

**BRIDGE OVER TROUBLED
WATERS, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

BRIDGE OVER TROUBLED WATERS, INC.

Financial Statements

Year Ended June 30, 2009

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Bridge Over Troubled Waters, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial position of Bridge Over Troubled Waters, Inc. (a Massachusetts not-for-profit corporation) (the "Organization") as of June 30, 2009 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2008 financial statements, which were audited by other auditors, whose report dated March 11, 2009, expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2009 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

John E. Dahlquist, C.P.A., P.C.
Milton, Massachusetts

October 30, 2009

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Financial Position

June 30, 2009

(with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 260,203	\$ 1,069,840
Accounts Receivable	275,514	297,869
Prepaid Expenses and other current assets	172,192	109,864
Total Current Assets	<u>707,909</u>	<u>1,477,573</u>
Property, Plant and Equipment, Net of Accumulated Depreciation	<u>2,508,188</u>	<u>2,720,311</u>
Investments	<u>2,855,579</u>	<u>3,444,819</u>
Other Assets		
Mortgage Acquisition Costs, Net of Accumulated Amortization	5,000	6,089
Deposits	<u>7,000</u>	<u>22,500</u>
	<u>12,000</u>	<u>28,589</u>
Total Assets	<u>\$ 6,083,676</u>	<u>\$ 7,671,292</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 289,641	\$ 281,195
Deferred Compensation Plan Obligation	42,783	32,177
Current Portion of Long-Term Debt	30,000	30,000
Current Portion of Obligation Under Capital Lease	5,914	5,529
Total Current Liabilities	<u>368,338</u>	<u>348,901</u>
Long-Term Liabilities		
Long-Term Debt, Net of Current Portion	180,000	210,000
Obligation Under Capital Lease, Net of Current Portion	1,539	7,452
Long-Term Deferred Compensation Plan, Net of Current Portion	692,796	742,436
Security Deposit Payable	12,500	12,500
Total Liabilities	<u>1,255,173</u>	<u>1,321,289</u>
Contingencies		
Net Assets		
Unrestricted	2,912,998	4,097,447
Temporarily Restricted	401,348	738,399
Permanently Restricted	1,514,157	1,514,157
Total Net Assets	<u>4,828,503</u>	<u>6,350,003</u>
Total Liabilities and Net Assets	<u>\$ 6,083,676</u>	<u>\$ 7,671,292</u>

The accompanying notes are an integral part of these financial statements

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Activities

Year ended June 30, 2009

(with comparative totals for 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Support and Revenue					
Grants and Contracts	\$ 1,579,627	\$ -	\$ -	\$ 1,579,627	\$ 1,335,757
Contributions	694,954	358,218	-	1,053,172	1,580,771
Rental Income	112,716	-	-	112,716	127,370
Interest Income	84,283	21,166	-	105,449	161,323
Donated Services	367,000	-	-	367,000	171,686
Net Realized and Unrealized Gains/ (Losses) on Investments	(159,718)	(264,789)	-	(424,507)	(151,806)
Net Assets Released From Restrictions Used for Operations	451,646	(451,646)	-	-	-
Total Support and Revenue	3,130,508	(337,051)	-	2,793,457	3,225,101
Expenses					
Salaries and Wages	2,069,422	-	-	2,069,422	2,053,850
Employee Benefits	414,568	-	-	414,568	427,924
Professional Fees	919,390	-	-	919,390	447,888
Occupancy	250,734	-	-	250,734	273,516
Transportation	102,784	-	-	102,784	78,895
Supplies and Expenses	225,264	-	-	225,264	423,383
Bad Debt Expense	29,895	-	-	29,895	19,410
Interest	60,568	-	-	60,568	65,194
Depreciation and Amortization	242,332	-	-	242,332	232,385
Total Expenses	4,314,957	-	-	4,314,957	4,022,445
Change in Net Assets	(1,184,449)	(337,051)	-	(1,521,500)	(797,344)
Net Assets, Beginning of Year	4,097,447	738,399	1,514,157	6,350,003	7,147,347
Net Assets, End of Year	\$ 2,912,998	\$ 401,348	\$ 1,514,157	\$ 4,828,503	\$ 6,350,003

