

BRIDGE OF HOPE, INC.
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019
(See Independent Auditors' Report)

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936 Easton Rd., PO Box 754, Warrington, PA 18976 | 163 S. Broad St., Lansdale, PA 19446
70 W. Oakland Ave., Doylestown, PA 18901 | 130 Almshouse Rd., Suite 201A, Richboro, PA 18954
24 Arnett Ave. Suite 111, Lambertville, NJ 08530
215-343-2727 | www.bbco-cpa.com

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 statement of financial position as of March 31, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Organization adopted *ASU 2016-4 (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The implementation of this standard resulted in reclassification of net asset accounts as well as additional disclosures. The most significant changes are more fully discussed in Note 1.

Report on Summarized Comparative Information

We have previously audited the Bridge of Hope, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, 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 25, 2019

Bridge of Hope, Inc.

Statements of Financial Position

March 31, 2019 and 2018

	<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets			
Cash and Cash Equivalents		\$ 190,883	\$ 193,101
Investments		66,408	58,872
Accounts Receivable		612	150
Promises to Give		6,730	9,405
Prepaid Expenses		8,893	12,414
Total Current Assets		<u>273,526</u>	<u>273,942</u>
Endowment Assets			
Cash		82,044	31,040
Investment		416,281	341,835
Total Endowment Assets		<u>498,325</u>	<u>372,875</u>
Property and Equipment			
Office Furniture and Equipment		17,250	17,250
Less: Accumulated Depreciation		<u>(13,674)</u>	<u>(11,668)</u>
Net Property and Equipment		<u>3,576</u>	<u>5,582</u>
Other Assets			
Security Deposit		<u>1,850</u>	<u>1,100</u>
TOTAL ASSETS		<u>\$ 777,277</u>	<u>\$ 653,499</u>

LIABILITIES AND NET ASSETS

Current Liabilities			
Accounts Payable		\$ 26,853	\$ 21,458
Accrued Vacation		12,672	13,947
Payroll Taxes Withheld and Accrued		2,713	1,232
Funds Held for Affiliates		-	1,500
Total Current Liabilities		<u>42,238</u>	<u>38,137</u>
Net Assets			
Without Donor Restriction			
Unrestricted		150,834	128,434
Unrestricted, Board Designated for Endowment		<u>138,056</u>	<u>138,056</u>
Total Net Assets Without Donor Restriction		288,890	266,490
With Donor Restriction			
Purpose and time restrictions		85,880	114,053
Perpetual in nature		<u>360,269</u>	<u>234,819</u>
Total Net Assets With Donor Restriction		<u>446,149</u>	<u>348,872</u>
Total Net Assets		<u>735,039</u>	<u>615,362</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 777,277</u>	<u>\$ 653,499</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, 2019
With Comparative Totals for the Year Ended March 31, 2018

	2019				2018
	With Donor Restrictions				<u>Total</u>
	Without Donor <u>Restriction</u>	Purpose and Time <u>Restrictions</u>	Perpetual in <u>Nature</u>	<u>Total</u>	
Public Support and Revenue					
Individual Contributions	\$ 306,878	\$ -	\$ 125,450	\$ 432,328	\$ 395,328
Church Contributions	2,525	-	-	2,525	4,612
Corporate Contributions	32,628	-	-	32,628	19,649
Foundation Grants	114,378	18,180	-	132,558	112,383
Special Fundraising Events					
Donations and Sponsors	87,096	61,700	-	148,796	140,589
Sales	39,683	-	-	39,683	40,732
Less cost of direct benefits to donors	<u>(25,139)</u>	<u>-</u>	<u>-</u>	<u>(25,139)</u>	<u>(19,925)</u>
Net Special Fundraising Events	101,640	61,700	-	163,340	161,396
Location Fees, Resources, and					
Conference Registration	30,610	-	-	30,610	41,914
Conference Sponsorships	9,750	6,000	-	15,750	20,000
Interest Income	140	-	14,576	14,716	11,681
Realized Gains (Losses) on Investments	-	-	9,924	9,924	4,043
Unrealized Gains (Losses) on Investments	-	-	(7,437)	(7,437)	16,526
Donated Services and Materials	23,112	-	-	23,112	39,113
Net Assets Released from Restrictions	<u>131,116</u>	<u>(114,053)</u>	<u>(17,063)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>752,777</u>	<u>(28,173)</u>	<u>125,450</u>	<u>850,054</u>	<u>826,645</u>
Functional Expenses					
Program Services	518,331	-	-	518,331	568,741
Support Services					
General and Administrative	58,332	-	-	58,332	55,012
Fundraising	<u>153,714</u>	<u>-</u>	<u>-</u>	<u>153,714</u>	<u>118,915</u>
Total Expenses	<u>730,377</u>	<u>-</u>	<u>-</u>	<u>730,377</u>	<u>742,668</u>
Change in Net Assets	22,400	(28,173)	125,450	119,677	83,977
Net Assets at Beginning of Year	<u>266,490</u>	<u>114,053</u>	<u>234,819</u>	<u>615,362</u>	<u>531,385</u>
Net Assets at End of Year	<u>\$ 288,890</u>	<u>\$ 85,880</u>	<u>\$ 360,269</u>	<u>\$ 735,039</u>	<u>\$ 615,362</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, 2019

