

SHARED INTEREST, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**SHARED INTEREST, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Shared Interest, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shared Interest, Inc. as of December 31, 2019 and 2018, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Floral Park, New York
May 12, 2020

Wagner, Ferber, Fine & Ackerman PLLC

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

ASSETS

	December, 31	
	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 491,639	\$ 500,491
Investments at fair value	16,482,375	15,983,548
Accrued interest receivable	129,305	149,846
Contributions and grant income receivable	54,725	148,704
Other receivables	22,565	69,110
Prepaid expenses	90,214	70,924
Property and equipment, net	6,215	2,662
Other assets	<u>9,516</u>	<u>9,251</u>
Total assets	<u>\$ 17,286,554</u>	<u>\$ 16,934,536</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 120,065	\$ 104,044
Accrued interest payable to note holders	56,259	52,022
Promissory notes payable	<u>14,340,500</u>	<u>14,102,500</u>
Total liabilities	<u>14,516,824</u>	<u>14,258,566</u>
Commitments and Contingencies		
Net Assets		
Without donor restrictions	2,754,030	2,605,083
With donor restrictions	<u>15,700</u>	<u>70,889</u>
Total net assets	<u>2,769,730</u>	<u>2,675,972</u>
Total liabilities and net assets	<u>\$ 17,286,554</u>	<u>\$ 16,934,538</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, 2019

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 870,514	\$ 626	\$ 871,140
Special events revenue, net of direct donor benefit of \$141,524	267,217	-	267,217
In-kind contributions	52,736	-	52,736
Interest and dividend income	194,476	-	194,476
Miscellaneous income	17,815	-	17,815
Net assets released from restrictions	<u>55,815</u>	<u>(55,815)</u>	<u>-</u>
Sub-total	1,458,573	(55,189)	1,403,384
Net realized gain on investments	13,594	-	13,594
Net unrealized gains on investments	<u>380,250</u>	<u>-</u>	<u>380,250</u>
Total support and revenue	<u>1,852,417</u>	<u>(55,189)</u>	<u>1,797,228</u>
Expenses			
Program services			
Grant to TIGF and others	190,812	-	190,812
Other program services	1,190,173	-	1,190,173
Fundraising	263,094	-	263,094
General and administrative expenses	<u>59,391</u>	<u>-</u>	<u>59,391</u>
Total expenses	<u>1,703,470</u>	<u>-</u>	<u>1,703,470</u>
Change in net assets	148,947	(55,189)	93,758
Net assets - beginning	<u>2,605,083</u>	<u>70,889</u>	<u>2,675,972</u>
Net assets - ending	<u>\$ 2,754,030</u>	<u>\$ 15,700</u>	<u>\$ 2,769,730</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, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,158,512	\$ (3,828)	\$ 1,154,684
Special events revenue, net of direct donor benefit of \$69,508	157,702	24,400	182,102
In-kind contributions	59,391	-	59,391
Interest and dividend income	169,681	-	169,681
Miscellaneous income	585	-	585
Net assets released from restrictions	130,500	(130,500)	-
Sub-total	1,676,371	(109,928)	1,566,443
Net realized gain on investments	1,233	-	1,233
Net unrealized loss on investments	(282,724)	-	(282,724)
Total support and revenue	1,394,880	(109,928)	1,284,952
Expenses			
Program services			
Grant to TIGF and others	206,072	-	206,072
Other program services	664,148	-	664,148
Fundraising	198,304	-	198,304
General and administrative expenses	55,944	-	55,944
Total expenses	1,124,468	-	1,124,468
Change in net assets	270,412	(109,928)	160,484
Net assets - beginning	2,334,671	180,817	2,515,488
Net assets - ending	\$ 2,605,083	\$ 70,889	\$ 2,675,972

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

SHARED INTEREST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Fund Raising</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salary, payroll taxes and employee benefits	\$ 470,225	\$ 73,725	\$ 33,360	\$ 577,310
Defaulted loan expenses	487,197	-	-	487,197
Rent and utilities	47,853	7,503	3,395	58,751
Telephone, facsimile and postage	14,919	2,339	1,058	18,316
Office expenses and insurance	7,086	1,111	502	8,699
Equipment rental and repairs	4,777	749	339	5,865
Professional fees	68,082	4,152	235	72,469
Audit services	7,000	-	7,000	14,000
Public relations	6,361	22,278	-	28,639
Special event expense	-	287,786	-	287,786
Printing and publications	13,947	3,487	-	17,434
Bank service charges and management fees	16,405	-	6,894	23,299
Board travel expenses	2,491	-	-	2,491
Staff travel expenses	29,563	738	81	30,382
Dues and subscriptions	12,797	520	6,422	19,739
Grant payment to TIGF	190,812	-	-	190,812
Miscellaneous	402	63	29	494
Depreciation	1,068	167	76	1,311
	<u>1,380,985</u>	<u>404,618</u>	<u>59,391</u>	<u>1,844,994</u>
Less: direct donor benefit	<u>-</u>	<u>(141,524)</u>	<u>-</u>	<u>(141,524)</u>
	<u>\$ 1,380,985</u>	<u>\$ 263,094</u>	<u>\$ 59,391</u>	<u>\$ 1,703,470</u>