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

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Functional Expenses

Year ended June 30, 2009

(with comparative totals for 2008)

	Program Services							
	Youth Prevention	Counseling	Healthcare	Transitional Day Program	Educational/Vocational	Residential Program	Residential Apartments	Single Parent Program
Salaries and Wages	\$ 136,399	\$ 295,035	\$ 61,119	\$ 152,771	\$ 348,005	\$ 236,847	\$ 21,659	\$ 271,274
Employee Benefits	28,487	63,767	16,444	37,400	65,635	51,905	4,622	60,234
Professional Fees	1,418	9,880	367,237	13,764	1,883	1,731	56	1,700
Occupancy	10,168	31,659	13,574	35,543	35,339	19,536	15,955	26,238
Transportation	2,609	18,082	34,394	5,671	2,537	12,020	-	12,062
Bad Debt Expense	-	-	-	-	-	-	-	-
Supplies and Expenses	10,120	16,963	5,890	36,213	25,777	18,927	1,091	26,643
Interest Expense	289	2,314	878	2,603	2,747	746	-	-
Total Expenses Before Depreciation and Amortization	189,490	437,700	499,536	283,965	481,923	341,712	43,383	398,151
Depreciation and Amortization	8,262	18,099	1,268	17,573	14,764	63,168	11,552	28,763
Total Expenses	\$ 197,752	\$ 455,799	\$ 500,804	\$ 301,538	\$ 496,687	\$ 404,880	\$ 54,935	\$ 426,914

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

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Functional Expenses - Continued

Year ended June 30, 2009
(with comparative totals for 2008)

	Program Services		Support Services			2009 Total	2008 Total
	West Street	Program Service Total	Management and General	Fundraising	Support Service Total		
Salaries and Wages	\$ -	\$ 1,523,109	\$ 299,226	\$ 247,087	\$ 546,313	\$ 2,069,422	\$ 2,053,850
Employee Benefits	-	328,494	42,560	43,514	86,074	414,568	427,924
Professional Fees	-	397,669	317,358	204,363	521,721	919,390	447,888
Occupancy	24,008	212,020	28,296	10,418	38,714	250,734	273,516
Transportation	-	87,375	14,494	915	15,409	102,784	78,895
Bad Debt Expense	-	-	29,895	-	29,895	29,895	19,410
Supplies and Expenses	1,011	142,635	53,393	29,236	82,629	225,264	423,383
Interest Expense	3,326	12,903	46,942	723	47,665	60,568	65,194
Total Expenses Before Depreciation and Amortization	28,345	2,704,205	832,164	536,256	1,368,420	4,072,625	3,790,060
Depreciation and Amortization	10,190	173,639	64,614	4,079	68,693	242,332	232,385
Total Expenses	\$ 38,535	\$ 2,877,844	\$ 896,778	\$ 540,335	\$ 1,437,113	\$ 4,314,957	\$ 4,022,445

