

BRIDGES TO PROSPERITY, INC.

Financial Statements

August 31, 2016

(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, 2016, 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, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bauerle and Company, P.C.
Denver, Colorado

December 15, 2016

BRIDGES TO PROSPERITY, INC.

**Statement of Financial Position
August 31, 2016
(With Comparative Totals for August 31, 2015)**

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 494,001	\$ 347,064
Contributions and grants receivable	425,641	362,066
Other receivables	143,788	76,671
Bridge building inventory	272,454	336,432
Prepaid expenses	125,006	36,074
Total Current Assets	<u>1,460,890</u>	<u>1,158,307</u>
Property and Equipment		
Vehicles	79,900	76,100
Furniture, fixtures, and equipment	11,415	10,997
Machinery and equipment	3,670	5,370
	<u>94,985</u>	<u>92,467</u>
Less: accumulated depreciation	44,626	32,022
Net Property and Equipment	<u>50,359</u>	<u>60,445</u>
Total Assets	<u>\$ 1,511,249</u>	<u>\$ 1,218,752</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 28,909	\$ 63,687
Accrued liabilities	107,704	47,779
Deferred revenues	22,206	32,549
Total Current Liabilities	<u>158,819</u>	<u>144,015</u>
Net Assets		
Unrestricted	707,053	326,073
Temporarily restricted	645,377	748,664
Total Net Assets	<u>1,352,430</u>	<u>1,074,737</u>
Total Liabilities and Net Assets	<u>\$ 1,511,249</u>	<u>\$ 1,218,752</u>

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

BRIDGES TO PROSPERITY, INC.**Statement of Activities
Year Ended August 31, 2016
(With Comparative Totals for the Year Ended August 31, 2015)**

	Year Ended August 31, 2016			Total 2015
	Unrestricted	Temporarily Restricted	Total 2016	
Support and Revenues				
Contributions and grants	\$ 1,961,516	\$ 435,241	\$ 2,396,757	\$ 1,911,156
In-kind contributions	1,760,826	131,039	1,891,865	1,800,372
Program-related sales and fees	133,645	-	133,645	69,709
Investment income	-	-	-	1,548
Net assets released from restrictions	669,567	(669,567)	-	-
Total Support and Revenues	4,525,554	(103,287)	4,422,267	3,782,785
Expenses				
Program Services				
Bridge building	3,675,012	-	3,675,012	3,037,218
Total Program Services	3,675,012	-	3,675,012	3,037,218
Supporting Services				
Management and general	189,654	-	189,654	149,807
Fundraising	279,908	-	279,908	209,171
Total Supporting Services	469,562	-	469,562	358,978
Total Expenses	4,144,574	-	4,144,574	3,396,196
Change in Net Assets	380,980	(103,287)	277,693	386,589
NET ASSETS, Beginning of Year	326,073	748,664	1,074,737	688,148
NET ASSETS, End of Year	\$ 707,053	\$ 645,377	\$ 1,352,430	\$ 1,074,737

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

BRIDGES TO PROSPERITY, INC.**Statement of Functional Expenses
Year Ended August 31, 2016****(With Summarized Totals for the Year Ended August 31, 2015)**

	Program	Supporting Services			Total	Total
	Bridge Building	Management and General	Fund-Raising	Total	Year Ended August 31, 2016	Year Ended August 31, 2015
Salaries and related expenses	\$ 434,729	\$ 73,548	\$ 184,221	\$ 257,769	\$ 692,498	\$ 524,222
Field labor	496,122	-	-	-	496,122	346,039
Bridge building supplies	372,389	-	-	-	372,389	276,850
Travel and meetings	201,892	4,679	30,088	34,767	236,659	282,759
Grants and direct assistance	125,185	476	-	476	125,661	17,102
Contract services	26,692	10,396	45,285	55,681	82,373	147,868
Facility and equipment	42,927	35,105	2,905	38,010	80,937	67,340
Office costs	17,128	14,906	2,907	17,813	34,941	25,206
Business expenses	22,984	8,612	-	8,612	31,596	47,990
Other expenses	19,305	2,237	2	2,239	21,544	17,020
Promotion	4,533	1,703	9,793	11,496	16,029	24,980
Other employee costs	4,792	1,311	278	1,589	6,381	5,718
	<u>1,768,678</u>	<u>152,973</u>	<u>275,479</u>	<u>428,452</u>	<u>2,197,130</u>	<u>1,783,094</u>
In-Kind Expenses						
Contract services and travel	1,340,942	36,681	4,429	41,110	1,382,052	1,069,799
Bridge building supplies	461,202	-	-	-	461,202	479,368
Field labor	104,190	-	-	-	104,190	63,935
	<u>1,906,334</u>	<u>36,681</u>	<u>4,429</u>	<u>41,110</u>	<u>1,947,444</u>	<u>1,613,102</u>
Total Expenses	<u>\$ 3,675,012</u>	<u>\$ 189,654</u>	<u>\$ 279,908</u>	<u>\$ 469,562</u>	<u>\$ 4,144,574</u>	<u>\$ 3,396,196</u>

