

BRIDGE OF HOPE, INC.
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017
(See Independent Auditors' Report)

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Independent Auditors' Report

The Board of Directors
Bridge of Hope, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Bridge of Hope, Inc. (a nonprofit organization) which comprise the statements of financial position as of March 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 of 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 auditors' 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 financial statements referred to above present fairly, in all material respects, the financial position of Bridge of Hope, Inc. as of March 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 Bridge of Hope, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bee, Bergvall & Co.

Bee, Bergvall & Company, P.C.
Certified Public Accountants

Warrington, PA
July 27, 2017

Bridge of Hope, Inc.

Statements of Financial Position

March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 147,382	\$ 129,585
Investments	36,130	-
Accounts Receivable	-	57
Due from Affiliates	-	48
Promises to Give	7,000	13,823
Prepaid Expenses	11,250	14,796
Total Current Assets	<u>201,762</u>	<u>158,309</u>
Endowment Assets		
Cash	21,143	21,422
Investment	341,282	330,553
Total Endowment Assets	<u>362,425</u>	<u>351,975</u>
Property and Equipment		
Office Furniture and Equipment	17,250	17,250
Less: Accumulated Depreciation	<u>(9,356)</u>	<u>(7,044)</u>
Net Property and Equipment	<u>7,894</u>	<u>10,206</u>
Other Assets		
Security Deposit	<u>1,100</u>	<u>1,100</u>
 TOTAL ASSETS	 <u>\$ 573,181</u>	 <u>\$ 521,590</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 21,926	\$ 17,078
Accrued Vacation	10,700	8,636
Payroll Taxes Withheld and Accrued	1,002	742
Funds Held for Affiliates	<u>8,168</u>	<u>-</u>
Total Current Liabilities	<u>41,796</u>	<u>26,456</u>
Net Assets		
Unrestricted	100,360	70,300
Unrestricted, Board Designated for Endowment	<u>128,056</u>	<u>118,056</u>
Total Unrestricted	228,416	188,356
Temporarily Restricted	68,600	72,859
Permanently Restricted	<u>234,369</u>	<u>233,919</u>
Total Net Assets	<u>531,385</u>	<u>495,134</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 573,181</u>	 <u>\$ 521,590</u>

See independent auditors' report and
accompanying notes to the financial statements

Bridge of Hope, Inc.

Statements of Activities

For the Year Ended March 31, 2017
With Comparative Totals for the Year Ended March 31, 2016

	<u>2017</u>			<u>2016</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Public Support and Revenue					
Individual Contributions	\$ 271,599	\$ -	\$ 450	\$ 272,049	\$ 244,095
Church Contributions	1,488	-	-	1,488	3,840
Corporate Contributions	18,771	-	-	18,771	16,079
Foundation Grants	89,449	10,000	-	99,449	74,500
Special Fundraising Events (net)	77,584	52,600	-	130,184	131,915
Location Fees, Resources, and					
Conference Registration	28,431	-	-	28,431	43,294
Conference Sponsorships	15,000	6,000	-	21,000	26,136
Interest Income	102	-	7,579	7,681	10,507
Realized Gains (Losses) on Investments	-	-	19,037	19,037	10,025
Unrealized Gains (Losses) on Investments	-	-	9,923	9,923	(33,128)
Donated Services and Materials	25,097	-	-	25,097	36,221
Net Assets Released from Restrictions	<u>109,398</u>	<u>(72,859)</u>	<u>(36,539)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>636,919</u>	<u>(4,259)</u>	<u>450</u>	<u>633,110</u>	<u>563,484</u>
Functional Expenses					
Program Services	429,076	-	-	429,076	397,888
Support Services					
General and Administrative	39,531	-	-	39,531	40,253
Fundraising	<u>128,252</u>	<u>-</u>	<u>-</u>	<u>128,252</u>	<u>114,707</u>
Total Expenses	<u>596,859</u>	<u>-</u>	<u>-</u>	<u>596,859</u>	<u>552,848</u>
Change in Net Assets	40,060	(4,259)	450	36,251	10,636
Net Assets at Beginning of Year	<u>188,356</u>	<u>72,859</u>	<u>233,919</u>	<u>495,134</u>	<u>484,498</u>
Net Assets at End of Year	<u>\$ 228,416</u>	<u>\$ 68,600</u>	<u>\$ 234,369</u>	<u>\$ 531,385</u>	<u>\$ 495,134</u>