With Comparative Totals for the Year Ended March 31, 2018

	2019						2018
	Program Services			General & Admin	Fund Raising	Total	Total
	<u>S2N</u>	<u>Other</u>	<u>Total</u>				
Payroll and Related Expenses							
Salaries	\$ 156,472	\$ 161,797	\$ 318,269	\$ 39,949	\$ 89,713	\$ 447,931	\$ 416,469
Employee Benefits	-	8,865	8,865	1,112	2,499	12,476	10,916
Payroll Taxes	11,970	14,261	26,231	3,293	7,394	36,918	34,932
Total Payroll and Related Expenses	<u>168,442</u>	<u>184,923</u>	<u>353,365</u>	<u>44,354</u>	<u>99,606</u>	<u>497,325</u>	<u>462,317</u>
Location Development							
Conference for Locations	-	19,055	19,055	-	-	19,055	15,345
Outreach Initiative	1,436	17,224	18,660	-	-	18,660	41,794
Program/One Church	1,104	-	1,104	-	-	1,104	1,499
Support	24,557	20,105	44,662	-	-	44,662	99,738
Trademark Services	2,864	967	3,831	-	-	3,831	6,830
Travel	4,069	9,235	13,304	-	-	13,304	13,007
Total Location Development	<u>34,030</u>	<u>66,586</u>	<u>100,616</u>	<u>-</u>	<u>-</u>	<u>100,616</u>	<u>178,213</u>
Other Expenses							
Consultants	158	11,306	11,464	-	-	11,464	10,260
Cost of direct benefits to donors	-	-	-	-	25,139	25,139	19,925
Depreciation	-	1,425	1,425	179	402	2,006	2,312
In-Kind Support	-	-	-	-	21,019	21,019	15,057
Insurance	-	4,830	4,830	606	1,362	6,798	5,681
Legal and Accounting	600	274	874	7,450	-	8,324	7,500
Miscellaneous	2,280	12,748	15,028	1,886	4,236	21,150	15,470
Office Supplies and Postage	781	10,925	11,706	1,469	3,300	16,475	10,911
Rent Expense	-	12,079	12,079	1,516	3,405	17,000	14,400
Supplies for Events	-	-	-	-	18,427	18,427	10,737
Telephone	-	2,831	2,831	355	798	3,984	4,010
Training	-	4,113	4,113	517	1,159	5,789	5,800
Total Other Expenses	<u>3,819</u>	<u>60,531</u>	<u>64,350</u>	<u>13,978</u>	<u>79,247</u>	<u>157,575</u>	<u>122,063</u>
Total Functional Expenses	<u>206,291</u>	<u>312,040</u>	<u>518,331</u>	<u>58,332</u>	<u>178,853</u>	<u>755,516</u>	<u>762,593</u>
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	(25,139)	(25,139)	(19,925)
Total expenses included in the expense section on the statement of activities	<u>\$ 206,291</u>	<u>\$ 312,040</u>	<u>\$ 518,331</u>	<u>\$ 58,332</u>	<u>\$ 153,714</u>	<u>\$ 730,377</u>	<u>\$ 742,668</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, 2019
With Comparative Totals for the Year Ended March 31, 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 119,677	\$ 83,977
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	2,006	2,312
Unrealized (Gains) Loss in Investments	7,437	(16,526)
(Increase) Decrease in Operating Assets		
Promises to Give	2,675	(2,405)
Accounts Receivable	(462)	(150)
Prepaid Expenses	3,521	(1,164)
Security Deposit	(750)	-
Increase (Decrease) in Operating Liabilities		
Accounts Payable	5,395	(468)
Accrued Vacation	(1,275)	3,247
Payroll Taxes Withheld and Accrued	1,481	230
Funds Held for Affiliates	(1,500)	(6,668)
Net Cash Provided by (Used in) Operating Activities	<u>138,205</u>	<u>62,385</u>
Cash Flows From Investing Activities		
Purchase of Investments	(259,065)	(55,757)
Sale of Investments	169,646	48,988
Net Cash Provided by (Used in) Investing Activities	<u>(89,419)</u>	<u>(6,769)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	48,786	55,616
Cash and Cash Equivalents at Beginning of Year	<u>224,141</u>	<u>168,525</u>
Cash and Cash Equivalents at End of Year	<u>\$ 272,927</u>	<u>\$ 224,141</u>
Supplemental Information		
Unrestricted Cash and Cash Equivalents	\$ 190,883	\$ 193,101
Endowment Cash	<u>82,044</u>	<u>31,040</u>
Total Cash	<u>\$ 272,927</u>	<u>\$ 224,141</u>

