

BRIDGE HOUSE
and
READY TO WORK AURORA
COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019

BRIDGE HOUSE
and
READY TO WORK AURORA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors:

Bridge House
Boulder, Colorado

We have audited the accompanying combined financial statements of Bridge House (a nonprofit organization), and Ready to Work Aurora (a nonprofit organization) which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and net assets, functional 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Bridge House and Ready to Work Aurora as of December 31, 2019, 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)

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental combining statements of financial position, activities and net assets are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, activities and changes in net assets of the individual organizations, and are not a required part of the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report on Summarized Comparative Information

We have previously audited the Bridge House's December 31, 2018 financial statements, and our report dated May 20, 2019, 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, 2018, 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
March 18, 2020

FINANCIAL STATEMENTS

BRIDGE HOUSE and READY TO WORK AURORA

Combined Statement of Financial Position

December 31, 2019

(with summarized financial information for the year ended December 31, 2018)

ASSETS		
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 858,103	\$ 2,301,085
Investments	653,673	437,862
Grants and contracts receivable	160,308	83,346
Contributions receivable	100,751	59,065
Rent receivable	6,537	1,708
Social Enterprise receivables	147,763	47,918
Inventory	66,016	38,446
Prepaid expenses	44,417	17,690
Total current assets	2,037,568	2,987,120
PROPERTY AND EQUIPMENT		
Property and equipment	9,998,993	9,075,345
Less accumulated depreciation	(1,214,989)	(768,758)
Net property and equipment	8,784,004	8,306,587
OTHER ASSETS		
Deposits	6,000	4,000
New Markets Tax Credit loan fund	2,892,120	2,892,120
Funds reserved for debt service	138,600	-
Funds reserved for investment in property and equipment	200,000	200,000
Total other assets	3,236,720	3,096,120
Total assets	<u>\$ 14,058,292</u>	<u>\$ 14,389,827</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 8,800	\$ 11,915
Credit Cards Payable	25,517	14,267
Accrued payroll and taxes	177,127	121,316
Sales tax payable	3,920	2,180
Deposits - trainee uniforms	175	25
Property tax payable	-	7,868
Naropa gift cards outstanding	466	457
Unearned revenue	20,034	300,000
Total current liabilities	236,039	458,028
LONG-TERM LIABILITIES		
NMTC Note A Payable	2,892,120	2,892,120
NMTC Note B Payable	1,463,880	1,463,880
Total long-term liabilities	4,356,000	4,356,000
NET ASSETS		
Without donor restrictions	9,368,424	9,556,149
With donor restrictions	97,829	19,650
Total net assets	9,466,253	9,575,799
Total liabilities & net assets	<u>\$ 14,058,292</u>	<u>\$ 14,389,827</u>

See accompanying notes to financial statements

BRIDGE HOUSE and READY TO WORK AURORA
Combined Statement of Activities and Changes in Net Assets
For the year ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total	2018 Total
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 955,523	\$ 163,200	\$ 1,118,723	\$ 1,515,040
Government grants	1,636,690	25,000	1,661,690	1,797,399
Foundation grants	1,066,852	2,000	1,068,852	241,550
Other income	8,719	-	8,719	875
Donations in-kind	52,031	-	52,031	21,546
Ready to Work revenue	703,149	-	703,149	290,047
Ready to Work rent	267,253	-	267,253	120,869
Kitchen Enterprise revenue	550,535	-	550,535	482,431
Special events (net of direct costs of \$24,421 and \$25,538)	193,525	-	193,525	141,783
Investment income	31,052	-	31,052	(3,066)
Total public support and revenue	<u>5,465,329</u>	<u>190,200</u>	<u>5,655,529</u>	<u>4,608,474</u>
NET ASSETS RELEASED FROM RESTRICTION				
Restrictions satisfied by payments	<u>209,943</u>	<u>(209,943)</u>	<u>-</u>	<u>-</u>
Total net assets released from restrictions	<u>209,943</u>	<u>(209,943)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	5,675,272	(19,743)	5,655,529	4,608,474
FUNCTIONAL EXPENSES				
Program services	4,849,053	-	4,849,053	3,280,848
Management and general	308,706	-	308,706	162,665
Fundraising	226,455	-	226,455	213,030
Total functional expenses	<u>5,384,214</u>	<u>-</u>	<u>5,384,214</u>	<u>3,656,543</u>
INCREASE IN NET ASSETS BEFORE CAPITAL ACTIVITY, DEPRECIATION AND INTEREST	291,058	(19,743)	271,315	951,931
Capital Campaign contributions	-	102,081	102,081	2,294,000
Capital Campaign expenditures	<u>-</u>	<u>(4,159)</u>	<u>(4,159)</u>	<u>(142,697)</u>
INCREASE IN NET ASSETS BEFORE NMTC INTEREST INCOME AND EXPENSE, AND DEPRECIATION	291,058	78,179	369,237	3,103,234
NMTC interest income	28,921	-	28,921	14,461
NMTC interest and fee expense	(53,298)	-	(53,298)	(21,149)
Depreciation	<u>(454,406)</u>	<u>-</u>	<u>(454,406)</u>	<u>(347,407)</u>
INCREASE (DECREASE) IN NET ASSETS	(187,725)	78,179	(109,546)	2,749,139
NET ASSETS--BEGINNING OF YEAR	<u>9,556,149</u>	<u>19,650</u>	<u>9,575,799</u>	<u>6,826,660</u>
NET ASSETS--END OF YEAR	<u>\$ 9,368,424</u>	<u>\$ 97,829</u>	<u>\$ 9,466,253</u>	<u>\$ 9,575,799</u>