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

SHARED INTEREST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Fund Raising</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salary, payroll taxes and employee benefits	\$ 418,256	\$ 71,068	\$ 32,495	\$ 521,819
Defaulted loan expenses	-	-	-	-
Rent and utilities	45,267	7,692	3,516	56,475
Telephone, facsimile and postage	13,718	2,331	1,065	17,114
Office expenses and insurance	7,434	1,263	578	9,275
Equipment rental and repairs	6,509	1,106	505	8,120
Professional fees	89,914	2,232	2,025	94,171
Audit services	6,500	-	6,500	13,000
Public relations	11,995	7,476	-	19,471
Special event expense	-	170,711	-	170,711
Printing and publications	13,167	3,292	-	16,459
Bank service charges and management fees	14,920	-	5,289	20,209
Board travel expenses	1,509	-	-	1,509
Staff travel expenses	21,798	-	-	21,798
Dues and subscriptions	12,005	444	3,881	16,330
Grant payment to TIGF	206,072	-	-	206,072
Miscellaneous	393	67	31	491
Depreciation	763	130	59	952
	<u>870,220</u>	<u>267,812</u>	<u>55,944</u>	<u>1,193,976</u>
Less: direct donor benefit	<u>-</u>	<u>(69,508)</u>	<u>-</u>	<u>(69,508)</u>
	<u>\$ 870,220</u>	<u>\$ 198,304</u>	<u>\$ 55,944</u>	<u>\$ 1,124,468</u>

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

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

	Years Ended December 31,	
	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 93,758	\$ 160,484
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation	1,311	952
Net unrealized (gain) loss on investments	(380,250)	282,724
(Gain) on sale of investments	(13,594)	(1,233)
Changes in operating assets and liabilities		
Promissory notes payable	238,000	(1,568,000)
Interest receivable	20,541	(4,746)
Contributions and grant income receivable	96,227	469,079
Prepaid expenses	(19,290)	(18,885)
Other receivables	44,297	25,795
Other assets	(265)	(258)
Accounts payable and accrued expenses	16,021	26,853
Accrued interest payable to note holders	4,237	(3,606)
Net cash used in operating activities	100,993	(630,841)
Cash Flows from Investing Activities		
Proceeds from sale of investments	863,606	2,641,565
Purchase of investments	(968,589)	(2,403,053)
Acquisition of equipment	(4,863)	(2,359)
Net cash provided by investing activities	(109,846)	236,153
Net increase (decrease) in cash and cash equivalents	(8,852)	(394,688)
Cash and cash equivalents - beginning	500,491	895,179
Cash and cash equivalents - ending	\$ 491,639	\$ 500,491
Supplemental Disclosures of Cash Flow Information		
Income taxes	\$ -	\$ -
Interest	\$ 221,802	\$ 264,225

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

SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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.

Along with Research and Applications for Alternative Financing for Development (“RAFAD”), a non-controlled entity, the Organization became a co-founding member of the Thembani International Guarantee Fund (“TIGF”) in Southern Africa in 1996. The mission of the Organization is, through the use of guarantee capital provided by outside investors, to partially collateralize guarantees made through TIGF for South African commercial loans to community development financial institutions, social enterprises and emerging farmers engaged in Southern Africa’s development process. Since inception, the Organization has had the authority to appoint members to the Board of TIGF. However, the Organization has no direct control over the operations of TIGF, nor does TIGF have any authority to make commitments on behalf of the Organization. The respective financial positions and changes in net assets of RAFAD and TIGF are not included in the accompanying financial statements.

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.
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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 \$1,916,034 and \$2,145,366 at December 31, 2019 and 2018, 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 \$15,700 and \$70,889 in net assets with donor restrictions at December 31, 2019 and 2018, 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
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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, 2019 and 2018, no allowance for uncollectible unconditional promises to give was deemed necessary.

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

	<u>2019</u>	<u>2018</u>
In less than one year	\$56,973	\$ 131,004
After one year	-	<u>17,700</u>
	<u>\$ 56,973</u>	<u>\$ 148,704</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 over five years of the assets.

SHARED INTEREST, INC.
NOTES TO FINANCIAL STATEMENTS
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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, 2019 and 2018.

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, 2019 and 2018, investment income attributable to promissory agreements amounted to \$220,801 and \$264,511, respectively of which \$45,175 and \$33,004 was contributed by the investors to the Organization. The latter amounts were included in Contribution Revenue of \$871,140 and \$1,564,684.

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. These 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.
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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 2016 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. 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.

Subsequent Events *(See Note 12)*

The Organization has evaluated subsequent events or transactions through May 12, 2020, 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
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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 TIGF.

