

BRIDGES TO INDEPENDENCE

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



Certified Public Accountants



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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Bridges to Independence

We have audited the accompanying financial statements of **Bridges to Independence** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Bridges to Independence** as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexandria, Virginia
January 10, 2020

Bridges to Independence

Statements of Financial Position June 30,

2019**2018****Assets****Current assets**

Cash and cash equivalents	\$ 105,650	\$ 329,510
Restricted cash - residents' deposits	392	4,636
	<u>106,042</u>	<u>334,146</u>
Investments	1,461,002	1,467,205
Grants receivable	38,448	26,012
Pledges receivable	-	30,198
Prepaid expenses	5,858	-
	<u>1,611,350</u>	<u>1,857,561</u>

Other assets

Property and equipment, net	67,442	58,233
Security deposit	5,000	-
Total assets	<u>\$ 1,683,792</u>	<u>\$ 1,915,794</u>

Liabilities and net assets**Current liabilities**

Accounts payable and accrued expenses	\$ 11,432	\$ 31,174
Residents' deposits	440	4,684
Accrued salaries and payroll taxes	81,830	125,391
Deferred revenue	-	11,697
Total liabilities	<u>93,702</u>	<u>172,946</u>

Net assets

Without donor restrictions	1,590,090	1,726,588
With donor restrictions	-	16,260
Total net assets	<u>1,590,090</u>	<u>1,742,848</u>
Total liabilities and net assets	<u>\$ 1,683,792</u>	<u>\$ 1,915,794</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Bridges to Independence

Statement of Activities for the year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Grants			
U.S. government	\$ 535,290	\$ -	\$ 535,290
State and local government	805,985	-	805,985
Contributions	399,899	-	399,899
Special events, net of expenses of \$27,895	125,436	-	125,436
Investment income, net	38,138	-	38,138
	<u>1,904,748</u>	<u>-</u>	<u>1,904,748</u>
In-kind donations			
Donated facilities	140,406	-	140,406
Donated materials and goods	130,227	-	130,227
	<u>270,633</u>	<u>-</u>	<u>270,633</u>
Net assets released from restrictions	16,260	(16,260)	-
Total support and revenue	<u>2,191,641</u>	<u>(16,260)</u>	<u>2,175,381</u>
Expenses			
Program services	1,874,148	-	1,874,148
Management and general	262,412	-	262,412
Fundraising	191,579	-	191,579
Total expenses	<u>2,328,139</u>	<u>-</u>	<u>2,328,139</u>
Change in net assets	(136,498)	(16,260)	(152,758)
Net assets, beginning of year	1,726,588	16,260	1,742,848
Net assets, end of year	<u>\$ 1,590,090</u>	<u>\$ -</u>	<u>\$ 1,590,090</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Bridges to Independence

Statement of Activities for the year ended June 30, 2018

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Grants			
U.S. government	\$ 564,456	\$ -	\$ 564,456
State and local government	660,670	30,000	690,670
Contributions	405,839	17,133	422,972
Special events, net of expenses of \$33,316	60,697	-	60,697
Loss on disposal of property	(4,032)	-	(4,032)
Investment income, net	(4,214)	-	(4,214)
	<u>1,683,416</u>	<u>47,133</u>	<u>1,730,549</u>
In-kind donations			
Donated facilities	136,316	-	136,316
Donated goods and services	186,231	-	186,231
	<u>322,547</u>	<u>-</u>	<u>322,547</u>
Net assets released from restrictions	<u>43,311</u>	<u>(43,311)</u>	<u>-</u>
Total support and revenue	<u>2,049,274</u>	<u>3,822</u>	<u>2,053,096</u>
Expenses			
Program services	1,674,760	-	1,674,760
Management and general	389,421	-	389,421
Fundraising	190,946	-	190,946
Total expenses	<u>2,255,127</u>	<u>-</u>	<u>2,255,127</u>
Change in net assets before unusual item	<u>(205,853)</u>	<u>3,822</u>	<u>(202,031)</u>
Termination of contract (Note 4)	<u>172,578</u>	<u>-</u>	<u>172,578</u>
Change in net assets	<u>(378,431)</u>	<u>3,822</u>	<u>(374,609)</u>
Net assets, beginning of year	<u>2,105,019</u>	<u>12,438</u>	<u>2,117,457</u>
Net assets, end of year	<u>\$ 1,726,588</u>	<u>\$ 16,260</u>	<u>\$ 1,742,848</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Bridges to Independence