See accompanying notes to financial statements

BRIDGE HOUSE and READY TO WORK AURORA

Combined Statement of Functional Expenses

For the year ended December 31, 2019

(with summarized financial information for the year ended December 31, 2018)

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
PERSONNEL EXPENSES:					
Salaries and wages	\$ 2,365,217	\$ 201,547	\$ 173,308	\$ 2,740,072	\$ 1,849,872
RTW Trainees	870,531	-	-	870,531	483,268
Employee benefits and taxes	362,950	30,628	25,943	419,521	300,714
Total	3,598,698	232,175	199,251	4,030,124	2,633,854
GRANTS TO INDIVIDUALS:					
Client incentives	15,569	-	-	15,569	6,841
Client transportation	56,039	-	-	56,039	48,747
RTW Aftercare	3,513	-	-	3,513	1,120
Food expense	74,977	-	-	74,977	64,186
ID program	85	-	-	85	762
Prescription program	4,206	-	-	4,206	1,768
Program supplies	17,635	-	-	17,635	19,765
Rent assistance programs	43,540	-	-	43,540	16,874
Total	215,564	-	-	215,564	160,063
OPERATING EXPENSES:					
Administration	10,899	27,653	-	38,552	9,597
Bad debt	17,055	-	-	17,055	2,680
Information technology	86,791	11,647	12,419	110,857	40,119
Dues & subscriptions	3,959	531	567	5,057	2,605
Equipment	13,466	1,497	-	14,963	27,785
Facility repairs and maintenance	128,268	-	-	128,268	100,428
Fundraising expense	-	-	30,205	30,205	37,387
Insurance	40,234	13,411	-	53,645	33,264
Investment fees	-	13	-	13	52
Rent	272,817	-	-	272,817	207,716
Miscellaneous expense	-	(2,024)	-	(2,024)	(9,525)
Office supplies	5,542	740	792	7,074	24,053
Parking and mileage	12,433	1,669	1,780	15,882	8,569
Printing and publications	1,902	3,804	1,902	7,608	21,567
Professional services - in kind	-	30,552	-	30,552	13,982
Social Enterprise expense	280,567	-	-	280,567	265,265
Utilities	127,435	-	-	127,435	77,082
Total expenses	\$ 4,815,630	\$ 321,669	\$ 246,916	\$ 5,384,214	\$ 3,656,543
Percentage of expenses	89.44%	5.97%	4.59%	100.00%	100.00%

