

BRIDGES TO PROSPERITY, INC.

Financial Statements

August 31, 2017

(Together with Independent Auditors' Report)



BRIDGES TO PROSPERITY, INC.
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bridges to Prosperity, Inc.
Denver, Colorado

We have audited the accompanying financial statements of Bridges to Prosperity, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, 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.

Auditors' 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.

Board of Directors
Bridges to Prosperity, Inc.
Denver, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridges to Prosperity, Inc., as of August 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bauerle and Company, P.C.
Denver, Colorado

January 29, 2018

BRIDGES TO PROSPERITY, INC.

**Statement of Financial Position
August 31, 2017
(With Comparative Totals for August 31, 2016)**

	<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets			
Cash and cash equivalents	\$	516,458	\$ 494,001
Contributions and grants receivable		584,718	425,641
Commercial sponsorship fees receivable		245,000	113,750
Other receivables		26,812	30,038
Prepaid expenses		51,869	125,006
Bridge building inventory		-	272,454
Total Current Assets		<u>1,424,857</u>	<u>1,460,890</u>
Property and Equipment			
Vehicles		210,351	79,900
Machinery and equipment		12,841	3,670
Furniture, fixtures, and equipment		12,750	11,415
		<u>235,942</u>	<u>94,985</u>
Less: accumulated depreciation		<u>67,559</u>	<u>44,626</u>
Net Property and Equipment		<u>168,383</u>	<u>50,359</u>
Total Assets	\$	<u>1,593,240</u>	\$ <u>1,511,249</u>
	<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities			
Accounts payable	\$	43,766	\$ 28,909
Accrued liabilities		133,834	107,704
Deferred revenues		16,511	22,206
Total Current Liabilities		<u>194,111</u>	<u>158,819</u>
Net Assets			
Unrestricted		686,291	707,053
Temporarily restricted		712,838	645,377
Total Net Assets		<u>1,399,129</u>	<u>1,352,430</u>
Total Liabilities and Net Assets	\$	<u>1,593,240</u>	\$ <u>1,511,249</u>

The accompanying notes are an integral part of the financial statements.

BRIDGES TO PROSPERITY, INC.**Statement of Activities
Year Ended August 31, 2017
(With Comparative Totals for the Year Ended August 31, 2016)**

	Year Ended August 31, 2017			Total 2016
	Unrestricted	Temporarily Restricted	Total 2017	
Support and Revenues				
Contributions and grants	\$ 946,111	\$ 725,241	\$ 1,671,352	\$ 1,098,033
In-kind contributions	2,464,221	-	2,464,221	1,891,865
Commercial sponsorship fees	1,126,317	-	1,126,317	1,298,724
Program-related sales and fees	54,150	-	54,150	133,645
Net assets released from restrictions	657,780	(657,780)	-	-
Total Support and Revenues	5,248,579	67,461	5,316,040	4,422,267
Expenses				
Program Services				
Bridge building	4,694,183	-	4,694,183	3,675,012
Total Program Services	4,694,183	-	4,694,183	3,675,012
Supporting Services				
Management and general	200,831	-	200,831	189,654
Fundraising	374,327	-	374,327	279,908
Total Supporting Services	575,158	-	575,158	469,562
Total Expenses	5,269,341	-	5,269,341	4,144,574
Change in Net Assets	(20,762)	67,461	46,699	277,693
NET ASSETS, Beginning of Year	707,053	645,377	1,352,430	1,074,737
NET ASSETS, End of Year	\$ 686,291	\$ 712,838	\$ 1,399,129	\$ 1,352,430

The accompanying notes are an integral part of the financial statements.

BRIDGES TO PROSPERITY, INC.**Statement of Functional Expenses
Year Ended August 31, 2017****(With Summarized Totals for the Year Ended August 31, 2016)**

	Program	Supporting Services			Total	Total
	Bridge Building	Management and General	Fund-Raising	Total	Year Ended August 31, 2017	Year Ended August 31, 2016
Salaries and related expenses	\$ 405,408	\$ 71,671	\$ 182,220	\$ 253,891	\$ 659,299	\$ 692,498
Field labor	595,556	-	-	-	595,556	496,122
Contract services	172,069	25,410	110,841	136,251	308,320	82,373
Travel and meetings	258,372	12,566	31,081	43,647	302,019	236,659
Bridge building supplies	282,839	-	-	-	282,839	372,389
Facility and equipment	69,249	34,865	74	34,939	104,188	80,937
Grants and direct assistance	78,262	411	-	411	78,673	125,661
Office costs	53,462	14,216	3,892	18,108	71,570	34,941
Business expenses	46,162	2,256	10,000	12,256	58,418	31,596
Promotion	6,419	2,383	31,036	33,419	39,838	16,029
Other expenses	20,858	1,001	1,575	2,576	23,434	21,544
Other employee costs	7,417	1,038	57	1,095	8,512	6,381
	<u>1,996,073</u>	<u>165,817</u>	<u>370,776</u>	<u>536,593</u>	<u>2,532,666</u>	<u>2,197,130</u>
Inventory valuation expense	<u>272,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,454</u>	<u>-</u>
In-Kind Expenses						
Contract services and travel	1,402,672	35,014	3,551	38,565	1,441,237	1,382,052
Bridge building supplies	794,284	-	-	-	794,284	461,202
Field labor	228,700	-	-	-	228,700	104,190
	<u>2,425,656</u>	<u>35,014</u>	<u>3,551</u>	<u>38,565</u>	<u>2,464,221</u>	<u>1,947,444</u>
Total Expenses	<u>\$ 4,694,183</u>	<u>\$ 200,831</u>	<u>\$ 374,327</u>	<u>\$ 575,158</u>	<u>\$ 5,269,341</u>	<u>\$ 4,144,574</u>