See independent auditors' report and
accompanying notes to financial statements

Bridge of Hope, Inc.

Statements of Functional Expenses

For the Year Ended March 31, 2017

With Comparative Totals for the Year Ended March 31, 2016

	2017			2016	
	<u>Program Services</u>	<u>General & Admin</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Total</u>
Payroll and Related Expenses					
Salaries	\$ 265,065	\$ 25,528	\$ 88,071	\$ 378,664	\$ 310,968
Employee Benefits	6,186	596	2,055	8,837	8,677
Payroll Taxes	22,361	2,154	7,430	31,945	26,720
Total Payroll and Related Expenses	<u>293,612</u>	<u>28,278</u>	<u>97,556</u>	<u>419,446</u>	<u>346,365</u>
Location Development					
Conference for Locations	16,925	-	-	16,925	16,262
Outreach Initiative	25,154	-	-	25,154	38,624
Program/One Church	1,200	-	-	1,200	1,200
Support	28,844	-	-	28,844	17,072
Trademark Services	-	-	-	-	-
Travel	11,560	-	-	11,560	9,093
Total Location Development	<u>83,683</u>	<u>-</u>	<u>-</u>	<u>83,683</u>	<u>82,251</u>
Other Expenses					
Depreciation	1,618	156	538	2,312	646
In-Kind Support	-	-	13,946	13,946	14,465
Insurance	4,020	387	1,336	5,743	5,378
Legal and Accounting	267	7,050	-	7,317	7,000
Consultants	7,877	-	2,250	10,127	18,755
Miscellaneous	10,420	1,004	3,462	14,886	16,415
Office Supplies and Postage	8,373	806	2,782	11,961	38,343
Rent Expense	10,080	971	3,349	14,400	14,400
Telephone	3,150	303	1,047	4,500	4,855
Training	5,976	576	1,986	8,538	3,975
Total Other Expenses	<u>51,781</u>	<u>11,253</u>	<u>30,696</u>	<u>93,730</u>	<u>124,232</u>
Total Functional Expenses	<u>\$ 429,076</u>	<u>\$ 39,531</u>	<u>\$ 128,252</u>	<u>\$ 596,859</u>	<u>\$ 552,848</u>

See independent auditors' report and
accompanying notes to financial statements

Bridge of Hope, Inc.

Statements of Cash Flows

For the Year Ended March 31, 2017
With Comparative Totals for the Year Ended March 31, 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 36,251	\$ 10,636
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	2,312	646
Unrealized (Gains) Loss in Investments	(9,923)	33,128
(Increase) Decrease in Operating Assets		
Promises to Give	6,823	(12,798)
Accounts Receivable	57	1,346
Due from Affiliates	48	(48)
Prepaid Expenses	3,546	(4,397)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	4,848	1,326
Accrued Vacation	2,064	(1,123)
Payroll Taxes Withheld and Accrued	260	(42)
Funds Held for Affiliates	8,168	(14,285)
Net Cash Provided by (Used in) Operating Activities	<u>54,454</u>	<u>14,389</u>
Cash Flows From Investing Activities		
Purchase of Property and Equipment	-	(10,511)
Purchase of Investments	(253,987)	(263,025)
Sale of Investments	217,051	211,464
Net Cash Provided by (Used in) Investing Activities	<u>(36,936)</u>	<u>(62,072)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	17,518	(47,683)
Cash and Cash Equivalents at Beginning of Year	<u>151,007</u>	<u>198,690</u>
Cash and Cash Equivalents at End of Year	<u>\$ 168,525</u>	<u>\$ 151,007</u>
Supplemental Information		
Unrestricted Cash and Cash Equivalents	\$ 147,382	\$ 129,585
Endowment Cash	<u>21,143</u>	<u>21,422</u>
Total Cash	<u>\$ 168,525</u>	<u>\$ 151,007</u>