See independent auditors' report and
accompanying notes to financial statements

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2019

(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.

Stranger to Neighbor Initiative: The Stranger to Neighbor initiative (S2N) is an ambitious plan to ensure Bridge of Hope meets the needs of families facing homelessness today and in the years ahead. We have set challenging goals which include, expanding to serve more families, launching new training curriculums, developing communication tools as well as expanding resources and training. Our goal is to raise \$1 million in donations to support this initiative. In March 31, 2019, approximately \$307,450 of the donations raised went towards our S2N goal.

Other Programs: 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. In addition, the Organization offers a variety of resources to engage Christian faith communities in ending and preventing homelessness for families (primarily single women and children) through the training of volunteers, professional case management and rental assistance funds.

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.

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, 2018, from which the summarized information was derived.

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, 2019

(See Independent Auditors' Report)

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Promises to Give: Unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the Statements of Activities. 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.

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

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 Net Assets With Donor Restriction. 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.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2019

(See Independent Auditors' Report)

NOTE 1. Summary of Significant Accounting Policies (Continued)

Property and Equipment: (continued)

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, 2019 was \$2,006.

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 contributions with donor restrictions 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 net assets with donor restriction. When a temporary restriction expires, that is, when a stipulated time restriction ends or purpose restrictions are met, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2019

(See Independent Auditors' Report)

NOTE 1. Summary of Significant Accounting Policies (Continued)

Special Event Revenue: The Statement of Activities presents the gross amounts of revenues and expenses from special events. The portion of a special event payment that represents the amount in excess of any direct benefit that the donor receives is recognized as contributions. The portion representing the cost of the direct benefit to the donors is reported as a reduction of gross special events revenue on the statement of activities and on the statement of functional expenses.

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 \$23,112 for the year ended March 31, 2019.

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.

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.

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.

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.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2019

(See Independent Auditors' Report)

NOTE 1. Summary of Significant Accounting Policies (Continued)

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, 2019, the Organization was not in excess of these insurance limits.

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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.

New Accounting Pronouncement: The Organization adopted ASU 2016-14 (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. The effective date of the standard is December 31, 2018. The prior period statements have been reclassified in accordance with this standard. Temporarily and Permanently Restricted Net Assets has been renamed Net Assets With Donor Restrictions. In addition, Note 2 regarding liquidity has been added to these footnotes.

ASU No. 2016-18 (Topic 606): Statement of Cash Flows (Topic 230): The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts described as restricted cash or restricted cash equivalents. The amendments are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted and the Corporation has implemented the standard for the year ended December 31, 2018.

ASU No. 2014-09 (Topic 606): Revenue From Contracts With Customers: This statement is effective for fiscal years beginning after December 15, 2018. The objective of this statement is to provide a more robust framework for addressing revenue issue, to improve comparability of revenue recognition standards across entities, and provide more useful information to the users of the financial statements through improved disclosure requirements. The Organization does not expect these amendments to have a material effect on the financial statements. This statement will be implemented in the calendar year ended December 31, 2019.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2019

(See Independent Auditors' Report)

NOTE 1. Summary of Significant Accounting Policies (Continued)

ASU 2016-02, Leases (Topic 842): ASU 2016-02 substantially changes current GAAP regarding lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. ASU 2016-02 establishes a right-of-use (“ROU”) model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months (the standard may optionally be applied to leases with term of 12 months or less). Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current GAAP, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification.

ASU 2016-02 also requires specific qualitative and quantitative disclosures about leasing arrangements to enable financial statement users to assess the amount, timing and uncertainty of cash flows arising from leases. The standard was issued on February 25, 2016 and will be effective for fiscal years beginning after December 15, 2019. Early application of the standard is permitted. The Organization is currently in the process of determining the impact of the new standard, and has elected not to early implement the standard.