See accompanying notes to financial statements

BRIDGE HOUSE and READY TO WORK AURORA
Combined Statement of Cash Flows
For the year ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	\$ (109,546)	\$ 2,749,139
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	454,406	347,407
Realized and unrealized (gain) loss on investments	(19,542)	(12,300)
Gain on sale of asset	(290)	-
In-kind donations	(52,031)	(21,546)
In-kind expenditures	52,031	21,546
(Increase) decrease in grants and contracts receivable	(76,962)	60,162
(Increase) decrease in contributions receivable	(41,686)	66,844
(Increase) decrease in rent receivable	(4,829)	(1,708)
(Increase) decrease in Social Enterprise receivable	(99,845)	(9,961)
(Increase) decrease in inventory	(27,570)	(3,895)
(Increase) decrease in prepaid expenses	(26,727)	7,018
(Increase) decrease in due from RTW Aurora	-	95,273
(Increase) decrease in deposits	(2,000)	(4,000)
Increase (decrease) in accounts payable	(3,115)	11,915
Increase (decrease) in credit cards payable	11,250	7,473
Increase (decrease) in accrued payroll and taxes	55,811	34,615
Increase (decrease) in sales tax payable	1,740	(2,387)
Increase (decrease) in gift cards payable	9	(85)
Increase (decrease) in trainee uniform deposits	150	(150)
Increase (decrease) in property tax payable	(7,868)	7,868
Increase (decrease) in deferred revenue	(279,966)	300,000
Net cash provided by operating activities	(176,580)	3,653,228
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales/purchase of investments	(196,269)	(63,187)
Purchase of property and equipment	(931,533)	(3,899,024)
Net cash used by investing activities	(1,127,802)	(3,962,211)
CASH FLOWS FROM FINANCING ACTIVITIES:		
NMTC note receivable	-	(2,892,120)
Proceeds from borrowings	-	4,356,000
Funds reserved for debt service	(138,600)	-
Net cash used by financing activities	(138,600)	1,463,880
NET INCREASE IN CASH	(1,442,982)	1,154,897
CASH AT BEGINNING OF YEAR	2,301,085	1,146,188
CASH AT END OF YEAR	\$ 858,103	\$ 2,301,085
Interest paid	\$ 53,298	\$ 21,149

See accompanying notes to financial statements

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

ORGANIZATION AND NATURE OF ACTIVITIES

BRIDGE HOUSE

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 the following programs:

Ready to Work:

Bridge House's Ready to Work program is a "work-first" solution to address homelessness. Ready to Work applies a business approach toward solving increasingly difficult and expensive social problems – homelessness, joblessness, and criminal recidivism. Founded on the belief that when given the opportunity homeless individuals can and are willing to work, Ready to Work creates paid transitional work opportunities as the core element of a comprehensive program providing a pathway to independence for homeless men and women. Ready to Work trainees participate in the three elements of the program including paid work in a Ready to Work social enterprise; housing in a supportive, communal setting called Ready to Work House; and participation in case management for one year before graduating to mainstream employment and independent housing. Immediately upon acceptance into Ready to Work participants are contributing members of the community. Ready to Work House residents go to work every day, pay taxes, pay room and board and call Ready to Work House home for one year. In 2018 the program expanded to Aurora, Colorado. Currently, the program offers employment and housing to 44 men and women.

Path to Home:

Path to Home provides a new model for shelter by combining a safe and legal place to sleep with housing-focused case management support services. This new model is consistent with evidence-based, trauma-informed, harm-reduction practices in sheltering. Every Path to Home Navigation client will develop a housing-focused Navigation plan in collaboration with a Bridge House case manager. Plans will include an individualized path for the client to follow, coupled with a one week stay at the Path To Home Navigation Center and Lodge. A one week stay may be renewed into a multi-week stay as needed on the basis of service engagement and/or vulnerability.

Path to Home serves 50 clients at all times and all clients have been identified as appropriate through Boulder County's Coordinated Entry screening process.

Bridge House has operated Path to Home program as a demonstration pilot since July 2017. Path to Home will be discontinued by Bridge House after May 31, 2020 to focus on its core competencies of employment training coupled with transitional housing and support services as well as social enterprise. The Path to Home program is fully funded by the City of Boulder, and the funding agreement will end as of May 31, 2020 as well.

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

ORGANIZATION AND NATURE OF ACTIVITIES-continued

Community Table Kitchen:

Community Table Kitchen demonstrates what is possible when mission and business marry. Opened in 2013, and often described as the most dynamic kitchen in Boulder, Community Table Kitchen transforms lives one bite at a time.

The Organization has a triple bottom line.

