



BRIDGE HOUSE AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2022

BRIDGE HOUSE AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Bridge House and Subsidiaries
Boulder, Colorado

Opinion

We have audited the accompanying consolidated financial statements of Bridge House and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bridge House and Subsidiaries as of December 31, 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Bridge House and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bridge House and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Board of Directors
Bridge House and Subsidiaries
Boulder, Colorado

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bridge House and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bridge House and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Centennial, Colorado
June 20, 2023

BRIDGE HOUSE AND SUBSIDIARIES

Consolidated Statement of Financial Position

December 31, 2022

ASSETS:

Cash and cash equivalents	\$ 5,884,878
Investments	338,226
Grants and accounts receivable	2,310,158
Contributions receivable	75,929
Inventory	131,073
Prepaid expenses and other assets	34,590
Cash restricted for debt service	66,000
Note receivable–New Markets Tax Credit loan fund	2,892,120
Operating leases–right-of-use assets	388,238
Property and equipment–net	<u>10,784,334</u>

Total Assets \$ 22,905,546

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable	\$ 173,107
Accrued expenses and other liabilities	231,040
Deferred revenue	71,509
Operating lease obligations	415,116
Note payable–net	2,245,886
NPX Impact securities	1,518,400
New Market Tax Credit payables	<u>4,356,000</u>

Total liabilities 9,011,058

Net assets:

Without donor restrictions	
Undesignated	13,363,081
Board designated CTK reserves	<u>25,000</u>
Total without donor restrictions	<u>13,388,081</u>
With donor restrictions	<u>506,407</u>
Total net assets	<u>13,894,488</u>

Total Liabilities and Net Assets \$ 22,905,546

See notes to consolidated financial statements

BRIDGE HOUSE AND SUBSIDIARIES

Consolidated Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions:			
Contributions	\$ 1,138,168	\$ 75,929	\$ 1,214,097
Farm to Table event	229,607	-	229,607
Less: costs of direct benefits to donors	(21,335)	-	(21,335)
Total Contributions	1,346,440	75,929	1,422,369
Government grants	806,323	2,791,479	3,597,802
Foundation grants	1,046,355	410,472	1,456,827
Ready to Work revenue	957,329	-	957,329
Community Table Kitchen enterprise revenue	584,403	-	584,403
Ready to Work rent revenue	338,142	-	338,142
Investment and other income	100,463	-	100,463
Total Support and Revenue	5,179,455	3,277,880	8,457,335
NET ASSETS RELEASED:			
Purpose restrictions	3,221,814	(3,221,814)	-
EXPENSES:			
Program services	4,740,089	-	4,740,089
General and administrative	896,819	-	896,819
Fundraising	305,004	-	305,004
Total Expenses	5,941,912	-	5,941,912
Change in Net Assets	2,459,357	56,066	2,515,423
Net Assets, Beginning of Year	10,928,724	450,341	11,379,065
Net Assets, End of Year	\$ 13,388,081	\$ 506,407	\$ 13,894,488

See notes to consolidated financial statements

BRIDGE HOUSE AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services	Supporting Activities:			Total Expenses
		General and Administrative	Fundraising	Direct Benefits to Donors	
Salaries and benefits	\$ 3,272,938	\$ 502,547	\$ 243,692	\$ -	\$ 4,019,177
Social enterprise expenses, primarily ingredients and supplies	301,537	102,974	-	-	404,511
Rent and occupancy costs	373,299	-	3,009	-	376,308
Depreciation	300,093	-	-	-	300,093
Equipment and supplies	145,694	11,284	3,049	-	160,027
Information technology	103,935	34,821	20,487	-	159,243
Miscellaneous expenses	49,564	90,857	10,284	-	150,705
Grants to individuals	137,877	160	87	-	138,124
Interest expense	-	114,084	-	-	114,084
Insurance	54,198	40,069	100	-	94,367
Marketing expenses	954	23	24,296	21,335	46,608
Total Expenses	\$ 4,740,089	\$ 896,819	\$ 305,004	\$ 21,335	\$ 5,963,247
Less costs of direct benefit to donors netted against support on the consolidated statement of activities	-	-	-	(21,335)	(21,335)
Total expenses on the consolidated statement of activities	\$ 4,740,089	\$ 896,819	\$ 305,004	\$ -	\$ 5,941,912