Statement of Functional Expenses for the year ended June 30, 2019

	Program services	Management and general	Fundraising	Total
Expenses				
Salaries	\$ 645,710	\$ 59,615	\$ 152,665	\$ 857,990
Payroll taxes	49,432	8,679	11,759	69,870
Employee benefits	37,914	5,802	2,537	46,253
Advertising	-	2,920	37	2,957
Background checks	-	577	-	577
Bad debts expense	-	21,198	-	21,198
Bank fees	2	3,428	-	3,430
Board training	750	-	-	750
Client assistance	54,042	3,481	6,646	64,169
Client assistance - utilities	7,550	-	-	7,550
Client assistance - rent	717,400	-	-	717,400
Communication	926	9,656	-	10,582
Conference and meetings	750	2,068	-	2,818
Cost of direct benefits to donors	-	-	27,895	27,895
Depreciation	-	18,143	-	18,143
Dues and subscriptions	-	3,859	-	3,859
Equipment	-	752	-	752
Employee appreciation	-	5,804	-	5,804
Fundraising activities	-	-	9,262	9,262
Insurance	-	25,315	-	25,315
Occupancy	31,714	10,646	-	42,360
Postage and shipping	-	1,382	-	1,382
Printing	-	1,982	-	1,982
Professional fees	6,453	64,547	-	71,000
Program administration	6,327	-	-	6,327
Retirement	26,188	3,760	3,335	33,283
Staff development	1,672	2,950	5,250	9,872
Supplies - administrative	10,503	3,391	-	13,894
Travel and transportation	6,181	2,457	88	8,726
	1,603,514	262,412	219,474	2,085,400
In-kind donations				
Donated rent	140,406	-	-	140,406
Donated goods and services	130,228	-	-	130,228
	270,634	-	-	270,634
Total functional expenses	1,874,148	262,412	219,474	2,356,034
Less expenses included with revenues on the statement of activities				
Cost of direct benefit to donors	-	-	(27,895)	(27,895)
Total expenses included in the expense section on the statement of activities	\$ 1,874,148	\$ 262,412	\$ 191,579	\$ 2,328,139

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Bridges to Independence

Statement of Functional Expenses for the year ended June 30, 2018

	Program services	Management and general	Fundraising	Total
Expenses				
Salaries	\$ 540,060	\$ 151,305	\$ 127,664	\$ 819,029
Payroll taxes	38,429	13,565	11,776	63,770
Employee benefits	71,530	30,474	1,002	103,006
Advertising	-	1,049	667	1,716
Background checks	729	341	-	1,070
Bank fees	18	3,388	3	3,409
Board training	-	6,222	-	6,222
Client assistance	42,397	2,874	1,420	46,691
Client assistance - utilities	7,321	361	1,033	8,715
Client assistance - rent	664,581	-	-	664,581
Communication	234	5,588	-	5,822
Conference and meetings	45	3,785	55	3,885
Depreciation	-	13,780	-	13,780
Dues and subscriptions	8,388	4,176	-	12,564
Equipment	-	364	-	364
Employee appreciation	-	587	-	587
Fundraising activities	-	-	7,045	7,045
Insurance	-	21,421	-	21,421
Occupancy	1,204	2,212	-	3,416
Postage and shipping	-	1,466	1,746	3,212
Printing	-	328	4,792	5,120
Professional fees	-	91,970	766	92,736
Program administration	1,617	39	-	1,656
Staff development	-	14,586	2,475	17,061
Supplies - administrative	260	11,927	140	12,327
Taxes	-	847	-	847
Travel and transportation	10,400	1,766	362	12,528
	<u>1,387,213</u>	<u>384,421</u>	<u>160,946</u>	<u>1,932,580</u>
In-kind donations				
Donated rent	136,316	-	-	136,316
Donated goods and services	151,231	5,000	30,000	186,231
	<u>287,547</u>	<u>5,000</u>	<u>30,000</u>	<u>322,547</u>
Total functional expenses	<u>\$ 1,674,760</u>	<u>\$ 389,421</u>	<u>\$ 190,946</u>	<u>\$ 2,255,127</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Bridges to Independence