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

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Cash Flows

Year ended June 30, 2009
(with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,521,500)	\$ (797,344)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	242,332	232,385
Bad Debt Expense	-	19,410
Restricted Contributions and Investment Income	(358,218)	(435,790)
Net Realized and Unrealized Losses (Gains) on Investments	424,507	151,806
(Increase) Decrease in Asset Accounts Affecting Cash From Operations		
Accounts Receivable	22,355	15,885
Prepaid Expenses and Other Current Assets	(62,328)	104,057
Increase (Decrease) in Liability Accounts Affecting Cash From Operations		
Accounts Payable and Accrued Expenses	8,446	99,458
Net Cash Used in Operating Activities	<u>(1,244,406)</u>	<u>(610,133)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,380,566)	(89,502)
Proceeds From Sale of Investments	1,545,262	-
Proceeds From (Purchase of) Certificates of Deposit	-	1,182,915
Purchase of Property and Equipment	(29,120)	(174,913)
(Payment) Receipt of Deposits	15,500	(17,500)
Net Cash Provided by Investing Activities	<u>151,076</u>	<u>901,000</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted Contributions and Investment Income	358,218	435,790
Principal Payments on Long-Term Debt	(30,000)	(30,000)
Principal Payments on Capital Lease Obligations	(5,491)	(4,823)
Principal Payments on Deferred Compensation Obligation	(39,034)	(35,503)
Net Cash Provided by Financing Activities	<u>283,693</u>	<u>365,464</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(809,637)	656,331
Cash and Cash Equivalents, Beginning of Year	<u>1,069,840</u>	<u>413,509</u>
Cash and Cash Equivalents, End of Year	<u>\$ 260,203</u>	<u>\$ 1,069,840</u>
Supplemental Disclosure:		
Cash Paid During the Year for Interest	<u>\$ 60,568</u>	<u>\$ 65,194</u>
Non-Cash Restricted Contributions Received	<u>\$ 367,000</u>	<u>\$ 171,686</u>

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

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2009

NOTE 1 - ORGANIZATION

Bridge Over Troubled Waters, Inc. (the "Organization" or "Bridge") was incorporated as a not-for-profit corporation in 1970 and is located in Boston, Massachusetts. The Organization provides a wide range of services to runaways and homeless youth and other alienated adolescents in order to stimulate their own resources to survive and succeed. Bridge's primary sources of revenue are grants, purchase of service contracts and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, Financial Statements of Not-for-Profit Organizations. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets represent the portion of the net assets of the Organization that is neither permanently nor temporarily restricted by donor-imposed stipulations. A portion of the unrestricted net assets attributable to revenue received from Commonwealth of Massachusetts purchasing agencies has been determined to be deficit revenue in accordance with Commonwealth of Massachusetts regulations (see Note 11).

Temporarily restricted net assets represent those assets whose use by the Organization has been limited by donors or grantors to a specific time period or purpose (see Note 16).

Permanently restricted net assets consist of endowment funds that have been restricted by donors to be maintained in perpetuity. Income earned on such funds is unrestricted or temporarily restricted based on donor stipulations (see Note 17).

Comparative Financial 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

An allowance for doubtful accounts is recorded, when necessary, to report accounts receivable at their net realizable value. Estimates for doubtful accounts are based on past collection experience together with a review of the current status of the existing receivables (see Note 3).

Property and Equipment

Property and equipment are recorded at cost on the date of acquisition or at fair market value, if received by donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Capital lease assets are recorded at the next present value of future minimum lease payments. Depreciation of property and equipment is computed on the straight-line basis over the estimated useful lives of the assets.

Long-lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of the asset may not be recoverable. Long-lived assets to be disposed of are recorded at the lower of the carrying amount or fair value, less cost to sell.

Investments

The Organization follows the guidelines of SFAS No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. In accordance with the requirements of SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at market value in the Statement of Financial Position. Investments in equity securities, which do not have readily determinable fair values, are recorded at cost. Both realized gains and losses on the sale or other disposition of investments are determined on the cost basis.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Fair Value of Financial Instruments

The Organization determines the fair value of financial instruments and includes this information in the notes to the financial statements when the fair value is materially different from the carrying value of those financial instruments.

Mortgage Acquisition Costs

Costs incurred in connection with securing the Organization's real property mortgage obligations are being amortized over the term of the related mortgage.

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contract and Grant Revenue

The Organization derives revenues through contracts and grants received through the Commonwealth of Massachusetts Department of Public Health, the United States Department of Health and Human Services, Housing and Urban Development and Labor. Accordingly, the Organization is subject to the regulations and reporting requirements of the applicable governmental agencies. Contract and grant revenue are recorded in accordance with the provisions of the applicable award amounts.

