

BRIDGE HOUSE
FINANCIAL STATEMENTS
DECEMBER 31, 2012

BRIDGE HOUSE

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December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors:

Bridge House
Boulder, Colorado

We have audited the accompanying statement of financial position of Bridge House (a not-for-profit organization) as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bridge House as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MIDDLEMIST, CROUCH & CO., CPA's, P.C.

Middlemist Crouch & Company, CPA's PC

Boulder, Colorado
January 26, 2013

FINANCIAL STATEMENTS

BRIDGE HOUSE
Statement of Financial Position
December 31, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 535,629
Investments	407,576
Grants and contracts receivable	17,647
Pledges receivables	17,148
Prepaid insurance	3,383
Prepaid rent	75,795
Total current assets	<u>1,057,178</u>

PROPERTY AND EQUIPMENT

Property and equipment	590,823
Less accumulated depreciation	<u>(17,213)</u>
Net property and equipment	573,610

OTHER ASSETS

Deposits	1,200
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Total assets	<u><u>\$ 1,631,988</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Property taxes payable	\$ 15,522
Accrued payroll and taxes	25,068
Security deposits	5,800
Book costs accrual	3,000
Total current liabilities	<u>49,390</u>

NET ASSETS

Unrestricted	1,384,164
Temporarily restricted	<u>198,434</u>
Total net assets	<u>1,582,598</u>

Total liabilities & net assets	<u><u>\$ 1,631,988</u></u>
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See accompanying notes to financial statements

BRIDGE HOUSE
Statement of Activities
For the year ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Contributions	\$ 368,409	\$ 1,192	\$ 369,601
Government grants	64,828	-	64,828
Foundation grants	185,227	-	185,227
Other income	6,206	-	6,206
Donations in-kind	4,000	-	4,000
Ready to Work revenue	158,674	7,687	166,361
Special events, net of expenses of \$22,172	50,923	-	50,923
Investment income	12,637	-	12,637
Total public support and revenue	<u>850,904</u>	<u>8,879</u>	<u>859,783</u>
NET ASSETS RELEASED FROM RESTRICTION			
Expiration of program restrictions	-	-	-
Total net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenues	850,904	8,879	859,783
FUNCTIONAL EXPENSES			
Program services	594,226	-	594,226
Management and general	84,918	-	84,918
Fundraising	116,011	-	116,011
Total functional expenses	<u>795,155</u>	<u>-</u>	<u>795,155</u>
INCREASE IN NET ASSETS BEFORE CAPITAL ACTIVITY	55,749	8,879	64,628
Grant for kitchen purchase	-	750,000	750,000
Kitchen purchase	560,445	(560,445)	-
INCREASE IN NET ASSETS	616,194	198,434	814,628
NET ASSETS--BEGINNING OF YEAR	767,970	-	767,970
NET ASSETS--END OF YEAR	<u>\$ 1,384,164</u>	<u>\$ 198,434</u>	<u>\$ 1,582,598</u>

See accompanying notes to financial statements

BRIDGE HOUSE
Statement of Functional Expenses
For the year ended December 31, 2012

	Program Services	Management and General	Fundraising	Total
PERSONNEL EXPENSES:				
Salaries and wages	\$ 400,030	\$ 61,792	\$ 56,007	\$ 517,829
Employee benefits and taxes	51,142	7,970	7,306	66,418
Total	451,172	69,762	63,313	584,247
GRANTS TO INDIVIDUALS:				
Client incentives	5,032	-	-	5,032
Client supplies	4,191	-	-	4,191
Client transportation	4,737	-	-	4,737
Director's emergency account	7,801	-	-	7,801
Food expense	11,081	-	-	11,081
ID program	2,287	-	-	2,287
Prescription program	4,546	-	-	4,546
Rent assistance programs	5,245	-	-	5,245
Total	44,920	-	-	44,920
OPERATING EXPENSES:				
Accounting	-	5,726	-	5,726
Board related expenses	-	786	-	786
Computing	5,655	-	628	6,283
Consulting	3,885	-	-	3,885
Dues & subscriptions	1,502	234	215	1,951
Equipment	4,794	-	-	4,794
Facility repairs and maintenance	962	-	-	962
Facility supplies	3,937	-	-	3,937
Fundraising expense	-	-	49,247	49,247
Insurance	3,438	1,150	-	4,588
Miscellaneous	-	160	-	160
Office rent	10,903	1,699	1,558	14,160
Office supplies	5,080	792	726	6,598
Parking and mileage	2,265	353	324	2,942
Postage	256	256	-	512
Staff development	1,845	-	-	1,845
Telephone, fax and internet	6,239	-	-	6,239
Utilities	8,949	-	-	8,949
Vehicle	3,502	-	-	3,502
Warming center	9,063	-	-	9,063
Total expenses before depreciation, implied rent and in-kind	568,367	80,918	116,011	765,296
Percentage of expenses before depreciation, implied rent and in-kind	74.27%	10.57%	15.16%	100.00%
In-kind legal	-	4,000	-	4,000
Implied rent	20,406	-	-	20,406
Depreciation	5,453	-	-	5,453
Total expenses	<u>\$ 594,226</u>	<u>\$ 84,918</u>	<u>\$ 116,011</u>	<u>\$ 795,155</u>