Statements of Cash Flows

for the years ended June 30, 2019

2019

2018

Cash flows from operating activities

Change in net assets	\$ (152,758)	\$ (374,609)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	18,143	13,780
Loss from sale of property	-	4,032
Bad debt expense	21,198	-
Donated stock	(33,551)	(15,320)
Realized and unrealized loss on investments	9,296	22,580
(Increase) decrease in operating assets		
Grants receivable	(12,436)	39,247
Pledges receivable	9,000	45,573
Prepaid expenses	(5,858)	1,896
Escrow deposit	-	300,000
Security deposit	(5,000)	-
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(19,742)	16,166
Residents' deposits	(4,244)	4,179
Accrued salaries and payroll taxes	(43,561)	61,413
Deferred revenue	(11,697)	2,372
Net cash provided by (used in) operating activities	(231,210)	121,309

Cash flows from investing activities

Purchase of property and equipment	(27,352)	(51,902)
Purchases of investments and dividend reinvestments	(46,515)	(237,983)
Proceeds from sale of investments	76,973	372,000
Net cash provided by investing activities	3,106	82,115

Net change in cash and cash equivalents

(228,104) 203,424

Cash and cash equivalents and restricted cash, beginning of year

334,146 130,722

Cash and cash equivalents and restricted cash, end of year

\$ 106,042 \$ 334,146

Supplemental cash flow information

Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Bridges to Independence

Notes to Financial Statements June 30, 2019 and 2018

1. Organization and purpose

Bridges to Independence (the Organization, we, us, our), is a 501(c)(3) nonprofit organization, and was incorporated under the laws of the Commonwealth of Virginia in 1985. Our mission is to provide emergency shelter and counseling for persons from Arlington and Alexandria, Virginia, in crisis situations. Additionally, we offer other support services to assist individuals in transitioning from a crisis situation to one of self-sufficiency. We are primarily supported through government grants, foundations, and individual donors.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of the Organization are prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expenses that are applicable to future periods have been presented as deferred revenue or prepaid expenses on the accompanying statements of financial position.

Financial statement presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of restrictions imposed by donors or grantors. The two categories are net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-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.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent 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 classification of expenses

The costs of providing the programs and services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and services benefited. A portion of general and administrative expenses that benefit multiple functional areas have been allocated across the programs and supporting services based on estimated labor hours of employees and use of office space. The allocated expenses include salaries, payroll taxes, employee benefits, occupancy, and retirement.

See independent auditor's report.

Bridges to Independence

Notes to Financial Statements June 30, 2019 and 2018

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash. FDIC insurance is \$250,000 per depositor, per insured bank.

Grants and pledges receivable

Pledges receivable consist of unconditional promises to give that are expected to be collected within one year and are recorded at net realizable value. Grants receivable at June 30, 2019 and 2018 consists of reimbursements from various government agencies under grant agreements.

Restricted cash - residents' deposits

The Organization maintains a separate checking account in which funds are held on behalf of residents. These funds are exclusively held for the residents and are not available to pay our expenses. When residents enter the program, they have the option of depositing money in the account until they are able to open their own account. Residents may request to withdraw funds for appropriate expenses. The residents' deposits are a current asset and current liability of the Organization.

