

BRIDGES TO PROSPERITY, INC.

Financial Statements

August 31, 2018

(Together with Independent Auditors' Report)



BRIDGES TO PROSPERITY, INC.
Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7



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, 2018, 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; 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. 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.

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, 2018, 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.

Report on Summarized Comparative Information

Bridges to Prosperity, Inc.'s 2017 financial statements were audited by Bauerle and Company, P.C, who merged with Wipfli LLP as of February 1, 2018, and whose report dated January 29, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP
Denver, Colorado

January 30, 2019

BRIDGES TO PROSPERITY, INC.

Statements of Financial Position

August 31, 2018

(With Comparative Totals for August 31, 2017)

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 677,111	\$ 516,458
Contributions and grants receivable	400,445	584,718
Commercial sponsorship fees receivable	482,686	245,000
Other receivables	107,908	26,812
Prepaid expenses	83,469	50,629
Total Current Assets	<u>1,751,619</u>	<u>1,423,617</u>
Property and Equipment		
Vehicles	248,356	210,351
Furniture, fixtures, and equipment	42,023	12,750
Machinery and equipment	17,965	12,841
	<u>308,344</u>	<u>235,942</u>
Less: accumulated depreciation	122,482	67,559
Net Property and Equipment	<u>185,862</u>	<u>168,383</u>
Other Assets		
Contributions and grants receivable, net of current	30,000	-
Deposits	8,017	1,240
Total Other Assets	<u>38,017</u>	<u>1,240</u>
Total Assets	<u>\$ 1,975,498</u>	<u>\$ 1,593,240</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Accounts payable	\$ 148,888	\$ 43,766
Accrued liabilities	153,846	133,834
Due to Engineers in Action	79,804	-
Deferred revenues	47,504	16,511
Total Current Liabilities	<u>430,042</u>	<u>194,111</u>
Net Assets		
Unrestricted	979,650	686,291
Temporarily restricted	565,806	712,838
Total Net Assets	<u>1,545,456</u>	<u>1,399,129</u>
Total Liabilities and Net Assets	<u>\$ 1,975,498</u>	<u>\$ 1,593,240</u>

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

BRIDGES TO PROSPERITY, INC.**Statements of Activities
Year Ended August 31, 2018
(With Comparative Totals for the Year Ended August 31, 2017)**

	Year Ended August 31, 2018			Total 2017
	Unrestricted	Temporarily Restricted	Total 2018	
Support and Revenues				
Contributions and grants	\$ 1,257,128	\$ 637,198	\$ 1,894,326	\$ 1,671,352
In-kind contributions	2,611,356	-	2,611,356	2,464,221
Commercial sponsorship fees	1,834,000	-	1,834,000	1,126,317
Other	8,088	-	8,088	54,150
Net assets released from restrictions	784,230	(784,230)	-	-
Total Support and Revenues	6,494,802	(147,032)	6,347,770	5,316,040
Expenses				
Program Services				
Bridge building	5,295,042	-	5,295,042	4,694,183
Total Program Services	5,295,042	-	5,295,042	4,694,183
Supporting Services				
Management and general	262,227	-	262,227	200,831
Fundraising	644,174	-	644,174	374,327
Total Supporting Services	906,401	-	906,401	575,158
Total Expenses	6,201,443	-	6,201,443	5,269,341
Change in Net Assets	293,359	(147,032)	146,327	46,699
NET ASSETS, Beginning of Year	686,291	712,838	1,399,129	1,352,430
NET ASSETS, End of Year	\$ 979,650	\$ 565,806	\$ 1,545,456	\$ 1,399,129

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

BRIDGES TO PROSPERITY, INC.**Statements of Functional Expenses
Year Ended August 31, 2018****(With Summarized Totals for the Year Ended August 31, 2017)**