First, Community Table Kitchen produces meals for hungry people who have no other access to food. Meals are prepared that are healthy, nutritious and balanced by cooking in real-time, from scratch. The Organization partners with the local food bank, Community Food Share, to access donated ingredients and collaborates with the Community Table meal program hosted at Path to Home to serve over 80,000 meals a year to people experiencing homelessness.

Second, Community Table Kitchen creates employment opportunities by providing jobs and job training for Ready to Work trainees. The Organization offers meaningful paid work that builds a resume and real-world work experience. Through a mix of on-the-job and classroom training, Community Table Kitchen trainees are taught knife skills, food prep and production, and safe food handling. Trainees complete the ServSafe certification prior to graduating into a full-time food service job.

Third, under the leadership of Executive Chef John Trejo, Community Table Kitchen runs three market-based lines of business - catering, wholesale and café operations. Offering customers competitive, top notch quality and service. Through these ventures, Community Table Kitchen earns revenue to support operations and its social mission.

READY TO WORK AURORA

Ready to Work Aurora is a non-profit located in Aurora, Colorado, and was established in 2018. Ready to Work Aurora provides the following program:

Ready to Work:

The Ready to Work program is a “work-first” solution to address homelessness. Ready to Work applies a business approach toward solving increasingly difficult and expensive social problems – homelessness, joblessness, and criminal recidivism. Founded on the belief that when given the opportunity homeless individuals can and are willing to work, Ready to Work creates paid transitional work opportunities as the core element of a comprehensive program providing a pathway to independence for homeless men and women. Ready to Work trainees participate in the three elements of the program including paid work in a Ready to Work social enterprise; housing in a supportive, communal setting called Ready to Work House Aurora; and participation in case management for one year before graduating to mainstream employment and independent housing. Immediately upon acceptance into Ready to Work participants are contributing members of the community. Ready to Work House residents go to work every day, pay taxes, pay room and board and call Ready to Work House home for one year. Currently, the program offers employment and housing to 50 men and women.

BRIDGE HOUSE and READY TO WORK AURORA
Notes to Combined Financial Statements
December 31, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Presentation

The accompanying combined financial statements include the accounts of Bridge House and Ready to Work Aurora, (collectively, the "Organization"). The financial statements have been combined due to the significant related party economic interests that exist between the organizations. Intercompany accounts and transactions have been eliminated in combination and the combined organization is not a separate legal entity.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

The Organization reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

The Organization considers short-term, highly liquid investments that are both readily convertible to a 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.

Inventory

Inventory is valued at cost.

Contribution Revenue

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Grant and Contract Receivable

For grants and contracts which are considered to be exchange transactions, revenue is recognized after allowable reimbursable expenses are invoiced.

BRIDGE HOUSE and READY TO WORK AURORA
Notes to Combined Financial Statements
December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Allocation of Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of specific identification of actual expenses incurred.

Income Taxes

Bridge House and Ready to Work Aurora have been notified by the Internal Revenue Service that they are both exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, contributions qualify for the charitable contribution deduction under Section 170(b)(1)(A). The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax (UBIT). The Organization follows the guidance of Accounting Standards Codification (ASC) 740, Accounting for Income Taxes, related to uncertain income taxes, which prescribes a threshold of more likely than not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been recorded.

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 2016.

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.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The organization has various sources of liquidity at its disposal, including cash and cash equivalents.

The Organization sets its initial internal target for liquid cash reserves to no less than three months of anticipated operating expenses not covered by monthly recurring revenue (MRR). MRR is defined as contracted or guaranteed revenue that results in predictable payments to be received throughout the year and will be recalculated annually or more frequently if significant changes occur. Short term operating reserves for the Organization are to be positioned for capital preservation, in cash or cash equivalents, without any risk to principal to ensure liquidity.

The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted funds.

BRIDGE HOUSE and READY TO WORK AURORA
Notes to Combined Financial Statements
December 31, 2019

NOTE 2 – LIQUIDITY AND AVAILABILITY-continued

The following table reflects the Organization's financial assets as of December 31, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor-imposed restrictions or internal board designations.

