

BRIDGE HOUSE
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, 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, 2016, 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, 2015 financial statements, and our report dated March 1, 2016, 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, 2015, 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, 2017

FINANCIAL STATEMENTS

BRIDGE HOUSE
Statement of Financial Position
December 31, 2016

(with summarized financial information for the year ended December 31, 2015)

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 442,998	\$ 431,157
Investments	347,579	342,873
Grants and contracts receivable	33,635	21,038
Contributions receivable	287,339	-
Capital campaign pledges receivable, net of allowance of \$0 and \$	6,000	127,250
Rent receivable	1,945	-
Trade receivables	51,870	111,399
Inventory	15,678	-
Prepaid expenses	16,695	8,590
Prepaid rent	-	17,686
Total current assets	1,203,739	1,059,993
PROPERTY AND EQUIPMENT		
Property and equipment	5,159,981	5,000,863
Less accumulated depreciation	(273,855)	(147,337)
Net property and equipment	4,886,126	4,853,526
OTHER ASSETS		
Deposits	20	-
Cash restricted to investment in property and equipment	200,000	445,534
Total other assets	200,020	445,534
Total assets	\$ 6,289,885	\$ 6,359,053
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Credit Cards Payable	\$ 4,751	\$ -
Accrued payroll and taxes	69,745	51,596
Sales tax payable	3,948	1,901
Deposits - trainee uniforms	1,255	1,730
Naropa gift cards outstanding	458	-
Catering event deposits	-	1,500
Deferred revenue - BC Probation	-	2,830
Total current liabilities	80,157	59,557
NET ASSETS		
Unrestricted	6,009,728	5,727,962
Temporarily restricted	200,000	571,534
Total net assets	6,209,728	6,299,496
Total liabilities & net assets	\$ 6,289,885	\$ 6,359,053

See accompanying notes to financial statements

BRIDGE HOUSE
Statement of Activities
For the year ended December 31, 2016
(with summarized financial information for the year ended December 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 805,077	\$ -	\$ 805,077	\$ 550,436
Government grants	292,216	-	292,216	271,848
Foundation grants	387,978	-	387,978	417,575
Other income	9,729	-	9,729	8,117
Donations in-kind	500	-	500	12,910
Ready to Work revenue	287,180	-	287,180	190,615
Ready to Work rent	94,472	-	94,472	20,692
Kitchen Enterprise revenue	405,016	-	405,016	122,040
Special events (net of direct costs of \$22,454 and \$35,110)	163,032	-	163,032	230,903
Loss on disposal of asset	(1,161)	-	(1,161)	-
Investment income	13,773	-	13,773	(353)
Total public support and revenue	<u>2,457,812</u>	<u>-</u>	<u>2,457,812</u>	<u>1,824,783</u>
NET ASSETS RELEASED FROM RESTRICTION				
Restrictions satisfied by payments	<u>371,534</u>	<u>(371,534)</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions	<u>371,534</u>	<u>(371,534)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	2,829,346	(371,534)	2,457,812	1,824,783
FUNCTIONAL EXPENSES				
Program services	2,129,269	-	2,129,269	1,397,016
Management and general	126,052	-	126,052	143,570
Fundraising	136,075	-	136,075	152,071
Total functional expenses	<u>2,391,396</u>	<u>-</u>	<u>2,391,396</u>	<u>1,692,657</u>
INCREASE IN NET ASSETS BEFORE CAPITAL ACTIVITY, DEPRECIATION AND IMPLIED RENT				
	437,950	(371,534)	66,416	132,126
Grant for kitchen capital expenditures	-	-	-	70,803
Capital Campaign contributions	-	-	-	49,658
Capital Campaign expenses	-	-	-	(41,249)
INCREASE IN NET ASSETS BEFORE DEPRECIATION AND IMPLIED RENT				
	437,950	(371,534)	66,416	211,338
Implied rent	18,055	-	18,055	21,656
Depreciation	<u>138,129</u>	<u>-</u>	<u>138,129</u>	<u>73,722</u>
INCREASE (DECREASE) IN NET ASSETS	281,766	(371,534)	(89,768)	115,960
NET ASSETS--BEGINNING OF YEAR	<u>5,727,962</u>	<u>571,534</u>	<u>6,299,496</u>	<u>6,183,536</u>
NET ASSETS--END OF YEAR	<u>\$ 6,009,728</u>	<u>\$ 200,000</u>	<u>\$ 6,209,728</u>	<u>\$ 6,299,496</u>