Contributions

Contributions received, including pledges, are recorded as revenues in the period received at their fair values. Gifts of cash or other support are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same operating period are presented as unrestricted support. Contributions in the form of property are recorded at the fair market value on the date the property is received. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when donated assets or acquired long-lived assets are placed in service.

Unconditional promises to give that are expected to be collected within one (1) year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Function Allocation of Expenses

The cost of providing the various programs of the Organization have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Under generally accepted accounting principles, the Organization evaluates events that occur after the date of the Statement of Financial Position but before the date the financial statements are available to be issued. Such date was October 30, 2009 for the accompanying financial statements. The Organization did not identify any subsequent events that had a material effect on the accompanying financial statements.

Income Tax Status

The Organization is exempt from federal and state income taxes pursuant to Section 501©(3) of the Internal Revenue Code and, accordingly, no provisions for income taxes has been made in the accompanying financial statements. The Organization is classified as a public charity.

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2009

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization provides the majority of its services through provider agreements with various agencies of the Commonwealth of Massachusetts and Department of Health and Human Services and Housing and Urban Development of the United States. Accordingly, these parties represent the majority of the Organization's accounts receivable balances at June 30, 2009 as follows:

	Amount	%
Commonwealth of Massachusetts:		
Department of Public Health	\$ 41,197	15%
Department of Education	9,989	4%
United States Department of:		
Health and Human Services	80,431	29%
Housing and Urban Development	95,742	35%
City of Boston:		
Economic Development Industrial Corp.	48,155	17%
	<u>\$ 275,514</u>	<u>100%</u>

Management monitors and evaluates the receivables to ensure they are stated at their net realizable value. Management believes that the remaining balances from both private and public payors do not represent any concentration of credit risk to the Organization and, therefore, has not recorded an estimated allowance for uncollectible amounts.

The Organization maintains cash balances at several financial institutions. Accounts at each bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times such deposits may be in excess of the FDIC insurance limits. As of June 30, 2009 the Organization did not have any uninsured deposits in excess of the FDIC insurance limits.

NOTE 4 - PLEDGES RECEIVABLE

Included in other current assets are unconditional promises to give that are expected to be collected during the year ended June 30, 2009. At June 30, 2009, such amounts totaled \$106,425. All pledges are due in less than one (1) year.

NOTE 5 - INVESTMENTS

Investments consisted of the following at June 30, 2009:

U.S. Government securities	\$ 1,554,994
Marketable equity securities	1,224,033
Cash equivalents	<u>76,552</u>
	<u>\$ 2,855,579</u>

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2009

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2009:

Land	\$	441,500
Buildings		2,290,718
Building improvements		1,907,792
Furniture, fixtures and equipment		378,551
Vehicles		136,679
Software		253,173
		<u>5,408,413</u>
Less accumulated depreciation and amortization		<u>2,900,225</u>
	\$	<u>2,508,188</u>

NOTE 7 - CONTRIBUTED SERVICES

The Organization recognizes contribution revenue for certain services received at the fair value of those services. During the year ended June 30, 2009, the Organization received legal services and clinical services from physicians, dentists and nurses for use in its programs. The fair value of such contributed services approximated \$367,000 for the year ended June 30, 2009 and is included in donated services on the statement of activities.

NOTE 8 - LINE OF CREDIT

The Organization has a \$200,000 line of credit agreement with Wainwright Bank. Borrowings under this agreement are due on demand, and interest is payable monthly at the Bank's prime rate. The line of credit is secured by all of the Organization's personal property and is subject to renewal by the bank on September 1, 2010. There were no borrowings outstanding at June 30, 2009.