See independent auditors' report and
accompanying notes to financial statements

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2017

(See Independent Auditors' Report)

NOTE 1. Summary of Significant Accounting Policies

Organization: The Bridge of Hope, Inc. (the Organization) is a nonprofit organization located in Exton, Pennsylvania. The vision of Bridge of Hope National is communities where no family is homeless.

Our mission is to engage Christian faith communities in ending family homelessness through neighboring relationships that demonstrate Christ's love.

The Organization aids in initiating new Bridge of Hope locations in communities across North America. The Organization provides management and guidance in the location start-up stage and through all aspects of program implementation and growth.

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation: 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. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of March 31, 2017 permanently restricted net assets consisted of the Bridge for Tomorrow Endowment Fund, which will allow for loans on principal on a very limited and specific basis for the purpose of program expansion and growth. The income earned on the account is available as unrestricted funds.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2017

(See Independent Auditors' Report)

NOTE 1. Summary of Significant Accounting Policies (Continued)

Comparative Information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting policies 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 March 31, 2016, from which the summarized information was derived.

Revenue Recognition: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give which are due in future years are recorded as temporarily restricted contributions at the present value of their net realizable value. Conditional promises to give are not included as support until such time as the condition is substantially met.

Amounts received that are designated for future periods, or that are restricted by the donor for specific purpose, are reported as temporarily restricted or permanently restricted net assets. When a temporary restriction expires, that is, when a stipulated time restriction ends or purpose restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Allowance for Unconditional Promises to Give: The Organization utilizes the direct write-off method to record promises to give that are deemed uncollectible. Under this method, promises to give that become uncollectible during the year are charged against current year activities. The Organization estimates that this method is not materially different from the allowance method.

Receivables: Receivables are estimated to be fully collectible and no allowance for bad debts has been provided. If a receivable is determined to be uncollectible, it will be charged directly to operation in the year that determination is made. Receivables are considered to be delinquent when they are 90 days past their due date.

Functional Allocation of Expenses: Costs of developing the locations and other activities have been summarized on the statement of functional expenses. Accordingly, certain costs have been allocated between program and supporting services.

Cash Equivalents: The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2017

(See Independent Auditors' Report)

NOTE 1. Summary of Significant Accounting Policies (Continued)

Property and Equipment: Property and equipment are stated at their historical purchased cost. Expenditures that significantly add to productive capacity or useful life of an asset are capitalized. Maintenance and repairs are charged to expense as incurred. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in income.

Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted net assets. Absent donor stipulations regarding how long those donated assets must be utilized, the Organization reports net assets released from restrictions when the acquired assets are placed in service.

Property and equipment donated to the Organization are carried at fair market value as determined by an independent appraiser on the date the properties were donated.

Depreciation: Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 7 years. Depreciation expense for the year ended March 31, 2017 was \$2,312.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their quoted fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets. Donated investments are reflected as contributions at their market values at the date of receipt. Interest earnings, realized gains and losses, and unrealized gains and losses are reported as investment income.

Prepaid Expenses: Insurance premiums and rent are included in prepaid expenses for all items paid in advance.