The accompanying notes are an integral part of the financial statements.

BRIDGES TO PROSPERITY, INC.

Statement of Cash Flows
Year Ended August 31, 2017
(With Summarized Totals for the Year Ended August 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 46,699	\$ 277,693
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,458	18,600
Donated bridge building inventory	-	56,480
Loss on disposal of property and equipment	3,175	5,625
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions and grants receivable	(159,077)	(63,575)
Commercial sponsorship fees receivable	(131,250)	(37,494)
Other receivables	3,226	(29,623)
Bridge building inventory	272,454	7,498
Prepaid expenses	73,137	(88,932)
Increase (decrease) in:		
Accounts payable	14,857	(34,778)
Accrued liabilities	26,130	59,925
Deferred revenues	(5,695)	(10,343)
Net cash provided by (used in) operating activities	<u>176,114</u>	<u>161,076</u>
Cash Flows From Investing Activities		
Proceeds from the sale of property and equipment	-	4,000
Purchases of property and equipment	<u>(153,657)</u>	<u>(18,139)</u>
Net cash provided by (used in) investing activities	<u>(153,657)</u>	<u>(14,139)</u>
Net Change in Cash and Cash Equivalents	22,457	146,937
CASH AND CASH EQUIVALENTS, beginning of year	<u>494,001</u>	<u>347,064</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 516,458</u>	<u>\$ 494,001</u>

The accompanying notes are an integral part of the financial statements.

BRIDGES TO PROSPERITY, INC.

Notes to Financial Statements

August 31, 2017

1. Organization and Summary of Significant Accounting Policies

Organization

Bridges to Prosperity, Inc. (the Organization) is a nonprofit organization incorporated in the State of Virginia in 2001. The Organization, headquartered in Denver, Colorado is a volunteer based charity that works with isolated communities to create access to essential healthcare, education, and economic activities by building footbridges over impassable rivers.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The accompanying financial statements include a statement of financial position that presents the amounts for each of the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and a statement of activities that reflects the changes in those categories of net assets.

Unrestricted Net Assets - Accounts for all unrestricted resources over which the Board of Directors has discretionary control to use in carrying on the operations of the Organization in accordance with the limitations of its charter and bylaws. The principal sources of unrestricted resources are contributions and grants, program-related revenues, and investment income. Decreases in unrestricted resources generally result from expenses incurred for program and supporting services conducted by the Organization.

Temporarily Restricted Net Assets - Accounts for those resources currently available for use, but expendable only for operating purposes specified by the donor or grantor. Items which increase this net asset category are contributions and grants or other similar sources for which donor-imposed restrictions have not been met.

Permanently Restricted Net Assets - Accounts for those resources subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the investment return on these assets. The Organization has no permanently restricted net assets at August 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

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

BRIDGES TO PROSPERITY, INC.

Notes to Financial Statements

August 31, 2017

1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is a nonprofit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements contain no provision for income taxes. In addition, contributions to the Organization qualify for the charitable contribution deduction under Section 170(b)(1)(A) and Bridges to Prosperity, Inc. has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of August 31, 2017. If incurred, interest and penalties associated with tax positions would be recorded in the period assessed as miscellaneous administrative expense. No interest or penalties have been assessed as of August 31, 2017.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions. At various times during the fiscal year, the Organization's cash balances exceeded the federally insured limits. The Organization has never experienced any losses related to these balances.

Credit risk with respect to contributions and grants receivable is limited due to the number and creditworthiness of the entities from which the amounts are due.

The Organization receives substantially all of its revenues from public support. A significant reduction in the level of such support, if it were to occur, may have an adverse effect on the Organization's programs and activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Bridge Building Inventory

Inventory consisted primarily of used cables that were donated to the Organization. Donated inventory was recorded at the fair market value on the date of donation. As a result of changing legal liability issues affecting the used cable resale markets, the existing bridge building inventory was written down to zero, which approximated its net realizable value as of August 31, 2017. The valuation adjustment totaled \$272,454 for the year ended August 31, 2017.

