

BRIDGE HOUSE  
FINANCIAL STATEMENTS  
DECEMBER 31, 2014

BRIDGE HOUSE

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors:

Bridge House  
Boulder, Colorado

We have audited the accompanying financial statements of Bridge House (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, operating expenses and cash flows for the year 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 auditor's judgment, including the assessment of the risks 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 Bridge House as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

**Report on Summarized Comparative Information**

We have previously audited the Bridge House's December 31, 2013 financial statements, and our report dated February 20, 2014, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Middlemist Crouch & Company, CPAs P.C.*  
MIDDLEMIST, CROUCH & CO., CPAs, P.C.

Boulder, Colorado  
February 13, 2015

## FINANCIAL STATEMENTS

BRIDGE HOUSE  
Statement of Financial Position  
December 31, 2014

(with summarized financial information for the year ended December 31, 2013)

ASSETS	2014	2013
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 211,775	\$ 275,840
Investments	388,828	395,194
Contracts receivable	25,934	23,444
Grants and contributions receivable	75,958	171,518
Pledges receivable	504,949	11,207
Prepaid expenses	5,920	5,600
Prepaid insurance	8,483	7,319
Prepaid rent	38,246	57,597
Total current assets	1,260,093	947,719
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment	3,533,285	984,887
Less accumulated depreciation	(73,616)	(34,830)
Net property and equipment	3,459,669	950,057
<b>OTHER ASSETS</b>		
Deposits	1,210	1,210
Cash restricted to investment in property and equipment	1,548,863	-
Total other assets	1,550,073	1,210
Total assets	\$ 6,269,835	\$ 1,898,986
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued payroll and taxes	\$ 53,354	\$ 39,357
Property taxes payable	29,886	-
Customer deposits	845	-
Sales tax payable	2,214	-
Total current liabilities	86,299	39,357
<b>NET ASSETS</b>		
Unrestricted	4,128,669	1,734,629
Temporarily restricted	2,054,867	125,000
Total net assets	6,183,536	1,859,629
Total liabilities & net assets	\$ 6,269,835	\$ 1,898,986

See accompanying notes to financial statements

BRIDGE HOUSE  
Statement of Activities  
For the year ended December 31, 2014  
(with summarized financial information for the year ended December 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>				
Contributions	\$ 339,504	\$ 5,000	\$ 344,504	\$ 357,559
Government grants	142,621	2,000	144,621	86,393
Foundation grants	242,383	-	242,383	347,749
Other income	-	-	-	20,533
Donations in-kind	34,599	-	34,599	-
Ready to Work revenue	152,056	-	152,056	118,834
Kitchen Enterprise revenue	80,859	-	80,859	-
Special events (net of direct costs of \$19,625 and \$20,295)	123,283	-	123,283	122,573
Gain on sales of fixed assets	-	-	-	1,168
Investment income	9,234	-	9,234	19,655
Total public support and revenue	<u>1,124,539</u>	<u>7,000</u>	<u>1,131,539</u>	<u>1,074,464</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>				
Restrictions satisfied by payments	128,829	(128,829)	-	-
Total net assets released from restrictions	<u>128,829</u>	<u>(128,829)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	1,253,368	(121,829)	1,131,539	1,074,464
<b>FUNCTIONAL EXPENSES</b>				
Program services	1,105,420	-	1,105,420	806,944
Management and general	113,822	-	113,822	97,106
Fundraising	173,725	-	173,725	133,383
Total functional expenses	<u>1,392,967</u>	<u>-</u>	<u>1,392,967</u>	<u>1,037,433</u>
INCREASE IN NET ASSETS BEFORE CAPITAL ACTIVITY	(139,599)	(121,829)	(261,428)	37,031
Grant for kitchen capital expenditures	-	-	-	240,000
Capital Campaign contributions	-	4,585,335	4,585,335	-
Capital expenditures	2,533,639	(2,533,639)	-	-
INCREASE IN NET ASSETS	2,394,040	1,929,867	4,323,907	277,031
NET ASSETS—BEGINNING OF YEAR	<u>1,734,629</u>	<u>125,000</u>	<u>1,859,629</u>	<u>1,582,598</u>
NET ASSETS—END OF YEAR	<u>\$ 4,128,669</u>	<u>\$ 2,054,867</u>	<u>\$ 6,183,536</u>	<u>\$ 1,859,629</u>