Fair Value of Financial Instruments: The Organization follows Fair Value Measurements as required by the FASB Standards Codification, which applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The Codification emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumption that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2017

(See Independent Auditors' Report)

NOTE 1. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (continued)

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilized quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The primary uses of fair value measures in the Organization's financial statements are: recurring measurement of short term investments. The following table represents the Organization's fair value hierarchy for those investments, excluding money market funds, measured at fair value on a recurring basis as of March 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Domestic Fixed Income	\$ 94,026	\$ -	\$ -	\$ 94,026
International Fixed Income	19,025	-	-	19,025
Domestic Equities	158,965	-	-	158,965
International Equities	67,793	-	-	67,793
Commodities	11,326	-	-	11,326
REITs	11,241	-	-	11,241
Other investments	15,036	-	-	15,036
	<u>\$ 377,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,412</u>

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2017

(See Independent Auditors' Report)

NOTE 1. Summary of Significant Accounting Policies (Continued)

Donated Services and Materials: Donated materials, services, and other noncash assets are reflected as contributions in the accompanying statements of activities at their estimated fair market value on the date received. Donated materials included gift cards, program supplies, as well as various other items. Total donated materials were \$25,097 for the year ended March 31, 2017.

The Organization receives significant volunteer time for help in fundraising and in completing various office and administrative duties. No values have been assigned to these donated services, as they do not meet the criteria of recognition under FASB 116.

Concentration of Credit Risk: The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Organization places its cash and temporary cash investments with high credit quality institutions. At times such investments may be in excess of the FDIC insurance limit. As of March 31, 2017, the Organization was not in excess of these insurance limits.

Federal Income Tax: The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation as defined in Sections 170 and 509 of the Internal Revenue Code. The Organization files a separate Federal Form 990. The affiliates of Bridge of Hope, Inc. are permitted to qualify for 501(c)(3) status under the group exemption letter of Bridge of Hope, Inc. The affiliates are required to maintain certain levels of compliance with the Organization. However, a consolidated Form 990 is not filed.

As required by the FASB Accounting Standards Codification, entities are required to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. This standard had no impact on the Organization's financial statements. The Organization's federal tax return is subject to audit by taxing authorities. The Organization's returns open audit periods are for the years ending March 31, 2014-2016.

Budget: The Organization adopts and maintains a yearly budget. The budget is subject to correction and changes during the year at the discretion of the Board of Directors.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2017

(See Independent Auditors' Report)

NOTE 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events: The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

NOTE 2. Rent Expense

As of December 1, 2004, the Organization entered into a three year lease to rent office space in Exton from an unrelated party. The lease was subsequently renewed for an additional five years after which time it converted to a month to month lease. Total rent paid for the Exton office space was \$14,400 for the year ended March 31, 2017.

NOTE 3. Location Program Development

The Organization is actively pursuing establishment of Bridge of Hope programs in other regions in support of the mission and vision of the Organization, which are considered affiliates and sites. Expenses incurred in marketing the program are reflected as location (i.e. affiliate and site) expenses. Locations pay an annual fee. These revenues are included in location fees.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2017

(See Independent Auditors' Report)

NOTE 3. Location Program Development (Continued)

In addition, Bridge of Hope, Inc. collects contributions from donors for the startup and ongoing operations of a location. The Organization subsequently distributes these contributions for startup expenses incurred in forming new locations. If a startup group does not officially sign-on with Bridge of Hope within two years, the funds revert to the Organization for general operations. Total funds received and disbursed throughout the fiscal year ended March 31, 2017, are reflected below:

	<u>Beginning</u>	Contributions <u>Reserved</u>	<u>Distributions</u>	<u>Ending</u>
Berks Co.	\$ (48)	\$ 325	\$ (277)	\$ -
Lancaster/Chester Cty	-	5,900	(5,650)	250
Lebanon County	-	1,500	-	1,500
South Jersey	-	6,413	(45)	6,368
Greater Denver	-	334	(284)	50
Totals	<u>\$ (48)</u>	<u>\$ 14,472</u>	<u>\$ (6,256)</u>	<u>\$ 8,168</u>

NOTE 4. Retirement Plan

The Organization has a Simple IRA plan for employees. The plan provides a matching benefit of up to 3%. For the year ended March 31, 2017 the retirement plan benefit included in employee benefits expense was \$8,837.