Financial Assets:	
Cash and cash equivalents	\$ 1,196,703
Investments	653,673
Receivables	415,359
Total Financial Assets	<u>2,265,735</u>
Less those unavailable for general expenditure within one year due to:	
Donor restrictions	97,829
Funds reserved for investment in property and equipment	200,000
Funds reserved for debt service	138,600
Financial assets not available to be used within one year	<u>436,429</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,829,306</u>

NOTE 3 – INVESTMENTS

Investments at December 31, 2019 were as follows:

U.S. equity mutual funds	\$ 273,491
Government Money Market	379,194
Common stock	988
Total	<u>\$ 653,673</u>

Investment income consists of the following:

Dividends and interest income	\$ 11,510
Unrealized gains/losses	19,542
	<u>\$ 31,052</u>

NOTE 4 – 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.

BRIDGE HOUSE and READY TO WORK AURORA
Notes to Combined Financial Statements
December 31, 2019

NOTE 5 – PROPERTY AND EQUIPMENT

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

Transitional housing building and land – Bridge House	\$ 3,966,491
Transitional housing furniture & equipment – Bridge House	114,327
Transitional housing building and land - Aurora	4,198,804
Transitional housing furniture & equipment - Aurora	95,936
Commercial kitchen building and land	844,451
Commercial kitchen equipment	199,894
Leasehold improvements – Path to Home	471,414
Vehicles – Bridge House	75,482
Vehicles – Aurora	32,194
Subtotal	9,998,993
Less accumulated depreciation	(1,214,989)
Net property and equipment	<u>\$ 8,784,004</u>

Depreciation expense for the year ended December 31, 2019 was \$454,406.

NOTE 6 – NEW MARKETS TAX CREDIT FINANCING

In June 2019, the Organization entered into a debt transaction to access additional funds through the New Markets Tax Credit (NMTC) Program. These funds were used towards the purchase and renovation of the Ready to Work Aurora facility. The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments (QEI) in a designated Community Development Entity (CDE). The CDE must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICs). The tax credits are claimed over a seven year period and equate to 39% of the QLICs. The Organization has partnered with an investor, The Northern Trust Company, to utilize the NMTC program.

The Northern Trust Company established a special purpose entity called TNT-RWA NMTC Fund, LLC to raise capital for the transaction. TNT-RWA NMTC Fund, LLC was funded with \$1,507,880 of equity from The Northern Trust Company and \$2,892,120 from Bridge House.

This capital raised by TNT-RWA NMTC Fund, LLC was used to make a \$4,400,000 QEI in a CDE, called Northern CDE 9, LLC, a wholly owned subsidiary of TNT-RWA NMTC Fund, LLC. The CDE then loaned these funds to Ready To Work Aurora in the form of two notes.

The first note payable (QLICI Loan A), has a balance of \$2,892,120 as of December 31, 2019 and bears interest at 0.668% per annum. The note matures on December 1, 2052. The note requires annual interest only payments through December 2025, at which time the note requires annual payments of principal and interest through the term of the note.

The first note is made up of funds allocated by Bridge House toward the purchase and renovation of the property at 3176 S. Peoria Ct. Due to the requirements of the New Markets Tax Credit transaction structure these funds had to be transferred from Bridge House to Ready to Work Aurora as a loan rather than an outright contribution. As a result, Ready to Work Aurora has a liability in that amount on its balance sheet and Bridge House has a related note receivable in the same amount recorded.

The second note payable (QLICI Loan B), has a balance of \$1,463,880 as of December 31, 2019 and bears interest at 0.668% per annum. The note matures on December 1, 2052. The note requires annual interest only payments through December 2025, at which time the note requires annual payments of principal and interest through the term of the note.

BRIDGE HOUSE and READY TO WORK AURORA
Notes to Combined Financial Statements
December 31, 2019

NOTE 6 – NEW MARKETS TAX CREDIT FINANCING-continued

The second note is made up of the funds made available for the project by Northern Trust using New Markets Tax Credit.

RTWA is required to pay the annual interest at 0.668% per annum on both notes: Bridge House, as the holder of the first note, is entitled to annual interest payments at 1.00% per annum. For the seven-year interest only period, RTWA pays \$29,098 per year in interest expense while Bridge House receives \$28,921 per year in interest income, creating \$177 per year in cash outflows for the combined entities.