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.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2019

(See Independent Auditors' Report)

NOTE 2. Liquidity and Availability

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 272,927
Accounts receivable	612
Promises to give	6,730
Investments	<u>482,689</u>
Total Financial Assets	762,958
Less amounts not available	
to be used within one year	
Board Designated	138,056
Restricted in Perpetuity	<u>360,269</u>
Financial assets available to be	
used within one year	<u><u>\$ 264,633</u></u>

The endowment funds consist of donor-restricted funds and those designated by the board as endowments. Donor-restricted endowments are not available for general expenditure and income from those endowments is available for general use only in the absence of donor restriction. These donor-restricted endowments are funded by restricted cash and investments as disclosed on the statement of financial position.

The board-designated endowment is subject to general expenditure at various times as determined by the Board. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments and money market funds.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2019

(See Independent Auditors' Report)

NOTE 3. Fair Value Measurements and Disclosure

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.

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.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2019

(See Independent Auditors' Report)

NOTE 3. Fair Value Measurements and Disclosure (Continued)

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Domestic Fixed Income	\$ 149,277	\$ -	\$ -	\$ 149,277
International Fixed Income	19,105	-	-	19,105
Domestic Equities	194,030	-	-	194,030
International Equities	71,825	-	-	71,825
REITs	24,544	-	-	24,544
Other investments	23,908	-	-	23,908
	<u>\$ 482,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,689</u>

NOTE 4. 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, 2019 all promises to give were considered due within one year.

NOTE 5. 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 without donor restriction or with donor restriction depending on the nature of the restriction.

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2019

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NOTE 5. Endowments (Continued)

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 \$498,325 in Donor Restricted and Board Designated funds as of March 31, 2019.

Changes in endowment net assets for the fiscal year ended March 31, 2019:

	<u>Board Designated</u>	<u>Donor Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of the Year	\$ 138,056	\$ 234,819	\$ 372,875
Interest Income	-	14,576	14,576
Net Appreciation (Realized and Unrealized)	-	2,487	2,487
Contributions	-	125,450	125,450
Amounts Appropriated for Expenditure	-	(17,063)	(17,063)
Endowment Net Assets, End of the Year	<u>\$ 138,056</u>	<u>\$ 360,269</u>	<u>\$ 498,325</u>

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.

Bridge of Hope, Inc.

Notes to Financial Statements

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NOTE 6. 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.

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, 2019, are reflected below:

	<u>Beginning</u>	<u>Distributions</u>	<u>Ending</u>
Lebanon County	\$ 1,500	(1,500)	\$ -
Totals	<u>\$ 1,500</u>	<u>\$ (1,500)</u>	<u>\$ -</u>

NOTE 7. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>
Time Restriction	
Special Events	\$ 61,700
Purpose Restricted	
Various	<u>24,180</u>
	<u>\$ 85,880</u>

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2019

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NOTE 7. Net Assets With Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	<u>2019</u>
Time Restrictions Accomplished	
Special Events	\$ 69,425
Purpose Restricted	
Stranger to Neighbor	33,128
Various	<u>11,500</u>
	<u>\$ 114,053</u>

NOTE 8. 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, 2019 the liability was \$12,672.

NOTE 9. Special Events

The Organization had special events for the year ended March 31, 2019 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	\$ 117,596	\$ 58,778	\$ 19,830	\$ 196,204
Direct Expenses	(10,192)	(6,421)	(8,526)	(25,139)
Indirect Expenses	<u>(11,610)</u>	<u>(6,817)</u>	<u>-</u>	<u>(18,427)</u>
Net	<u>\$ 95,794</u>	<u>\$ 45,540</u>	<u>\$ 11,304</u>	152,638
Revenue received in prior year				(69,425)
Revenue received in advance				<u>61,700</u>
Total Fundraising for Special Events				<u>\$ 144,913</u>

Bridge of Hope, Inc.

Notes to Financial Statements

March 31, 2019

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NOTE 10. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, payroll taxes, depreciation, insurance, office supplies and postage, rent expense, telephone, training, and miscellaneous, which are allocated on the basis of estimates of time and effort.

NOTE 11. 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, 2019 the retirement plan benefit included in employee benefits expense was \$12,476.

NOTE 12. 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. The lease was terminated in 2018 and a new five year lease was entered into as of December 1, 2018 to rent office space in Frazer from an unrelated party. Total rent paid for the Exton and Frazer office space swas \$17,000 for the year ended March 31, 2019. Future minimum rental payments for the Frazer office space are as follows:

Year Ended	
<u>March 31,</u>	<u>Amount</u>
2020	\$ 22,424
2021	23,100
2022	23,792
2023	24,504
2024	<u>16,656</u>
Total	<u>\$ 110,476</u>