Property and equipment

It is our policy to capitalize property and equipment with a cost of over \$500. Property and equipment are reported in the financial statements at cost, net of accumulated depreciation. The equipment is depreciated over its useful life using the straight-line method from 3-7 years.

The building used by the Organization for its shelter operation is owned by Arlington County, which is responsible for all repairs and utility costs for the building. During fiscal years 2019 and 2018, rent was recorded as an in-kind donation and expense. The amount is estimated to be the fair market rental value of similar properties with a 3 percent annual increase.

Capitalized website costs are reported in the financial statements at cost, net of accumulated amortization. The website is depreciated over its useful life using the straight-line method.

Compensated absences

Employees of the Organization are entitled to paid vacation depending on job classification, length of service and other factors. As an additional benefit, employees hired prior to March 2012 will be paid one-third of their previously accrued sick leave upon leaving their position. The sick leave policy was amended in May 2012 in order to lower the obligation of the Organization. In fiscal year 2019, the Organization amended its policy to only track vacation leave, thus adding a portion of the prior sick leave balance to the vacation accrual, and expensing the remainder to salaries. Estimated compensated absences and sick leave are included in accrued salaries and payroll taxes in the accompanying statements of financial position. The Organization was liable for the following benefits, as of June 30:

	2019	2018
Accrued vacation	\$ 44,334	\$ 56,618
Accrued sick leave	-	23,068
	<u>\$ 44,334</u>	<u>\$ 79,686</u>

See independent auditor's report.

Bridges to Independence

Notes to Financial Statements June 30, 2019 and 2018

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions.

Deferred revenue

Deferred revenue represents fees that have been received in advance for events that have not yet occurred.

In-kind donations

The Organization receives support in the form of donated goods and services and facilities. The value of the services, goods, and facilities are recognized as both revenue and expense at fair market value on the day the donations are received.

Volunteers contribute significant amounts of time to our program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. generally accepted accounting principles.

Advertising costs

Advertising costs are expensed as incurred.

Fair value of financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, grants and pledges receivables, residents' deposits, passthrough funds and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses, residents' deposits, accrued salaries and payroll taxes, passthrough funds and deferred revenue. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Income taxes

The Organization is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. The Organization did not have a liability for unrelated business income for the years ended June 30, 2019 and 2018.

The Organization is subject to taxation in the U.S. and a small number of state and local jurisdictions. The material jurisdictions subject to potential examination by taxing authorities include the U.S. and Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Organization's results of operations. Tax years that remain subject to examination by the Internal Revenue Service are fiscal years after 2016.

Reclassifications

Certain reclassifications, such as presenting investment expenses as a reduction of investment income on the statement of activities, have been made to the 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications

See independent auditor's report.

Bridges to Independence

Notes to Financial Statements June 30, 2019 and 2018

Recently adopted accounting pronouncements

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 represents phase 1 of FASB's Not for-Profit financial reporting project and reduces the number of net asset classes, requires expense presentation by functional and natural classification, requires quantitative and qualitative information on liquidity, retains the option to present the cash flow statement on a direct or indirect method, and includes various other additional disclosure requirements. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017 with retrospective application. The Organization adopted this ASU as of and for the year ended June 30, 2019. The changes related to the presentation of functional expenses and information on liquidity were not made to the financial statements for the year ended June 30, 2018, as the ASU provides for optional application to prior periods in the period of adoption.

New accounting pronouncements

The FASB has issued Accounting Standards Update (ASU) 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. The standard was adopted on its effective date, which for the Organization was July 1, 2019.

The FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows - Restricted Cash (Topic 230)*, which requires that restricted cash and cash equivalents be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statements of cash flows. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2018. The standard was adopted on its effective date, which for the Organization was July 1, 2019.