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions and Grants Receivable

The Organization records as contributions and grants receivable unconditional promises to give. These unconditional promises represent written or oral agreements to contribute cash or other assets to the Organization. At August 31, 2017, management deemed all contributions and grants receivable to be fully collectible; accordingly, no allowance for uncollectible contributions and grants receivable was required. All contributions and grants receivable are due within one year.

Property and Equipment

Property and equipment are stated at cost or at the estimated fair value at the date of donation. Assets are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 7 years. All assets with a useful life of more than 1 year and a cost of more than \$1,000 are capitalized.

Recognition of Revenues and Support

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted gift and grant support is reflected as revenue in the year of receipt.

Revenues and support that are restricted by the donor, grantor, or other outside party for particular operating purposes are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions for support of future operations and fundraising activities are recorded as temporarily restricted support in the year the contribution is made.

Donated Materials and Services

The Organization records the value of donated materials or services when there is an objective basis available to measure their value. The Organization recognized the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

A substantial number of volunteers have donated significant amounts of time to the Organization, some of which do not meet the criteria above.

Deferred Revenues

Deferred revenues represent sponsorship funds received for future bridge building projects.

Advertising and Promotion

Advertising and promotion costs totaled \$39,838 for the year ended August 31, 2017. Advertising and promotion costs are expensed as incurred.

1. Organization and Summary of Significant Accounting Policies (continued)

Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2016, from which the summarized information was derived.

Subsequent Events

In accordance with the *Subsequent Events* Topic of FASB ASC, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Organization's financial statements were available to be issued on January 29, 2018, and this is the date through which subsequent events were evaluated.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. This ASU is meant to eliminate diversity in practice and increase comparability among not-for-profit entities. The FASB believes that certain requirements of the ASU will increase transparency around a not-for-profit's available financial resources and flexibility. This ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption of this ASU is permitted. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605 Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using either a full or modified retrospective method. ASU No. 2014-09 is effective for nonpublic companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the provisions of ASC 606 on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize on the balance sheet a right-of-use asset and a lease liability for most lease arrangements with a term greater than one year. The new standard also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from the leases. ASU 2016-02 is effective for nonpublic companies for fiscal years beginning after December 15, 2019. Early adoption is permitted. The amendments in this update should be applied using a modified retrospective approach. Management is currently evaluating the effect that ASU 2016-02 will have on its financial statements.

BRIDGES TO PROSPERITY, INC.
Notes to Financial Statements
August 31, 2017

2. Line-of-Credit

The Organization has a \$150,000 revolving line-of-credit with a commercial bank with interest due at the prime rate plus 3% (7.25% at August 31, 2017). The line matures on May 6, 2019, and is secured by essentially all Organization assets. As of August 31, 2017, there was no outstanding balance on the line.

3. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at August 31, 2017:

	<u>Amount</u>
Bridge building support	<u>\$ 712,838</u>

4. In-Kind Contributions

The Organization receives a substantial amount of bridge building materials and donated services from unpaid volunteers who assist in fundraising and special projects.

Donated bridge building materials and services consist of the following for the year ended August 31, 2017:

	<u>Amount</u>
Contributed services and travel	\$ 1,666,937
Contributed materials	<u>797,284</u>
Total In-Kind Contributions	<u>\$ 2,464,221</u>

5. Employee Benefit Plan

The Organization has adopted a Simple IRA Plan for all eligible employees. The Organization contributes 2% of gross wages to the participating employees' Simple IRA accounts. The Organization contributed \$12,703 to the plan for the year ended August 31, 2017.

6. Operating Lease

The Organization is leasing its Denver, Colorado office facility under an operating lease expiring on March 31, 2018. Rent expense for Colorado and other facilities totaled \$51,198 for the year ended August 31, 2017.

BRIDGES TO PROSPERITY, INC.**Notes to Financial Statements**August 31, 2017

7. Related Party Transactions

During the year ended August 31, 2017, the Organization received \$222,420 in contributions from Bridges to Prosperity Charitable Trust (a Trust formed in the United Kingdom). The Trust was formed for the charitable purpose of raising funds to prevent or relieve poverty in rural communities anywhere in the world and to provide grant or other financial support for infrastructure and transportation projects. The board of director's chair for the Trust is on the board of directors of the Organization, and the board of director's chair for the Organization is on the board of directors for the Trust. Amounts receivable from the Trust total \$60,000 at August 31, 2017.

During the year ended August 31, 2017, the Organization entered into an unsecured note payable agreement with a board member. The note bears interest at 1.5% and is payable in twelve equal payments of \$6,250 starting on January 15, 2017. The note matures on January 30, 2018. The balance on the note at August 31, 2017 was \$37,500. This amount is included in accrued liabilities at August 31, 2017, on the accompanying statement of financial position.