	Program		Supporting Services		Total	Total
	Bridge Building	Management and General	Fund-Raising	Total	Year Ended August 31, 2018	Year Ended August 31, 2017
Salaries and related expenses	\$ 561,088	\$ 134,066	\$ 452,753	\$ 586,819	\$ 1,147,907	\$ 659,299
Field labor	769,060	-	-	-	769,060	595,556
Bridge building supplies	350,339	-	-	-	350,339	282,839
Travel and meetings	309,012	5,299	20,852	26,151	335,163	302,019
Commercial programs/direct assistance	279,585	-	-	-	279,585	78,673
Contract services	123,881	11,531	22,089	33,620	157,501	308,320
Promotion	12,035	815	132,744	133,559	145,594	39,838
Facility and equipment	91,479	46,644	2,031	48,675	140,154	104,188
Office costs	101,525	19,755	3,943	23,698	125,223	71,570
Business expenses	55,554	37,921	-	37,921	93,475	58,418
Other employee costs	20,297	2,927	3,488	6,415	26,712	8,512
Other expenses	15,486	3,269	619	3,888	19,374	23,434
	<u>2,689,341</u>	<u>262,227</u>	<u>638,519</u>	<u>900,746</u>	<u>3,590,087</u>	<u>2,532,666</u>
Inventory valuation expense	-	-	-	-	-	272,454
In-Kind Expenses						
Professional services, travel and other	1,287,791	-	5,655	5,655	1,293,446	1,441,237
Bridge building supplies	1,081,400	-	-	-	1,081,400	794,284
Field labor	236,510	-	-	-	236,510	228,700
	<u>2,605,701</u>	<u>-</u>	<u>5,655</u>	<u>5,655</u>	<u>2,611,356</u>	<u>2,464,221</u>
Total Expenses	<u>\$ 5,295,042</u>	<u>\$ 262,227</u>	<u>\$ 644,174</u>	<u>\$ 906,401</u>	<u>\$ 6,201,443</u>	<u>\$ 5,269,341</u>

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

BRIDGES TO PROSPERITY, INC.

Statements of Cash Flows
Year Ended August 31, 2018
(With Summarized Totals for the Year Ended August 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 146,327	\$ 46,699
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	54,923	32,458
Loss on disposal of property and equipment	-	3,175
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions and grants receivable	154,273	(159,077)
Commercial sponsorship fees receivable	(237,686)	(131,250)
Other receivables	(81,096)	3,226
Bridge building inventory	-	272,454
Prepaid expenses	(32,840)	73,219
Deposits	(6,777)	(82)
Increase (decrease) in:		
Accounts payable	105,122	14,857
Accrued payroll liabilities	20,012	26,130
Due to Engineers in Action	79,804	
Deferred revenues	30,993	(5,695)
Net cash provided by operating activities	<u>233,055</u>	<u>176,114</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(72,402)</u>	<u>(153,657)</u>
Net cash (used in) investing activities	<u>(72,402)</u>	<u>(153,657)</u>
Net Change in Cash and Cash Equivalents	160,653	22,457
CASH AND CASH EQUIVALENTS, beginning of year	<u>516,458</u>	<u>494,001</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 677,111</u>	<u>\$ 516,458</u>

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

BRIDGES TO PROSPERITY, INC.

Notes to Financial Statements

August 31, 2018 and 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 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, 2018 and 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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, 2018 and 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, 2018 and 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.

Inventory Valuation Expense

During the year ended August 31, 2017, as a result of the changing legal liability issues affecting the used cable resale markets, all the existing bridge building inventory was written down to zero, which approximated its net realizable value at August 31, 2017. This resulted in a valuation adjustment totaling \$272,454 for the year ended August 31, 2017.

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, 2018 and 2017, management deemed all contributions and grants receivable to be fully collectible; accordingly, no allowance for uncollectible contributions and grants receivable was required. Contributions and grants receivable in excess of one year have not been discounted due to immateriality.

BRIDGES TO PROSPERITY, INC.