See accompanying notes to financial statements

BRIDGE HOUSE  
Statement of Functional Expenses  
For the year ended December 31, 2014  
(with summarized financial information for the year ended December 31, 2013)

	Program Services	Management and General	Fundraising	2014 Total	2013 Total
<b>PERSONNEL EXPENSES:</b>					
Salaries and wages	\$ 648,666	\$ 79,574	\$ 105,879	\$ 834,119	\$ 682,769
Employee benefits and taxes	95,699	15,327	20,393	131,419	79,701
Total	744,365	94,901	126,272	965,538	762,470
<b>GRANTS TO INDIVIDUALS:</b>					
Client incentives	9,400	-	-	9,400	2,467
Client supplies	5,842	-	-	5,842	3,294
Client transportation	11,403	-	-	11,403	14,519
Director's emergency account	1,850	-	-	1,850	2,322
Employee assistance fund	250	-	-	250	296
Food expense	66,445	-	-	66,445	44,120
ID program	4,758	-	-	4,758	4,470
Joy Fund	3,829	-	-	3,829	5,585
Prescription program	3,691	-	-	3,691	6,072
Rent assistance programs	5,460	-	-	5,460	5,561
Total	112,928	-	-	112,928	88,706
<b>OPERATING EXPENSES:</b>					
Accounting	4,208	6,313	-	10,521	9,570
Board related expenses	-	160	-	160	2,790
Computing	3,209	690	918	4,817	4,087
Consulting	-	-	-	-	630
Dues & subscriptions	1,840	295	392	2,527	2,099
Equipment	3,994	444	-	4,438	6,627
Facility repairs and maintenance	22,449	-	-	22,449	8,354
Fundraising expense	-	-	30,717	30,717	38,248
Insurance	11,154	3,718	-	14,872	9,208
Investment fees	-	-	123	123	-
Office rent	2,400	2,400	-	4,800	7,300
Office supplies	5,088	815	1,084	6,987	3,792
Parking and mileage	4,352	697	928	5,977	4,203
Postage	-	-	-	-	381
Printing and publications	1,454	2,908	1,454	5,816	1,786
Program supplies	14,212	-	-	14,212	6,681
Resource center	-	-	-	-	7,981
Lease termination fee	15,000	-	-	15,000	-
Social enterprise food	30,079	-	-	30,079	-
Staff development	2,281	-	-	2,281	2,822
Telephone, fax and internet	8,651	481	481	9,613	8,537
Utilities	21,405	-	-	21,405	13,913
Vehicle	9,015	-	-	9,015	6,701
Total expenses before depreciation and implied rent	1,018,084	113,822	162,369	1,294,275	996,886
Percentage of expenses before depreciation and implied rent	78.66%	8.79%	12.55%	100.00%	100.00%
In-kind legal	27,319	-	-	27,319	-
Capital campaign expenses	-	-	11,356	11,356	-
Implied rent	21,231	-	-	21,231	20,814
Depreciation	38,786	-	-	38,786	19,733
Total expenses	<u>\$ 1,105,420</u>	<u>\$ 113,822</u>	<u>\$ 173,725</u>	<u>\$ 1,392,967</u>	<u>\$ 1,037,433</u>

See accompanying notes to financial statements



BRIDGE HOUSE  
Statement of Cash Flows  
For the year ended December 31, 2014  
(with summarized financial information for the year ended December 31, 2013)

