,000, respectively.

At December 31, 2023 and 2022, the Company had investments (which included cash, money market funds and other securities) with a brokerage firm that were in excess of the Securities Investor Protection Corporation (SIPC) insured limits by approximately \$12,247,000 and \$13,260,000, respectively.

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NOTE 10 - COMMITMENTS AND CONTINGENCIES

Guarantee

At December 31, 2023 and 2022, the outstanding guarantees issued amounted to \$3,485,000 and \$3,859,163, respectively. There were no guarantees approved but not issued as of December 31, 2023 and 2022. These guarantees are collateralized by standby letters of credit.

Operating Lease

The Organization was obligated under a lease for its office space which expired on July 31, 2018. The Organization entered into a modification and extension agreement with its landlord to extend its current lease for an additional five-year period. The modification commenced on August 1, 2018 and was set to expire on July 31, 2023. In November 2021, the Organization terminated its lease, paying a sum of \$47,300 to be released from the lease. Starting May 2023, the Organization entered into a month-to-month office agreement that has automatic renewal option and can be canceled with one month notice as set forth in the agreement. Rent expense for the years ending December 31, 2023 and 2022 totaled \$17,301 and \$31,238, respectively.

NOTE 11 - LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 50,934
Investments at fair value	12,515,842
Contributions and grant receivable	46,344
Other receivables	82,242
Prepaid expenses	8,980
Accrued interest receivable	<u>113,788</u>
Total financial assets available within one year	<u>\$ 12,818,130</u>