NOTE 9 - LONG-TERM DEBT

The Organization is obligated under a bank mortgage note agreement. The agreement requires monthly principal payments of \$2,500, plus interest (6.32%), through June 1, 2016. The loan is secured by real estate and an assignment of rents and leases.

Aggregate annual maturities of long-term debt are as follows:

Year ending June 30:

2010	\$	30,000
2011		30,000
2012		30,000
2013		30,000
2014		30,000
Later years		<u>60,000</u>
		210,000
Less current portion		<u>30,000</u>
Total	\$	<u>180,000</u>

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2009

NOTE 10 - OBLIGATION UNDER CAPITAL LEASE

The Organization maintains a capital lease agreement for the acquisition of a vehicle to be used by its residential programs expiring September 2010. The cost and accumulated amortization of the leased asset were \$26,400 and \$19,800, respectively, at June 30, 2009. Amortization expense relating to the capital lease asset for the year ended June 30, 2009 amounted to \$5,280.

Future minimum lease payments under the capital lease, together with the net present value of the future minimum lease payments as of June 30, 2009, are as follows:

Year Ending June 30:

2010	\$	6,236
2011		1,559
Total minimum lease payments		<u>7,795</u>
Less amount representing interest		<u>342</u>
Present value of future minimum lease payments		7,453
Less current portion		<u>5,914</u>
	\$	<u><u>1,539</u></u>

NOTE 11 - SURPLUS REVENUE RETENTION

The Operational Services Division of the Commonwealth of Massachusetts (the "Commonwealth") has promulgated regulations requiring that all not-for-profit entities engaged in the provision of human and social service programs by contract with state agencies be subject to a revenue retention policy. Under this policy, any surplus generated from contracts with the Commonwealth which exceeds five percent (5%) of the current year's Commonwealth revenues or twenty percent (20%) of cumulative Commonwealth revenues becomes a liability to the Commonwealth. Additionally, the Commonwealth requires that providers take steps to segregate state attributed surpluses, which fall below five percent (5%) as a segregated account within its unrestricted net assets. Under the applicable provisions of state regulations, the following is a summary of the surpluses attributed to Commonwealth revenues:

	<u>Amount Generated</u>	<u>Amount Allowed</u>
Surplus (loss) for the year ended June 30, 2009	<u>\$ (53,551)</u>	<u>\$ 21,661</u>
Accumulated surplus (deficit) as of June 30, 2009	<u>\$ (1,896,959)</u>	<u>\$ 87,537</u>

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2009

NOTE 12 - RENTAL INCOME

The Organization leases commercial space to a local business at its West Street, Boston location under an operating lease agreement which expires in June 2013. In addition, the lessee is obligated to pay the Organization for certain operating expenses related to the space. Total rental income under the lease was \$77,250 for the year ended June 30, 2009.

The following is a schedule of future minimum rental income on the non-cancelable lease agreement, which has a remaining term in excess of one (1) year as of June 30, 2009.

2010	\$	72,000
2011		72,000
2012		84,000
2013		84,000
		<hr/>
	\$	312,000

NOTE 13 - OPERATING LEASES

The Organization leases office equipment and a vehicle under various operating leases expiring through January, 2013, with monthly payments between \$160 and \$584. Rent expense totaled \$21,230 for the year ended June 30, 2009.

The following is a schedule of future minimum rental payments on cancelable lease agreements, which have remaining terms in excess of one year as of June 30, 2009:

2010	\$	17,135
2011	\$	15,967
2012	\$	7,020
2013	\$	2,345

NOTE 14 - RETIREMENT PLAN

The Organization maintains a defined contribution pension plan for substantially all employees with eligibility based on length of service. The Organization's contributions to the plan are determined annually based on a vote of the Board of Directors. For the year ended June 30, 2009, the Organization did not make any contributions to the plan.