In the event that a loss on a loan guarantee exceeds Shared Interest's and TIGF'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 and TIGF have refined their system for assessing and monitoring outstanding guarantees and providing for potential losses. TIGF monitors 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 11) with its securities on behalf of TIGF and to increase that amount if needed on a quarterly basis to cover the level of risk that TIGF reports.

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 2019, three guarantees in South Africa were partially called, causing Shared Interest to cover them utilizing \$487,197 from its Guarantee Loss Reserve Fund. One of the losses was due to the residual effects of the drought in 2015 and 2016 in Southern Africa, another to delays in initiating construction contracts for public works in the lead up to the South African national election, and the last to unforeseen business risks associated with a non-renewed service contract. These calls include a partial call of \$117,282 to cover losses sustained by Inanda, an animal husbandry enterprise located in the Free State, a partial call of \$133,802 to cover losses for ATN, a civil engineering and construction company in the Western Cape, and the partial call of Madikiza of \$236,113, a restaurant operator located in the East London airport of the Eastern Cape.

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

SHARED INTEREST, INC.
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NOTE 4 - INVESTMENTS *(Continued)*

Moody's and Standard and Poor's. In 2019, 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, 2019 and 2018 net unrealized gain (loss) on investments totaled \$380,250 and \$(282,724). At December 31, 2019 and 2018 investments consist of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents held in brokerage accounts	\$ 3,528,299	\$ 494,393
U.S. Government Agency Mutual Fund	976,114	921,432
Corporate bonds	9,962,890	11,412,822
South African sovereign bonds	2,007,775	3,040,509
Listed equities	<u>7,297</u>	<u>114,392</u>
	<u>\$ 16,482,375</u>	<u>\$ 15,983,548</u>

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Computer and office equipment	\$ 62,029	\$ 57,166
Leasehold improvements	<u>7,791</u>	<u>7,791</u>
	69,820	64,957
Less: accumulated depreciation and amortization	<u>63,605</u>	<u>62,295</u>
	<u>\$ 6,215</u>	<u>\$ 2,662</u>

Related depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$1,310 and \$952, respectively.

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NOTE 6 - PROMISSORY NOTES

Promissory notes issued mature as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 4,573,000
2021	3,445,500
2022	2,481,000
2023	1,490,000
2024	1,205,000
Thereafter	<u>1,146,000</u>
	<u>\$ 14,340,500</u>

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 principal 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 3.75%. As discussed in Note 2, investors are encouraged to donate a portion of their investment earnings to the Organization.

NOTE 7 - INTEREST AND DIVIDEND INCOME

Interest and dividend income for the years ended December 31, 2019 and 2018 totaled \$194,476 and \$169,681, 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 8 - RELATED PARTIES

The Organization paid grants of \$190,812 and \$206,072 to TIGF, for the years ended December 31, 2019 and 2018, respectively.

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NOTE 9 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2019 and 2018, the Organization had cash deposits with one bank and two brokerage firms that were in excess of federally insured amounts by approximately \$3,528,000 and \$495,000, respectively. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk related to cash.

NOTE 10 - FAIR VALUE MEASUREMENTS

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:

Basis of Fair Value Measurement

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
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, 2019 and 2018. 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.

**SHARED INTEREST, INC.
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NOTE 10 - FAIR VALUE MEASUREMENTS *(Continued)*

Basis of Fair Value Measurement *(Continued)*

<u>Description</u>	<u>12/31/19</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Corporate Bonds, Municipal Bonds, Mutual Funds and Listed Equities	<u>\$ 12,954,076</u>	<u>\$ 983,411</u>	<u>\$ 11,970,665</u>	<u>\$ -</u>
	<u>12/31/18</u>			
Corporate Bonds, Municipal Bonds, Mutual Funds and Listed Equities	<u>\$ 15,489,155</u>	<u>\$ 1,035,824</u>	<u>\$ 14,453,331</u>	<u>\$ -</u>

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Guarantee

At December 31, 2019 and 2018, the outstanding Shared Interest guarantees issued through TIGF amounted to \$5,468,770 and \$5,316,313, respectively. There were no guarantees approved but not issued as of December 31, 2019. As of December, 2018 guarantees approved but not issued totaled \$1,000,000.

Operating Lease

The Organization is 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 commences on August 1, 2018 and will expire on July 31, 2023. The annual minimum future lease payments are as follows:

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NOTE 11 - COMMITMENTS AND CONTINGENCIES *(Continued)*

Operating Lease *(Continued)*

<u>Year Ended December 31,</u>	<u>Amount</u>
2020	\$ 55,231
2021	56,888
2022	58,594
2023	<u>34,771</u>
	 <u>\$ 259,106</u>

Rent expense for the year ending December 31, 2019 and 2018 totaled \$54,402 and \$53,095, respectively.

NOTE 12 - SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to have a financial impact, though such potential impact is unknown at this time.

To assist those affected by this pandemic the United State Congress passed a stimulus bill called the CARES Act. The Organization filed an application under the Payroll Protection Program (“PPP”) of the Cares Act.

In April 2020, the Organization received \$101,700 of loan proceeds under the PPP.