	2014	2013
OPERATING ACTIVITIES		
Change in net assets	\$ 4,323,907	\$ 277,031
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	38,786	19,733
Realized and unrealized (gain) loss on investments	962	(9,323)
Realized (gain) loss on sales of fixed assets	-	(1,168)
Non-cash contributions of securities	-	(29,214)
(Increase) decrease in contracts receivable	(2,490)	(5,797)
(Increase) decrease in grants and contributions receivable	95,560	(171,518)
(Increase) decrease in pledges receivable	(493,742)	5,941
(Increase) decrease in prepaid expenses	(320)	(5,600)
(Increase) decrease in prepaid insurance	(1,164)	(3,936)
(Increase) decrease in prepaid rent	19,351	18,198
(Increase) decrease in deposits	-	(10)
Increase (decrease) in property tax payable	29,886	(15,522)
Increase (decrease) in accrued payroll and taxes	13,997	14,289
Increase (decrease) in security deposits	845	(5,800)
Increase (decrease) in book costs accrual	-	(3,000)
Increase (decrease) in sales tax payable	2,214	-
Net cash provided by operating activities	4,027,792	84,304
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(33,620)	(328,753)
Proceeds from sales of investments	39,024	379,672
Cash restricted for property investments	(1,548,863)	-
Purchase of property and equipment	(2,548,398)	(397,212)
Proceeds from sales of property and equipment	-	2,200
Net cash used by investing activities	(4,091,857)	(344,093)
NET DECREASE IN CASH	(64,065)	(259,789)
CASH AT BEGINNING OF YEAR	275,840	535,629
CASH AT END OF YEAR	\$ 211,775	\$ 275,840

See accompanying notes to financial statements

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES

Bridge House is a non-profit located in Boulder, Colorado, and was established in 1996. In 2011, Bridge House changed its name from Carriage House Community Table. Bridge House provides immediate survival needs and resources that lead to employment, housing, personal stability and healing.

In the fall of 2011, Bridge House started its Ready to Work (RTW) program. RTW is an employment assistance program offering paid, transitional employment coupled with supportive services to homeless individuals seeking a pathway to mainstream employment and stable housing.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements are prepared in accordance with the recommendations of the American Institute of Certified Public Accountants in its industry audit guide, *Audits of Not-for-Profit Organizations*.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its statement FASB ASC No. 958-205-45-5, "Presentation of Financial Statements."

Under ASC 958-205-45-5, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted – Resources are not subject to donor-imposed restrictions

Temporarily restricted – Resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or the passage of time.

Permanently restricted – Resources which donor-imposed restrictions limit the organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the organization's meeting certain requirements.

Cash and Cash Equivalents

The Organization considers short-term, highly liquid investments that are both readily convertible to known amount of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates to be cash and cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair market value at the date of donation and are depreciated over estimated useful lives using the straight-line method. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the period incurred.

BRIDGE HOUSE  
Notes to Financial Statements  
December 31, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Contribution Revenue

All contributions are available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Grant and Contract Receivable

For grants and contracts which are considered to be exchange transactions, revenue is recognized after allowable reimbursable expenses are invoiced. Outstanding invoiced expenses at year-end are immaterial. Cash received in excess of allowable expenses is recorded as deferred revenue, and allowable expenses incurred in excess of cash received are recorded as receivables.

Expense Allocation

The costs of providing the Organization's services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

No provision for taxes on earnings has been made in the financial statements as the Organization has qualified as a nonprofit organization under Section 501 (c)(3) of the Internal Revenue Code. In addition, contributions to the Organization qualify for the charitable contribution deduction under Section 170(b)(1)(A).

The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2009.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

Investments at December 31, 2014 were as follows:

U.S. equity mutual funds	\$ 388,828
Investment income consists of the following:	
Dividends and interest income	\$ 6,392
Implied interest	1,879
Realized and unrealized gains/losses	962
	<u>\$ 9,234</u>

BRIDGE HOUSE  
Notes to Financial Statements  
December 31, 2014

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**NOTE 3 – FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

The Organization measures its investments at fair value on a recurring basis. The inputs used to develop fair value measures are ranked to indicate the quality and reliability of the resulting fair value measures, as follow:

<u>Level 1:</u>	Quoted market prices in active markets for identical assets or liabilities
<u>Level 2:</u>	Observable market-based inputs or unobservable inputs that are corroborated by market data.
<u>Level 3:</u>	Unobservable inputs that are not corroborated by market data

All investments held by the Organization are measured using Level 1 inputs.