See notes to consolidated financial statements

BRIDGE HOUSE AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 2,515,423
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	300,093
Realized and unrealized loss on investments	15,814
Non-cash contributions	(63,459)
Non-cash lease expense	26,878
Change in operating assets and liabilities:	
Grants and accounts receivable	(1,786,708)
Contributions receivable	4,396
Inventory	(29,863)
Prepaid expenses and other assets	21,632
Accounts payable	106,479
Accrued expenses and other liabilities	16,904
Deferred revenue	52,500
Net Cash Provided by Operating Activities	<u>1,180,089</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(2,747,945)
Proceeds from sales of investments	500,000
Net Cash Used in Investing Activities	<u>(2,247,945)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from note payable	2,252,500
Note payable principal payments	(321,600)
Debt issuance costs	(6,614)
Net Cash Provided by Financing Activities	<u>1,924,286</u>

Net Change in Cash and Cash Equivalents 856,430

Cash and Cash Equivalents, Beginning of Year 5,094,448

Cash and Cash Equivalents, End of Year \$ 5,950,878

(continued)

See notes to consolidated financial statements

BRIDGE HOUSE AND SUBSIDIARIES

Consolidated Statement of Cash Flows (continued)

Year Ended December 31, 2022

SUMMARY OF CASH AND CASH EQUIVALENTS AND

CASH RESTRICTED FOR DEBT SERVICE AT END OF YEAR:

Cash and cash equivalents	\$ 5,884,878
Cash restricted for debt service	<u>66,000</u>

\$ 5,950,878

SUPPLEMENTAL DISCLOSURES:

Right-of-use assets obtained in exchange for lease obligation	<u>\$ 503,013</u>
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Cash paid for interest	<u>\$ 114,084</u>
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See notes to consolidated financial statements

BRIDGE HOUSE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

1. NATURE OF ORGANIZATION:

Bridge House and Subsidiaries, a not-for-profit organization located in Boulder, Colorado, was established in 1997 and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, Bridge House is subject to federal income tax on any unrelated business taxable income. In addition, Bridge House is not classified as a private foundation within the meaning of Section 509(a) of the IRC. In 2011, Bridge House changed its name from Carriage House Community Table. Bridge House and Subsidiaries provides the following programs:

Ready to Work

The Organization'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.

Community Table Kitchen

Community Table Kitchen (CTK) demonstrates what is possible when mission and business combine. Opened in 2013, and often described as the most dynamic kitchen in Boulder, CTK transforms lives one bite at a time, and has a triple bottom line. First, CTK produces meals for hungry people who have limited access to food. Meals are cooked in real-time from scratch, creating healthy, nutritious, and balanced options. CTK partners with the local food bank, Community Food Share, to access donated ingredients. This program feeds Boulder County's currently unhoused through the Community Table Dinner program, both Ready to Work houses, and distribution through a variety of other nonprofits across the region. Through CTK, we were able to serve over 145,000 meals in 2022. Second, CTK creates employment opportunities by providing jobs and job training for Ready to Work trainees. This training offers meaningful, paid work that builds real-world work experience and offers important resume skills. Through a mix of on-the-job and classroom training, CTK trainees are given food prep and production expertise, as well as, being taught knife skills and instructed in 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, CTK runs multiple market-based lines of business based on purchased foods - catering, wholesale, and cafe operations, offering customers competitive, top notch quality and service. Through these ventures, CTK earns revenue to support general operations, as well as support its social mission.

BRIDGE HOUSE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

1. NATURE OF ORGANIZATION, continued:

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements and the above programs include the accounts of Bridge House, Ready to Work Aurora, Ready to Work LLC, Danconias LLC, and Community Table Kitchen LLC (collectively, the "Organization"). Intercompany transactions and balances have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking and money market accounts. At December 31, 2022, the Organization's cash balances exceeded federally insured limits by approximately \$5,608,000.

INVESTMENTS

The Organization's investments consist of publicly traded equity securities reported at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy. Donated investments are recorded at fair value on the date of the gift and thereafter if not sold.

GRANTS AND ACCOUNTS RECEIVABLE

The Organization's grants and accounts receivable consist of grants, contracts, and social enterprise receivables. All grant receivable amounts are expected to be collected within one year.