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. The Organization plans to adopt the standard on its effective date, which for the Organization is July 1, 2020.

3. Grants and pledges receivable

Grants and pledges receivable consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Grant receivable - HUD Alexandria	\$ 12,330	\$ -
Grant receivable - HUD Arlington	26,118	26,012
Pledges receivable	-	30,198
	<u>\$ 38,448</u>	<u>\$ 56,210</u>

See independent auditor's report.

Bridges to Independence

Notes to Financial Statements June 30, 2019 and 2018

4. Property and equipment

A summary of property and equipment at cost is as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Vehicles	\$ 73,284	\$ 73,284
Computer equipment	70,970	45,418
Website	6,386	6,386
Furniture and equipment	30,006	28,206
	<u>180,646</u>	<u>153,294</u>
Less accumulated depreciation and amortization	(113,204)	(95,061)
	<u>\$ 67,442</u>	<u>\$ 58,233</u>

In August 2015, we sold our land and building located at 932 N Highland Street, representing approximately 6,350 square feet, to Clark Realty Company for \$1,983,229. As part of the transaction, we agreed to repurchase a 4,700 square foot office space of the new building once completed. At the settlement of our property in August 2015, \$300,000 of the proceeds was placed in escrow to be used towards the repurchase of the new space. The transaction resulted in a gain on sale of \$1,595,653 for the year ended June 30, 2016.

In August 2017, the Board determined increasing costs and commitments for the new office space exceeded the benefit to the Organization and commenced steps to terminate the contract. Accumulated costs of \$137,672 were incurred related to termination of the agreement and are reported as other unusual item on the statement of activities at June 30, 2018.

Donors who made contributions during the years ended June 30, 2018 and 2017 toward the Organization's capital campaign fund have been contacted and have released the restriction allowing the Organization to retain the funds for general operating purposes. Campaign pledges totaling \$34,906 were deemed uncollectible by management and charged to other unusual item on the statement of activities as of June 30, 2018.

5. Office and furniture leases

In August 2018, the Organization signed a 5 year lease to rent office space in Arlington, Virginia. The lease was effective November 1, 2018 and calls for base monthly payments of \$5,000, with annual escalations. The Organization received an abatement of rent for the first two months. In addition, they are responsible for a pro-rate share of operating costs of the building. Rent expense for the year ended June 30, 2019 was \$30,000.

Future minimum payments under this lease are as follows for the years ending June 30:

2020	61,200
2021	63,036
2022	64,927
2023	68,875
2024	34,103
	<u>\$ 292,141</u>

See independent auditor's report.

Bridges to Independence

Notes to Financial Statements June 30, 2019 and 2018

In October 2018, the Organization signed an agreement to lease office furniture for a total term of 60 months with monthly payments of \$312 per month.

Future minimum payments under this lease are as follows for the years ending June 30:

2020	3,739
2021	3,739
2022	3,739
2023	3,739
2024	935
	<u>\$ 15,891</u>

6. Retirement plan

We maintain a retirement and employee savings plan, which is a tax-deferred annuity plan under Internal Revenue Code section 403(b) that covers substantially all employees. There is no minimum age or service requirements for participating in the employee elective deferral contribution portion of the Plan. Employer contributions are discretionary and are allocated to eligible participating employees as follows: 3 percent of annual compensation after six months of service and 8.5 percent of annual compensation after seven years of service. Employees must be at least 18 years of age and must have completed at least three months of service to be eligible for the employer discretionary contribution portion of the Plan. The Organization's retirement expense was \$33,283 and \$38,022 for the years ended June 30, 2019 and 2018, respectively.

7. Fair value measurements

We report certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the liability, including assumptions about risk. We classify our inputs into a three-tier hierarchy as follows: Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

A significant portion of our investment assets are classified within Level 1 because they comprised of equities and open-end mutual funds with readily determinable fair values based on daily redemption values.

See independent auditor's report.