NOTE 5. Temporarily Restricted Net Assets

Net assets have been restricted for the following purposes:

	<u>2017</u>
Time Restriction	
Special Events	\$ 52,600
Purpose Restricted	
Various	<u>16,000</u>
	<u>\$ 68,600</u>

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2017

(See Independent Auditors' Report)

NOTE 5. Temporarily Restricted Net Assets (Continued)

Net assets released from restrictions were as follows:

	<u>2017</u>
Time Restrictions Accomplished	
Special Events	\$ 64,109
Purpose Restricted	
Various	<u>8,750</u>
	<u>\$ 72,859</u>

NOTE 6. Special Events

The Organization had special events for the year ended March 31, 2017 as follows:

	<u>Gala</u>	<u>Signature</u>	<u>Other</u>	<u>Total</u>
	<u>Luncheon</u>	<u>Golf</u>	<u>Events</u>	
Gross Revenues	\$ 115,137	\$ 55,445	\$ 2,041	\$ 172,623
Direct Expenses	<u>(15,130)</u>	<u>(15,800)</u>	<u>-</u>	<u>(30,930)</u>
Net	<u>\$ 100,007</u>	<u>\$ 39,645</u>	<u>\$ 2,041</u>	141,693
Revenue received in prior year				(64,109)
Revenue received in advance				<u>52,600</u>
Total Fundraising for Special Events				<u>\$ 130,184</u>

NOTE 7. Promises to Give, Net

As part of the Organization's contribution campaigns, the Organization received various unconditional promises to give from donors. These unconditional promises to give are recorded as donations in the year that they are promised. For financial statement purposes, promises to give that are not due within one year are discounted using present value tables with an interest rate assumption using the weighted average rate of return on the Organization's cash investments. For the year ended March 31, 2017 all promises to give were considered due within one year.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2017

(See Independent Auditors' Report)

NOTE 8. Endowments

The Organization's endowment consists of the Bridge for Tomorrow Endowment Fund established to allow for loans on principal on a very limited and specific basis for the purpose of program expansion and growth for a variety of purposes. The endowment is comprised of donor-restricted funds that are permanently restricted and Board designated funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Board of Directors of the Organization have interpreted the law as requiring any donor-restricted contributions as being classified as unrestricted, temporarily restricted, or permanently restricted depending on the nature of the restriction. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Endowment Net Asset Composition consisted of \$362,425 in Permanently Restricted and Board Designated funds as of March 31, 2017.

Changes in endowment net assets for the fiscal year ended March 31, 2017:

	Board <u>Designated</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of the Year	\$ 118,056	\$ 233,919	\$ 351,975
Interest Income	-	7,579	7,579
Net Appreciation (Realized and Unrealized)	-	28,960	28,960
Contributions	10,000	450	10,450
Amounts Appropriated for Expenditure	<u>-</u>	<u>(36,539)</u>	<u>(36,539)</u>
Endowment Net Assets, End of the Year	<u>\$ 128,056</u>	<u>\$ 234,369</u>	<u>\$ 362,425</u>

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2017

(See Independent Auditors' Report)

NOTE 8. Endowments (Continued)

Return Objectives and Risk Parameters: The Organization's investment practice for endowment assets is to invest the funds in a conservative manner to provide a prudent rate of return.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization currently has funds invested in a certificate of deposit.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization's policy will allow for loans on principal for program expansion and growth on a very limited and specific basis. Loan specifications will include repayment of principal and interest at prime during specific times of the program expansion.

NOTE 9. Accrued Vacation

Obligations relating to compensating employees for Paid Time Off (PTO) earned have been recorded as a liability. PTO is available to all employees who work 20 or more hours per week, which is earned based on the days work for full time employees and by the hour for part time employees. For the year ended March 31, 2017 the liability was \$10,700.