CONTRIBUTIONS RECEIVABLE

Contributions receivable are reported as income when the unconditional promise to give is made. Contributions receivable are recorded at net realizable value. All contributions receivable are expected to be collected within one year and management believes these receivables are fully collectible; therefore, no allowance for doubtful accounts is necessary for the year ended December 31, 2022.

INVENTORY

Inventory is valued at the lower of cost or net realizable value using the average cost method and consists of uniforms and food, including cafe and catering items. No reserve for obsolescence was recorded as of December 31, 2022.

BRIDGE HOUSE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PREPAID EXPENSES AND OTHER ASSETS

The Organization's prepaid expenses consist of prepaid insurance and employer-sponsored public transportation passes for Ready to Work employees and trainees, which are amortized as the expenses are incurred. Other assets consist of security deposits on leased office space and software development costs.

CASH RESTRICTED FOR DEBT SERVICE

The Organization's cash restricted for debt service represents funds held for the payment of New Markets Tax Credit fees.

NOTE RECEIVABLE—NEW MARKETS TAX CREDIT LOAN FUND

The Organization's note receivable reflects the \$2,892,120 loaned from Bridge House to TNT-RWA NMTC Fund, LLC. Additional disclosures can be found in Note 8.

OPERATING LEASE—RIGHT-OF-USE ASSETS AND OBLIGATIONS

The Organization adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standard below) and its related amendments as of January 1, 2022, which resulted in the recognition of operating lease right-of-use assets and operating lease obligations totaling \$210,063, as of January 1, 2022. The Organization elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022, without restating prior-year amounts. The additional lease disclosures can be found in Note 6.

PROPERTY AND EQUIPMENT

Items greater than \$3,000 are capitalized as property and equipment are recorded at cost or, if donated, at fair value on the date of the donation. Property donated with restrictions regarding its use and contributions of cash to acquire property and equipment are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired and placed in service, and a reclassification is made from net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, ranging from two to forty years.

NET ASSETS

The consolidated financial statements report amounts separately by classes of net assets as follows:

Net assets without donor restrictions are currently available at the discretion of the board for use in the Organization's operations and those resources invested in property and equipment. As of December 31, 2022, the board designated \$25,000 for CTK reserves.

Net assets with donor restriction are those resources which are stipulated by donors for specific operating purposes or projects.

BRIDGE HOUSE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions, including Farm to Table event revenue and foundation grants, are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Government grants revenue is recognized after allowable reimbursable expenses are incurred. The Organization has remaining government grants that will be recognized as revenue as the conditions are met. Under the FASB Codification, these are accounted for as conditional contributions. The remaining amounts anticipated through the fiscal year ending December 31, 2024 are approximately \$187,447. During the year ended December 31, 2021, the Organization was the recipient of a Paycheck Protection Program (PPP) loan totaling \$564,300. PPP loans are eligible for full forgiveness if certain conditions are met. The Organization recorded the revenue during the year ended December 31, 2021, as that is when the conditions were met. The loan was forgiven in full by the Small Business Administration during the year ended December 31, 2022.

Ready to Work, Community Table Kitchen enterprise, and rent revenue is recorded when earned, which is when the performance obligation has been overcome. Amounts received in advance are recorded as deferred revenue and amounts earned but not yet collected are recorded as accounts receivable. Accounts receivable and deferred revenue totaled approximately \$100,000 and \$22,000 as of December 31, 2022, respectively.

Investment and other income is recorded when earned.

Expenses are recorded when incurred, in accordance with the accrual basis of accounting.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized in the consolidated statement of functional expenses, which reports certain categories of expenses that are attributable to more than one program or supporting function. Accordingly, certain costs have been allocated among program and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The direct expenses posted to these departments are allocated directly to the functional categories which they support. Allocations of certain overhead and depreciation costs are also allocated to program services and supporting activities proportionally based on the percentage of total space occupied by each service. Furthermore, there are no joint costs that have been allocated among the program services, general and administrative, and fundraising functions.

BRIDGE HOUSE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

USE OF ESTIMATES

The preparation of consolidated 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.

ADOPTION OF NEW ACCOUNTING STANDARD

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the consolidated statement of financial position the assets and liabilities for the rights and obligations created by the leases. A lessee is required to recognize assets and liabilities for leases with terms of more than 12 months. The amendments are effective for fiscal years beginning after December 15, 2021. The Organization adopted this update for the year ended December 31, 2022. Some of the Organization's contracts contain the right to control the use of property or assets and are therefore considered leases. The Organization elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts. The Organization also elected the practical expedient to not separate lease and non-lease components. The additional lease disclosures can be found in Note 6.