**NOTE 4 – PLEDGES RECEIVABLE**

Pledges receivable represent donors' promises to pay contributions to the Organization and are measured at the present value of estimated future cash flows using a discount rate of .34%. Collection of receivables as of December 31, 2014 is expected as follows:

Due within one year	\$ 399,000
Due in one to five years	108,000
	<u>507,000</u>
Less allowance for doubtful accounts	(1,250)
Future value	505,750
Less discount to present value	(802)
	<u>\$ 504,948</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31:

Transitional housing building	\$ 2,025,915
Transitional housing land	505,618
Commercial kitchen	616,392
Land	156,925
Kitchen equipment	194,021
Appliances	22,406
Vehicles	11,538
Office equipment	470
Less accumulated depreciation	(73,616)
Net property and equipment	<u>\$ 3,459,669</u>

Depreciation expense for the year ended December 31, 2014 was \$38,786.

**NOTE 6 – CAPITAL PROJECT-TRANSITIONALHOUSING**

In 2014, the Organization formed a wholly owned LLC, Ready to Work, LLC, and purchased a 14,000 square-foot building for its new transitional housing project for approximately \$2.5 million. Anticipated costs to renovate and furnish will be approximately \$1.5 million for a total project cost of \$4.0 million. During 2014, the Organization received an anonymous contribution of \$1.5 million, \$1.2 million from the City of Boulder and another \$510,000 from the State of Colorado and secured pledges of \$1.1 million for the purchase and renovation of the building and to support the project.

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Notes to Financial Statements  
December 31, 2014

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**NOTE 6 – CAPITAL PROJECT-TRANSITIONAL HOUSING-continued**

The Organization may be entitled to an exemption from real property taxes on this property. An application will be filed for approval by the Colorado Department of Local Affairs. This application process can take up to 1 year and the Organization cannot determine the outcome at this time. The potential annual property tax expense is approximately \$45,000.

**NOTE 7 – CAPITAL PROJECT-KITCHEN**

In November of 2012, the Organization received a contribution in the amount of \$750,000 to purchase and remodel a commercial kitchen. The initial cost of the land and the building was \$560,445. During 2013 the Organization received an additional \$240,000 contribution for this project. Capital outlays during 2013 included remodeling costs of \$212,871 and kitchen equipment purchases of \$177,156. The kitchen was placed in service in July 2013.

**NOTE 8 – NET ASSETS**

Temporarily restricted net assets of the Organization as of December 31, 2014 consist of \$2,053,696 for the Ready to Work building and program and \$1,171 for the Joy Fund.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

Bridge House receives grants from various sources which are subject to final review and approval, depending on the allowability of corresponding expenses charged to those programs. Any expenses not allowed by the granting authority could be reimbursable by Bridge House. As of December 31, 2014, management of Bridge House believes that any subsequent review of its expenses will not have a material effect on the overall financial position of Bridge House.

**NOTE 10 – LEASES**

In 2004, the Organization renovated the Carriage House building near downtown Boulder. This facility houses the day shelter and other programming of the Organization. In return the Organization receives use of the building, rent free through October 17, 2016. This benefit is recorded as Prepaid Rent on the statement of financial position with interest imputed on the balance. After the rent-free period expires, the Organization will pay rent at 75% of the fair market value for the next 5 years.

The building renovation was completed in the fall of 2005 and the rent free period commenced immediately. Implied rent and interest are as follows:

Year ended December 31:	Implied Interest	Implied Rent
2015	\$ 1,097	\$ 21,655
2016	369	15,770

The Organization leases office space in The Registry building. The current monthly lease payment is \$400 and the lease expires June 30, 2015. Future minimum rental payments are:

Year Ended:	
December 31, 2015	\$2,400

NOTE 11 - SUBSEQUENT EVENTS

The Organization did not have any subsequent events through February 13, 2015, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2014.