See accompanying notes to financial statements

BRIDGE HOUSE
Statement of Cash Flows
For the year ended December 31, 2012

OPERATING ACTIVITIES

Change in net assets	\$ 814,628
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	5,452
Unrealized gain on investments	(3,284)
Non-cash contributions of securities	(3,202)
(Increase) decrease in accounts receivable	(17,647)
(Increase) decrease in pledges receivable	5,013
(Increase) decrease in prepaid insurance	(3,383)
(Increase) decrease in prepaid rent	17,099
Increase (decrease) in accounts payable	2,959
Increase (decrease) in accrued and other liabilities	19,959
Increase (decrease) in security deposits	5,800
Increase (decrease) in book costs accrual	3,000
Increase (decrease) in vouchers payable	(6,204)
Net cash provided by operating activities	<u>840,190</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(401,090)
Purchase of property and equipment	<u>(560,445)</u>
Net cash used by investing activities	(961,535)

CASH FLOWS FROM FINANCING ACTIVITIES:

Net cash used by financing activities	<u>-</u>
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NET INCREASE IN CASH (121,345)

CASH AT BEGINNING OF YEAR 656,974

CASH AT END OF YEAR \$ 535,629

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 2006. 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, 2012

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 and payment received. 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 2008.

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, 2012 were as follows:

U.S. equity mutual funds	\$ 407,576
Investment income consists of the following:	
Dividends and interest income	\$ 6,058
Implied interest	3,295
Realized and unrealized gains/losses	3,284
	<u>\$ 12,637</u>

BRIDGE HOUSE
Notes to Financial Statements
December 31, 2012

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 .95%. Collection of receivables as of December 31, 2012 is expected as follows:

Due within one year	\$ 5,000
Due in one to five years	<u>13,750</u>
	18,750
Less allowance for doubtful accounts	<u>(1,250)</u>
Future value	17,500
Less discount to present value	<u>(352)</u>
	<u>\$ 17,148</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

Commercial kitchen	\$ 560,445
Vehicles	4,354
Appliances	25,554
Office equipment	470
Less accumulated depreciation	<u>(17,213)</u>
Net property and equipment	<u>\$ 573,610</u>

Depreciation expense for the year ended December 31, 2012, was \$5,453.

NOTE 6 – 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 cost of the kitchen was \$560,445 and the remaining \$189,555 will be used to remodel the space in 2013. The kitchen was not placed in service in 2012 so no depreciation was recorded.

The Organization may be entitled to an exemption from real property taxes on this property. An application must be filed and approved 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 \$16,000.

BRIDGE HOUSE
Notes to Financial Statements
December 31, 2012

NOTE 7 – NET ASSETS

Temporarily restricted net assets consist of the following:

Ready to Work program	\$ 7,687
Joy Fund	1,192
Kitchen remodel	<u>189,555</u>
Total	<u>\$198,434</u>

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, 2012, 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 9 – LEASES

In 2004, the Organization renovated the Carriage House building near downtown Boulder. This facility houses all of the organization's operations. In return the Organization receives use of the building, rent free for a ten year period. This benefit is recorded as Prepaid Rent on the statement of financial position with interest imputed on the balance. After the ten year 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
2013	\$ 2,616	\$ 20,814
2014	1,879	21,231
2015	1,097	21,655
2016	369	15,770
2017	0	2,285

The Organization leases office space in The Registry building. The current monthly lease payment is \$900 and the lease expires June 30, 2013. Future minimum rental payments are:

December 31, 2013	\$5,400
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NOTE 10 – CONTRIBUTED SERVICES

The Organization received \$4,000 in donated legal services in 2012.

NOTE 11 - SUBSEQUENT EVENTS

The Organization did not have any subsequent events, other than listed above, through January 26, 2013, 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, 2012.