BRIDGE HOUSE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets:

Cash and cash equivalents	\$ 5,884,878
Investments	338,226
Grants and accounts receivable	2,310,158
Contributions receivable	75,929
Cash restricted for debt service	66,000
Note receivable–New Markets Tax Credit loan fund	2,892,120
Financial assets, at year-end	<u>11,567,311</u>

Less those unavailable for general expenditure within one year, due to:

Donor restrictions not expected to be met within one year	-
Note receivable–New Markets Tax Credit loan fund	(2,892,120)
Cash restricted for debt service	(66,000)
	<u>(2,958,120)</u>

Financial assets available to meet cash needs for general expenditures within one year

\$ 8,609,191

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 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.

4. INVESTMENTS:

Investments, measured using Level 1 inputs of the fair value hierarchy, as of December 31, 2022, consist of:

Money market mutual funds	\$ 77,420
Exchange-traded funds	<u>260,806</u>
	<u>\$ 338,226</u>

BRIDGE HOUSE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, as of December 31, 2022, consist of:

Land	\$	720,925
Building and improvements		11,138,374
Furniture and equipment		456,780
Vehicles		136,543
		<u>12,452,622</u>
Less accumulated depreciation		<u>(1,668,288)</u>
	\$	<u>10,784,334</u>

6. OPERATING LEASES—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Organization leases office space and condos under four operating leases expiring at various dates through December 2025. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. The leases require monthly payments ranging from \$2,417 to \$8,700. Discount rates on these leases range from 0.61% to 4.48%.

		<u>December 31, 2022</u>
Operating lease right-of-use assets	\$	388,238
Operating lease liabilities	\$	415,116
Operating lease costs	\$	118,304
Weighted-average discount rate		3.34%
Weighted-average remaining lease term		2.63 years

Future minimum lease payments required under the operating leases that have an initial or remaining lease terms in excess of one year are as follows:

<u>Year Ending December 31,</u>		
2023	\$	182,900
2024		135,526
2025		113,156
		<u>431,582</u>
Less imputed interest		<u>(16,466)</u>
	\$	<u>415,116</u>

BRIDGE HOUSE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

7. NOTE PAYABLE-NET:

Note payable to a financial institution, dated August 2022. Interest only payments are due monthly for the first 12 months and principal and interest payments for \$14,857 are due monthly for the following 23 months, with a fixed interest rate of 4.55%. The note payable is collateralized by property and matures August 2025, at which time a balloon payment will be due. The note is recorded net of capitalized loan fees of \$6,614. Future minimum principal payments are not disclosed as this loan was paid in full in February 2023.

The Organization was in compliance with, or had received waivers for, all financial and reporting covenants as of December 31, 2022.

8. 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.

The first note payable (QLICI Loan A), has a balance of \$2,892,120 as of December 31, 2022 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 (through TNT-RWA NMTC Fund, LLC) as a loan rather than an outright contribution. As a result, Ready to Work Aurora has a liability in that amount on its statement of financial position 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, 2022 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 second note is made up of the funds made available for the project by Northern Trust using New Markets Tax Credit.

The Organization was in compliance with, or had received waivers for, all financial and reporting covenants as of December 31, 2022.

BRIDGE HOUSE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

8. NEW MARKETS TAX CREDIT FINANCING, continued:

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 through TNT-RWA NMTC Fund, LLC, 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 consolidated entities.

Other receivables and liabilities related to the NMTC financing reflected on the consolidated statements of financial position as of December 31, 2022 are as follows:

Other receivables:

Note receivable–New Markets Tax Credit loan fund	\$ 2,892,120
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Long-term liabilities:

QLICI Loan A	\$ 2,892,120
QLICI Loan B	1,463,880

Net long term liabilities	\$ 4,356,000
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Interest income and expenses related to the NMTC financing for the year ended December 31, 2022 are as follows:

Interest income on note receivable	\$ 28,921
Interest and fee expense on liabilities	\$ 53,298

Future minimum payments on the NMTC liabilities:

<u>Year Ending December 31,</u>	
2026	\$ 147,758
2027	148,745
Thereafter	4,059,497
	<u>\$ 4,356,000</u>

BRIDGE HOUSE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

9. NPX IMPACT SECURITIES:

On September 21, 2021, the Organization entered into a securities purchase agreement (the "Agreement") with three impact investors to issue the Bridge House Impact Security linked to the performance of Bridge House's Boulder Ready to Work program (RTW Program), which focuses on breaking cycles of homelessness, joblessness and incarceration through solutions that combine paid work with housing and supportive services (the "NPX Impact Securities"). A total of \$1,673,000 in NPX Impact Securities were issued on September 21, 2021 at a par value of \$1,000. On September 17, 2021, the Organization also received a Recoverable Grant from grantors in the amount of \$167,000; the terms of the Recoverable Grant mirror those of the Impact Securities. The Impact Security is a debt instrument, and matures the earlier of June 30, 2025, or the date specified in writing to the Indenture Trustee by the Organization on or after confirmation that the criteria for payment of the Maximum Payment Amount and the Incentive Payments have been met (greater than 162 job and housing placements and retentions at 6 and 12 months (the "Units of impact"). The NPX Impact Securities and the Recoverable Grant totaling \$1,840,000 are senior unsecured obligations of the Organization.

Impact investors and grantors are repaid every year, based on an initial period of July 1, 2021 to October 31, 2022, then twelve-month periods from November 1 to October 31 with the last period spanning November 1, 2024 through April 30, 2025 (the "Impact Periods"). The impact assessor will measure Units of Impact achieved during an Impact Period. The Organization will pay impact investors the agreed upon rate of \$12,180 per Unit of Impact achieved and grantors the agreed upon rate of \$1,220 per Unit of Impact achieved (the "Periodic Payment Amount") by December 31 of each year beginning December 31, 2022 with the last payment date being June 30, 2025 (the "Periodic Payment Dates"). The maximum sum of all Periodic Payment Amounts to impact investors shall not exceed \$1,927,600. The maximum sum of all Periodic Payment Amounts to grantors of Recoverable Grant shall not exceed \$192,400. The NPX Impact Securities are significantly riskier for impact investors than conventional debt instruments, as the instrument does not require the Organization to repay the full principal amount of the NPX Impact Securities. Periodic Payment Amounts are entirely dependent on Units of Impact occurring.

Additionally, the Organization entered into a conditional grant agreement with NPX Charitable, Inc. on September 20, 2021 for up to \$2,170,000. NPX Charitable, Inc has established a fund on its own books known as the Colorado Donor Impact Fund (the "Fund"). The Fund will provide the Organization with the funds sufficient to cover the Periodic Payment Amounts due to the impact investors and grantors. The release of the funds for Periodic Payment Amounts due by the Periodic Payment Dates are conditioned upon the number of Units of Impact achieved, as measured by an impact assessor every Impact Period.

If the Organization achieves a number of Units of Impact greater than the 158 required for the Maximum Payment Amount due to impact investors and grantors, the Organization is eligible for an Incentive Payment of up to \$50,000 from the Fund. Total payments for the grant shall not exceed the \$2,170,000 in donations to the Fund. The Organization agreed to pay a total of \$86,000 in fees over the Impact Periods. These fees cover annual impact audits (\$40,000), measurement and evaluation support (\$20,000), trustee fees (\$18,000) and legal fees (\$8,000).

Contributions made to the Organization from NPX Charitable, Inc. during the year-ended December 31, 2022 totaled \$321,600.

BRIDGE HOUSE AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022

9. IMPACT SECURITIES, continued:

Future minimum payments, subject the expected completion of the Units of Impact during the Impact Periods, total:

<u>Year Ending December 31,</u>	
2023	\$ 506,133
2024	506,133
2025	<u>506,134</u>
	<u>\$ 1,518,400</u>

10. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions as of December 31, 2022, consist of:

Ready to Work	\$ 430,478
Time restricted	<u>75,929</u>
	<u>\$ 506,407</u>

11. RELATED PARTY TRANSACTIONS:

The Organization received contributions from the board of directors totaling approximately \$130,800, during the period ended December 31, 2022.

12. SUBSEQUENT EVENTS:

As discussed in Note 7, the note payable was paid in full in February 2023.