Other assets and long-term liabilities related to the NMTC financing reflected on the consolidated statements of financial position as of December 31, 2019 are as follows:

Other Assets:

New markets tax credit loan fund	<u>\$ 2,892,120</u>
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Long-term liabilities:

QLICI Loan A	\$ 2,892,120
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QLICI Loan B	<u>1,463,880</u>
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Net long term debt	<u>\$ 4,356,000</u>
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Interest income and expenses related to the NMTC financing for the year ended December 31, 2019 are as follows:

Interest Income	\$28,921
Interest and Fees Expense	\$53,298

NOTE 7 – READY TO WORK - AURORA

In 2018, Ready To Work Aurora purchased and renovated a building in Aurora, Colorado for its transitional housing project. The facility opened in December of 2018.

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

NOTE 8 – READY TO WORK - BOULDER

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 2015.

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

BRIDGE HOUSE and READY TO WORK AURORA
Notes to Combined Financial Statements
December 31, 2019

NOTE 9 – PATH TO HOME

In 2017, the Organization started the Path To Home program. The Organization has leased property in Boulder, Colorado and made capital improvements which were reimbursed by the City of Boulder. The lease expires May 31, 2020 and monthly rental payments are \$19,882.

Bridge House has operated Path to Home program as a demonstration pilot since July 2017. Path to Home will be discontinued by Bridge House after May 31, 2020 to focus on its core competencies of employment training coupled with transitional housing and support services as well as social enterprise. The Path to Home program is fully funded by the City of Boulder, and the funding agreement will end as of May 31, 2020 as well.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with Donor Restrictions of the Organization as of December 31, 2019 consisted of the following:

Executive Director education	\$13,391
Contributions	63,200
Ready to Work	1,830
Rent assistance	<u>19,408</u>
Total	<u>\$97,829</u>

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Organization 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 the Organization. As of December 31, 2019, management of the Organization believes that any subsequent review of its expenses will not have a material effect on the overall financial position of the Organization.

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 \$805,920.

NOTE 12- CONTRIBUTED SERVICES

The Organization received contributed legal services of \$30,552, for management and general purposes.

NOTE 13 - SUBSEQUENT EVENTS

Path to Home will be discontinued by Bridge House after May 31, 2020 to focus on its core competencies of employment training coupled with transitional housing and support services as well as social enterprise. The Path to Home program is fully funded by the City of Boulder, and the funding agreement will end as of May 31, 2020 as well.

The Organization did not have any subsequent events through March 18, 2020, 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, 2019.

SUPPLEMENTAL INFORMATION

BRIDGE HOUSE and READY TO WORK AURORA
Combining Statement of Financial Position
December 31, 2019

ASSETS	Bridge House/ RTW, LLC	Ready To Work-Aurora	Eliminating Entries	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 383,377	\$ 474,726	\$ -	\$ 858,103
Investments	653,673	-	-	653,673
Grants and contracts receivable	145,701	14,607	-	160,308
Contributions receivable	75,751	25,000	-	100,751
Rent receivable	2,871	3,666	-	6,537
Social Enterprise receivables	150,423	56,985	(59,645)	147,763
Inventory	61,340	4,676	-	66,016
Prepaid expenses	35,142	9,275	-	44,417
Total current assets	<u>1,508,278</u>	<u>588,935</u>	<u>(59,645)</u>	<u>2,037,568</u>
PROPERTY AND EQUIPMENT				
Property and equipment	5,672,057	4,326,936	-	9,998,993
Less accumulated depreciation	<u>(1,100,375)</u>	<u>(114,614)</u>	<u>-</u>	<u>(1,214,989)</u>
Net property and equipment	<u>4,571,682</u>	<u>4,212,322</u>	<u>-</u>	<u>8,784,004</u>
OTHER ASSETS				
Deposits	6,000			6,000
New Markets Tax Credit loan fund	2,892,120		-	2,892,120
Funds reserved for debt service	138,600			138,600
Funds reserved for investment in property	<u>200,000</u>		<u>-</u>	<u>200,000</u>
Total other assets	<u>3,236,720</u>	<u>-</u>	<u>-</u>	<u>3,236,720</u>
Total assets	<u><u>\$ 9,316,680</u></u>	<u><u>\$ 4,801,257</u></u>	<u><u>\$ (59,645)</u></u>	<u><u>\$ 14,058,292</u></u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 42,141	\$ 20,304	\$ (53,645)	8,800
Credit Cards Payable	15,622	9,895	-	25,517
Due to Ready to Work Aurora	6,000	-	(6,000)	-
Unearned revenue	20,034	-	-	20,034
Accrued payroll and taxes	137,414	39,713	-	177,127
Sales tax payable	3,920	-	-	3,920
Deposits - trainee uniforms	175	-	-	175
Gift cards outstanding	<u>466</u>	<u>-</u>	<u>-</u>	<u>466</u>
Total current liabilities	<u>225,772</u>	<u>69,912</u>	<u>(59,645)</u>	<u>236,039</u>
LONG-TERM LIABILITIES				
NMTC Note A Payable	-	2,892,120	-	2,892,120
NMTC Note B Payable	<u>-</u>	<u>1,463,880</u>	<u>-</u>	<u>1,463,880</u>
Total long-term liabilities	<u>-</u>	<u>4,356,000</u>	<u>-</u>	<u>4,356,000</u>
NET ASSETS				
Total net assets	<u>9,090,908</u>	<u>375,345</u>	<u>-</u>	<u>9,466,253</u>
Total liabilities & net assets	<u><u>\$ 9,316,680</u></u>	<u><u>\$ 4,801,257</u></u>	<u><u>\$ (59,645)</u></u>	<u><u>\$ 14,058,292</u></u>