See accompanying notes to financial statements

BRIDGE HOUSE
Statement of Functional Expenses
For the year ended December 31, 2016
(with summarized financial information for the year ended December 31, 2015)

	Program Services	Management and General	Fundraising	2016 Total	2015 Total
PERSONNEL EXPENSES:					
Salaries and wages	\$ 1,030,077	\$ 83,226	\$ 92,876	\$ 1,206,179	\$ 936,039
RTW Trainees	426,104	-	-	426,104	192,406
Employee benefits and taxes	166,113	13,421	14,977	194,511	164,736
Total	<u>1,622,294</u>	<u>96,647</u>	<u>107,853</u>	<u>1,826,794</u>	<u>1,293,181</u>
GRANTS TO INDIVIDUALS:					
Client incentives	5,331	-	-	5,331	6,344
Client supplies	-	-	-	-	2,478
Client transportation	19,103	-	-	19,103	14,389
Director's emergency account	2,650	-	-	2,650	2,405
Employee assistance fund	170	-	-	170	345
Food expense	53,831	-	-	53,831	82,028
ID program	1,398	-	-	1,398	2,923
Joy Fund	3,127	-	-	3,127	2,988
Prescription program	6,088	-	-	6,088	5,959
Rent assistance programs	8,948	-	-	8,948	7,178
Total	<u>100,646</u>	<u>-</u>	<u>-</u>	<u>100,646</u>	<u>127,037</u>
OPERATING EXPENSES:					
Accounting	7,553	11,330	-	18,883	18,044
Board related expenses	4,106	474	-	4,580	522
Computing	7,563	1,015	1,082	9,660	5,454
Consulting	-	-	-	-	175
Dues & subscriptions	2,062	277	295	2,634	1,837
Equipment	5,668	630	-	6,298	4,257
Facility repairs and maintenance	35,899	-	-	35,899	18,267
Fundraising expense	-	-	20,097	20,097	22,019
Insurance	15,302	5,101	-	20,402	19,904
Investment fees	-	-	141	141	114
Office rent	-	-	-	-	677
Office supplies	1,980	262	283	2,524	1,910
Parking and mileage	9,686	1,300	1,387	12,372	9,699
Postage	292	292	-	584	536
Printing and publications	3,805	7,609	3,805	15,218	16,015
Program supplies	15,329	-	-	15,329	22,760
Kitchen enterprise food	215,407	-	-	215,407	49,650
Staff development	1,781	239	255	2,275	7,233
Telephone, fax and internet	15,801	877	877	17,556	12,885
Utilities	49,567	-	-	49,567	38,532
Vehicle	14,530	-	-	14,530	9,039
Total expenses before in-kind expenses	<u>2,129,269</u>	<u>126,052</u>	<u>136,075</u>	<u>2,391,396</u>	<u>1,679,747</u>
Percentage of expenses before in-kind expenses	89.04%	5.27%	5.69%	100.00%	100.00%
In-kind legal	-	-	-	-	12,910
Total expenses	<u>\$ 2,129,269</u>	<u>\$ 126,052</u>	<u>\$ 136,075</u>	<u>\$ 2,391,396</u>	<u>\$ 1,692,657</u>