Subsequent events were evaluated through June 20, 2023, which is the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Bridge House and Subsidiaries
Boulder, Colorado

We have audited the consolidated financial statements of Bridge House and Subsidiaries as of and for the year ended December 31, 2022, and our report thereon dated June 20, 2023, which expresses an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Capin Crouse LLP

Centennial, Colorado
June 20, 2023

BRIDGE HOUSE AND SUBSIDIARIES

Consolidated and Consolidating Statement of Financial Position

December 31, 2022

	Bridge House*	Ready to Work Aurora	Eliminations	Total
ASSETS:				
Cash and cash equivalents	\$ 5,189,908	\$ 694,970	\$ -	\$ 5,884,878
Investments	338,226	-	-	338,226
Grants and accounts receivable	740,102	1,570,056	-	2,310,158
Contributions receivable	75,929	-	-	75,929
Intercompany receivables	1,460,309	440,932	(1,901,241)	-
Inventory	124,727	6,346	-	131,073
Prepaid expenses and other assets	20,560	14,030	-	34,590
Cash restricted for debt service	-	66,000	-	66,000
Note receivable–New Markets Tax Credit loan fund	2,892,120	-	-	2,892,120
Operating leases–right-of-use assets	110,488	277,750	-	388,238
Property and equipment–net	6,794,501	3,989,833	-	10,784,334
Total Assets	\$ 17,746,870	\$ 7,059,917	\$ (1,901,241)	\$ 22,905,546
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable	\$ 91,208	\$ 81,899	\$ -	\$ 173,107
Accrued expenses and other liabilities	186,914	44,126	-	231,040
Deferred revenue	22,027	49,482	-	71,509
Intercompany payables	440,932	1,460,309	(1,901,241)	-
Operating lease obligations	137,407	277,709	-	415,116
Note payable–net	2,245,886	-	-	2,245,886
NPX Impact securities	1,518,400	-	-	1,518,400
New Market Tax Credit payables	-	4,356,000	-	4,356,000
Total liabilities	4,642,774	6,269,525	(1,901,241)	9,011,058
Net assets:				
Without donor restrictions				
Undesignated	12,572,689	790,392	-	13,363,081
Board designated CTK reserves	25,000	-	-	25,000
Total without donor restrictions	12,597,689	790,392	-	13,388,081
With donor restrictions	506,407	-	-	506,407
Total net assets	13,104,096	790,392	-	13,894,488
Total Liabilities and Net Assets	\$ 17,746,870	\$ 7,059,917	\$ (1,901,241)	\$ 22,905,546

* Bridge House includes Ready to Work LLC, Danconias LLC, and Community Table Kitchen LLC.

BRIDGE HOUSE AND SUBSIDIARIES

Consolidated and Consolidating Statement of Activities

Year Ended December 31, 2022

	Bridge House*	Ready to Work Aurora	Eliminations	Total
SUPPORT AND REVENUE:				
Contributions:				
Contributions	\$ 906,009	\$ 308,088	\$ -	\$ 1,214,097
Farm to Table event revenue	229,607	-	-	229,607
Less: costs of direct benefits to donors	(21,335)	-	-	(21,335)
Total Contributions	1,114,281	308,088	-	1,422,369
Government grants	2,994,089	603,713	-	3,597,802
Foundation grants	838,873	617,954	-	1,456,827
Ready to Work revenue	464,865	492,464	-	957,329
Community Table Kitchen enterprise revenue	584,403	-	-	584,403
Ready to Work rent revenue	178,564	159,578	-	338,142
Management fee - RTWA	223,157	-	(223,157)	-
Investment and other income	78,413	22,050	-	100,463
Total Support and Revenue	6,476,645	2,203,847	(223,157)	8,457,335
EXPENSES:				
Program services	3,115,424	1,742,666	(118,001)	4,740,089
General and administrative	782,582	188,272	(74,035)	896,819
Fundraising	238,437	97,688	(31,121)	305,004
Total Expenses	4,136,443	2,028,626	(223,157)	5,941,912
Change in Net Assets	2,340,202	175,221	-	2,515,423
Net Assets, Beginning of Year	10,763,894	615,171	-	11,379,065
Net Assets, End of Year	\$ 13,104,096	\$ 790,392	\$ -	\$ 13,894,488

* Bridge House includes Ready to Work LLC, Danconias LLC, and Community Table Kitchen LLC.