Bridges to Independence

Notes to Financial Statements June 30, 2019 and 2018

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money fund	\$ 3,559	\$ -	\$ -	\$ 3,559
Mutual funds				
American Global Growth	499,101	-	-	499,101
Federated Government Obligations	591,549	-	-	591,549
Lord Abbett Short Duration Inc. A	166,392	-	-	166,392
Thornburg Inv Inc. Builder C	39,418	-	-	39,418
TransAmerica Short Term Bond A	160,983	-	-	160,983
	<u>\$ 1,461,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,461,002</u>

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money fund	\$ 13,520	\$ -	\$ -	\$ 13,520
Mutual funds				
American Global Balanced	486,522	-	-	486,522
Federated Government Obligations	616,903	-	-	616,903
Lord Abbett Short Duration Inc. A	158,573	-	-	158,573
Thornburg Inv Inc. Builder C	37,320	-	-	37,320
TransAmerica Short Term Bond A	154,367	-	-	154,367
	<u>\$ 1,467,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,467,205</u>

Investment income consisted of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Realized and unrealized gain (loss)	\$ (9,296)	\$ (22,580)
Interest and dividend income	47,434	18,366
	<u>\$ 38,138</u>	<u>\$ (4,214)</u>

8. In-kind donations

We received program materials and goods in the amount of \$130,227 and \$186,231 for the years ended June 30, 2019 and 2018. In addition, the fair market value of donated facilities was \$140,406 and \$136,316 for the years ended June 30, 2019 and 2018.

9. Line of credit

With the sale of the building, we moved the line of credit to Morgan Stanley Bank with a variable interest spread of Corresponding PLA Index plus 5 percent. The line of credit was in effect as of July 24, 2015, and is secured by our investment account. There were no borrowings on the line during the years ended June 30, 2019 and 2018.

See independent auditor's report.

Bridges to Independence

Notes to Financial Statements June 30, 2019 and 2018

10. Net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2019:

	2018	Additions	Releases	2019
<i>Restricted for specific programs</i>				
AFHS - Rapid Re-housing	\$ 6,037	\$ -	\$ 6,037	\$ -
Training Resource	3,380	-	3,380	-
UWNCA Arlington Youghth Program	6,843	-	6,843	-
	<u>\$ 16,260</u>	<u>\$ -</u>	<u>\$ 16,260</u>	<u>\$ -</u>

Net assets with donor restrictions were available for the following purposes at June 30, 2018:

	2017	Additions	Releases	2018
<i>Restricted for specific programs</i>				
Arlington Community Foundation	\$ 1,124	\$ -	\$ 1,124	\$ -
AFHS - Rapid Re-housing	-	30,000	23,963	6,037
Training Resource	2,194	4,500	3,314	3,380
UWNCA Arlington Youghth Program	-	12,633	5,790	6,843
UWCFS Arlington SKIT	9,120	-	9,120	-
	<u>\$ 12,438</u>	<u>\$ 47,133</u>	<u>\$ 43,311</u>	<u>\$ 16,260</u>

11. Related party transaction

Donated design services were provided for a special event in the amount of \$30,000 for the year ended June 30, 2018 by a company owned by a board member. In-kind revenue and expense of \$30,000 is included in special events on the statement of activities. There were no material related party transactions for the year ended June 30, 2019.

12. Fiscal sponsorships – passthrough funds

During the course of the year, we may agree to act as a fiscal sponsor for projects or programs that do not have their own exempt status. We record such funds as a liability on the statements of financial position.

13. Liquidity and availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor or contractual restrictions.

Cash and cash equivalents	\$ 105,650
Investments	1,461,002
Grants receivable	38,448
	<u>\$ 1,605,100</u>

See independent auditor's report.

Bridges to Independence

Notes to Financial Statements June 30, 2019 and 2018

14. Subsequent events

We assessed events occurring subsequent to June 30, 2019 through January 10, 2020, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events occurred during that time period that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.