Notes to Financial Statements

August 31, 2018 and 2017

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

Commercial Sponsorship Fees Receivable

The Organization enters into annual Sponsorship Agreements with commercial entities to fund the general operations of the Organization and to participate in bridge building projects internationally. Revenues associated with these annual sponsorships are recognized when the agreement is executed. At August 31, 2018 and 2017, management deemed all sponsorship fees receivable to be fully collectible; accordingly, no allowance for uncollectible amounts was required.

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.

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.

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 \$145,594 and \$39,838 for the years ended August 31, 2018 and 2017, respectively. Advertising and promotion costs are expensed as incurred.

BRIDGES TO PROSPERITY, INC.**Notes to Financial Statements**August 31, 2018 and 2017

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. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2017, 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 30, 2019, 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.

2. Contributions and Grants Receivable

Contributions and grants receivable are due in the following periods at August 31st:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 400,445	\$ 584,718
Due in one to five years	<u>30,000</u>	<u>-</u>
Total Contributions and Grants Receivable	<u>\$ 430,445</u>	<u>\$ 584,718</u>

3. Due to Engineers in Action

In May 2018, the Organization entered into a Memorandum of Understanding ("MOU") with Engineers in Action ("EIA"). EIA is an unrelated 501c(3) nonprofit organization that works primarily in Bolivia and Ecuador on community-based water, sanitation, and infrastructure projects. Bridges to Prosperity, Inc. has operated a student-led program at colleges and universities referred to as the Separated B2P University Program (SUP). The purpose of this MOU is to facilitate the transfer of ownership of the SUP from the Organization to EIA. Amounts owed to EIA related to the SUP total \$79,804 at August 31, 2018.

BRIDGES TO PROSPERITY, INC.**Notes to Financial Statements**August 31, 2018 and 2017

4. 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% (8.0% at August 31, 2018). The line matures on May 6, 2019 and is secured by essentially all Organization assets. As of August 31, 2018 and 2017, there was no outstanding balance on the line.

On October 9, 2018, the Organization renewed the existing line-of-credit, increasing the available borrowing amount to \$300,000, with interest due at the prime rate plus 1.5%. The renewed line matures on January 9, 2020 and is secured by essentially all the assets of the Organization.

5. Temporarily Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Bridge building support	<u>\$ 565,806</u>	<u>\$ 712,838</u>

6. In-Kind Contributions

The Organization receives a substantial amount of bridge building materials and donated construction related services from unpaid volunteers.

Donated bridge building materials and services consist of the following for the years ended August 31st:

	<u>2018</u>	<u>2017</u>
Contributed services and travel	\$ 1,526,520	\$ 1,666,937
Contributed materials	<u>1,084,836</u>	<u>797,284</u>
Total In-Kind Contributions	<u>\$ 2,611,356</u>	<u>\$ 2,464,221</u>

7. 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 \$19,885 and \$12,703 to the plan for the years ended August 31, 2018 and 2017, respectively.

BRIDGES TO PROSPERITY, INC.**Notes to Financial Statements**August 31, 2018 and 2017

8. Operating Lease

The Organization was leasing its Denver, Colorado office facility under an operating lease that expired on April 30, 2018. In May 2018, the Organization moved their offices to a new location in Denver, Colorado and executed a lease agreement that expires on May 31, 2021. Rent expense for Colorado and other facilities totaled \$70,869 and \$51,198 for the years ended August 31, 2018 and 2017, respectively.

Future minimum lease payments under operating leases with terms in excess of one year as of August 31, 2018, are approximately:

Year Ended August 31:

2019	\$ 47,100
2020	48,500
2021	<u>37,200</u>
	<u>\$ 132,800</u>

9. Related Party Transactions

During the years ended August 31, 2018 and 2017, the Organization received \$295,200 and \$222,420, respectively, 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 \$0 and \$60,000 at August 31, 2018 and 2017, respectively.

During the year ended August 31, 2017, the Organization entered into an unsecured note payable agreement with a board member. The note had an interest rate of 1.5% and was payable in twelve equal payments of \$6,250 starting on January 15, 2017. The note matured 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.