See accompanying notes to financial statements

BRIDGE HOUSE
Statement of Cash Flows
For the year ended December 31, 2016
(with summarized financial information for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (89,768)	\$ 115,960
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	138,129	73,722
Loss on disposal of assets	1,162	-
Realized and unrealized (gain) loss on investments	(5,773)	7,282
(Increase) decrease in contracts receivable	(12,597)	(106,503)
(Increase) decrease in grants and contributions receivable	(287,339)	75,958
(Increase) decrease in pledges receivable	121,250	377,699
(Increase) decrease in rent receivable	(1,945)	-
(Increase) decrease in trade receivable	59,529	-
(Increase) decrease in inventory	(15,678)	-
(Increase) decrease in prepaid expenses	(8,105)	5,813
(Increase) decrease in prepaid rent	17,686	20,560
(Increase) decrease in deposits	(20)	1,210
Increase (decrease) in property tax payable	-	(29,886)
Increase (decrease) in credit cards payable	4,751	-
Increase (decrease) in accrued payroll and taxes	18,149	(1,758)
Increase (decrease) in sales tax payable	2,047	(313)
Increase (decrease) in gift cards payable	458	-
Increase (decrease) in trainee uniform deposits	(475)	885
Increase (decrease) in catering event deposits	(1,500)	1,500
Increase (decrease) in deferred revenue	(2,830)	2,830
Net cash provided by operating activities	<u>(62,869)</u>	<u>544,959</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(118,595)	(11,131)
Proceeds from sales of investments	119,661	49,803
Cash restricted for property investments	245,534	1,103,329
Purchase of property and equipment	(171,890)	(1,467,578)
Net cash used by investing activities	<u>74,710</u>	<u>(325,577)</u>
NET INCREASE IN CASH	11,841	219,382
CASH AT BEGINNING OF YEAR	<u>431,157</u>	<u>211,775</u>
CASH AT END OF YEAR	<u>\$ 442,998</u>	<u>\$ 431,157</u>

See accompanying notes to financial statements

BRIDGE HOUSE
Notes to Financial Statements
December 31, 2016

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 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.

In 2015, the Ready to Work program opened its transitional housing facility that can house up to 44 clients. The Organization also began operating several cafes in late 2015.

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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Inventory

Inventory is valued at the lower of average cost or market.

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 2013.

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, 2016 were as follows:

U.S. equity mutual funds	\$ 347,579
Investment income consists of the following:	
Dividends and interest income	\$ 7,631
Implied interest	369
Realized and unrealized gains/losses	5,773
	<u>\$ 13,773</u>

BRIDGE HOUSE
Notes to Financial Statements
December 31, 2016

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. Collection of receivables as of December 31, 2016 is expected as follows:

Due within one year	\$ 6,000
Due in one to five years	-
	<u>\$ 6,000</u>

NOTE 5 – PROPERTY AND EQUIPMENT

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

Transitional housing building	\$ 3,458,606
Transitional housing land	505,618
Transitional housing furniture	114,327
Commercial kitchen building	687,526
Commercial kitchen Land	156,925
Kitchen equipment	203,167
Vehicles	33,812
Subtotal	<u>5,159,981</u>
Less accumulated depreciation	<u>(273,855)</u>
Net property and equipment	<u>\$ 4,886,126</u>

Depreciation expense for the year ended December 31, 2016 was \$138,129.

NOTE 6 – CAPITAL PROJECT-TRANSITIONAL HOUSING

In 2014, the Organization formed a wholly owned LLC, Ready to Work, LLC, and purchased and renovated a 14,000 square-foot building for its new transitional housing project. The facility opened in August of 2015.

The Organization was approved by the Colorado Department of Local Affairs to an exemption from real property taxes on this property.

BRIDGE HOUSE
Notes to Financial Statements
December 31, 2016

NOTE 7 – NET ASSETS

Temporarily restricted net assets of the Organization as of December 31, 2016 consist of \$200,000 for the Ready to Work building capital reserves.

NOTE 8 – 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, 2016, 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.

The Organization maintains cash deposits at several financial institutions. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, at each institution. At times during the year cash deposits may exceed this FDIC insured limit. At December 31, the uninsured cash balances were \$112,206.

NOTE 9 – 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. The Organization did not renew the lease and vacated the premises in November 2016.

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
2016	<u>\$ 369</u>	<u>\$18,055</u>

NOTE 10 - SUBSEQUENT EVENTS

The Organization did not have any subsequent events through February 13, 2017, 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, 2016.