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

BRIDGES TO PROSPERITY, INC.

Statement of Cash Flows
Year Ended August 31, 2016
(With Summarized Totals for the Year Ended August 31, 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 277,693	\$ 386,589
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	18,600	16,120
Donated bridge building inventory	56,480	(187,518)
Loss on disposal of property and equipment	5,625	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions and grants receivable	(63,575)	52,903
Other receivables	(67,117)	(39,750)
Bridge building inventory	7,498	(13,763)
Prepaid expenses	(88,932)	(5,535)
Increase (decrease) in:		
Accounts payable	(34,778)	(50,398)
Accrued liabilities	59,925	24,158
Deferred revenues	(10,343)	9,584
Net cash provided by (used in) operating activities	<u>161,076</u>	<u>192,390</u>
Cash Flows From Investing Activities		
Proceeds from the sale of property and equipment	4,000	-
Purchases of property and equipment	<u>(18,139)</u>	<u>(20,291)</u>
Net cash provided by (used in) investing activities	<u>(14,139)</u>	<u>(20,291)</u>
Net Change in Cash and Cash Equivalents	146,937	172,099
CASH AND CASH EQUIVALENTS, beginning of year	<u>347,064</u>	<u>174,965</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 494,001</u>	<u>\$ 347,064</u>

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

BRIDGES TO PROSPERITY, INC.

Notes to Financial Statements

August 31, 2016

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, 2016.

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, 2016

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, 2016. 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, 2016.

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 consists primarily of cables and clamps that have been donated to the Organization. Purchased inventory is recorded at the lower of cost or fair market value. Donated inventory is recorded at the fair market value on the date of donation.

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, 2016, 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.

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

Advertising and Promotion

Advertising and promotion costs totaled \$16,029 for the year ended August 31, 2016. Advertising and promotion costs are expensed as incurred.

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, 2015, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified, where appropriate, to conform to the presentation used in the 2016 financial statements. These reclassifications had no effect on the change in net assets previously reported.

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 December 15, 2016, and this is the date through which subsequent events were evaluated.

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% (6.5% at August 31, 2016). The line matures on May 6, 2019, and is secured by essentially all Organization assets. As of August 31, 2016, there was no outstanding balance on the line.

3. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at August 31, 2016:

	<u>Amount</u>
Bridge building support	\$ 582,877
Development expenses	<u>62,500</u>
Total Temporarily Restricted Net Assets	<u>\$ 645,377</u>

BRIDGES TO PROSPERITY, INC.
Notes to Financial Statements
August 31, 2016

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, 2016:

	<u>Amount</u>
Contributed services and travel	\$ 1,487,241
Contributed materials	<u>348,145</u>
	1,835,386
Increase in contributed inventory	<u>56,479</u>
Total In-Kind Contributions	<u>\$ 1,891,865</u>

5. Employee Benefit Plan

The Organization has adopted a Savings Incentive Match Plan for all eligible employees. The Organization contributed \$14,293 to the plan for the year ended August 31, 2016.

6. Operating Lease

The Organization is leasing its Denver, Colorado office facility under an operating lease expiring on September 30, 2017. Rent expense for Colorado and other facilities totaled \$43,489 for the year ended August 31, 2016.

Future minimum lease payments under operating leases with terms in excess of one year as of August 31, 2016, are approximately:

Year Ending August 31:	
2017	\$ 34,000
2018	<u>3,000</u>
	<u>\$ 37,000</u>

7. Related Party Transactions

During the year ended August 31, 2016, the Organization received \$284,000 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. As of August 31, 2016, the Trust owes the Organization \$114,000.