See accompanying notes to financial statements

BRIDGE HOUSE and READY TO WORK AURORA
Combining Statement of Activities and Changes in Net Assets
For the year ended December 31, 2019

	Bridge House/ RTW, LLC	Ready to Work Aurora	Eliminating Entries	Total
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 971,002	\$ 147,721	-	\$ 1,118,723
Government grants	1,444,043	217,647		1,661,690
Foundation grants	334,852	734,000		1,068,852
Other income	2,469	6,250		8,719
Donations in-kind	46,327	5,704		52,031
Ready to Work revenue	297,224	405,925		703,149
Ready to Work rent	145,756	121,497	-	267,253
Kitchen Enterprise revenue	550,535	4,282	(4,282)	550,535
Management Fee - RTWA	104,016		(104,016)	-
Special events (net of direct costs of \$24,421 and \$25,538)	-	-		-
	193,525	-		193,525
Investment income	31,052	-		31,052
Total public support and revenue	<u>4,120,801</u>	<u>1,643,026</u>	<u>(108,298)</u>	<u>5,655,529</u>
NET ASSETS RELEASED FROM RESTRICTION				
Restrictions satisfied by payments	-	-	-	-
Total net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenues	4,120,801	1,643,026	(108,298)	5,655,529
FUNCTIONAL EXPENSES				
Program services	3,419,013	1,434,322	(4,282)	4,849,053
Management and general	248,589	177,096	(104,016)	321,669
Fundraising	234,071	12,845		246,916
Total functional expenses	<u>3,901,673</u>	<u>1,624,262</u>	<u>(108,298)</u>	<u>5,417,638</u>
INCREASE IN NET ASSETS BEFORE CAPITAL ACTIVITY, DEPRECIATION AND IMPLIED RENT				
	219,128	18,764	-	237,892
Capital Campaign contributions	-	102,081	-	102,081
Capital Campaign expenditures	<u>(4,159)</u>	<u>-</u>	<u>-</u>	<u>(4,159)</u>
INCREASE IN NET ASSETS BEFORE NMTC INTEREST INCOME AND EXPENSE, AND DEPRECIATION				
	214,969	120,845	-	335,814
NMTC interest income	28,921	-	-	28,921
NMTC interest and fee expense	-	(53,298)	-	(53,298)
Depreciation	<u>(346,612)</u>	<u>(107,794)</u>	<u>-</u>	<u>(454,406)</u>
INCREASE (DECREASE) IN NET ASSETS	(102,722)	(40,247)	-	(142,969)
NET ASSETS--BEGINNING OF YEAR	<u>9,133,757</u>	<u>442,042</u>	<u>-</u>	<u>9,575,799</u>
NET ASSETS--END OF YEAR	<u>\$ 9,031,035</u>	<u>\$ 401,795</u>	<u>\$ -</u>	<u>\$ 9,432,830</u>

See accompanying notes to financial statements