NOTE 15 - DEFERRED COMPENSATION PLAN

The Organization maintains agreements with two founders of the Organization to provide them with annual retirement benefit payments and a deed for a life estate as joint tenants in a property owned by the Organization. Upon one of the founders predeceasing the other, all payments are then obligated to be paid to the surviving founder. The payments are adjusted on January 1 of each year for the increase in the consumer price index plus a two percent (2%) cost of living adjustment. All expenses of the property are paid by the Organization, and the two (2) founders are obligated to pay the Organization the fair market value of the local annual rental costs (determined to be \$18,000 for the year ended June 30, 2009). Total payments made under the agreements were \$84,396 for the year ended June 30, 2009. The net present value of the deferred compensation plan was \$735,579 as of June 30, 2009.

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2009

NOTE 16 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2009 were available to be used for the following purposes:

Education program	\$	23,000
Cumulative appreciation on endowment funds		195,432
Medical van replacement		182,916
		<hr/>
	\$	401,348
		<hr/> <hr/>

NOTE 17 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2009 were restricted to:

Investments to be held in perpetuity, the income from which is available for general operations	\$	1,387,719
Investments to be held in perpetuity, the income from which is available for medical van replacement		126,438
		<hr/>
	\$	1,514,157
		<hr/> <hr/>

NOTE 18 - FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the Organization adopted the provisions of SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"), for fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
Level 2	Quoted prices in the market that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. The value of beneficial interests presented below represents the Organization's estimate of future cash flows to be received from the respective trusts utilizing the fair market value of the trust assets provided by the Trustees and the Organization's share of the trust assets.

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2009

NOTE 18 - FAIR VALUE MEASUREMENTS - Continued

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2009:

	Total 2009	Level 1	Level 2	Level 3
Assets:				
Investments	\$2,855,579	\$ 2,855,579	\$ -	\$ -

NOTE 19 - ENDOWMENT FUNDS

New Accounting Pronouncement

Effective July 1, 2008, the Organization adopted the provisions of FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("FSP No. 117-1"). FSP No. 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to enacted versions of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and also requires disclosures about an organization's donor-restricted and board-designated endowment funds.

The Organization's endowment consists of funds that have been restricted by donors to be maintained in perpetuity. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law Regarding Net Asset Classification and Appropriation

Based on a Massachusetts Attorney General Position Statement on SFAS No. 117, issued in June 1995, and the Uniform Prudent Management of Institutional Funds Act that was signed into law in Massachusetts ("MA UPMIFA") with an effective date of June 30, 2009, management has interpreted relevant Massachusetts law as requiring the preservation of the fair value of the original gift as of the gift date ("historic dollar value") of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets the historic dollar value of gifts donated to the permanent endowment. Any unspent endowment gains are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Massachusetts law at which time the gains are reclassified to unrestricted net assets.

Subject to the intent of the donor expressed in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate or accumulate, the Organization considers the following factors:

1. the duration and preservation of the endowment fund;
2. the purposes of the Organization and the donor-restricted endowment fund;
3. general economic conditions;
4. the possible effect of inflation or deflation;
5. the expected total return from income and the appreciation of investments;
6. other resources of the Organization; and
7. the investment policy of the Organization

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2009

NOTE 19 - ENDOWMENT FUNDS - Continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MA UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are to be reported in unrestricted net assets. There were no such losses as of June 30, 2009.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and activities supported by its endowment. Under this approach, the endowment assets are invested in a manner that is intended to produce an optimum level of return that equals or exceeds relevant benchmarks while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its objectives, the Organization relies on a low risk strategy of investing its endowment funds in cash and mutual funds.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's investment and spending policies have been designed to limit the exposure of the endowment assets while providing for growth through new gifts and investment return.

The following is a reconciliation of the beginning and ending balance of the Organization's endowment in total and by net asset class:

		2009	
	Temporarily Restricted	Permanently Restricted	Total
Endowment, beginning of year	\$ 629,806	\$ 1,514,157	\$ 2,143,963
Investment return:			
Investment income	13,331	-	13,331
Net depreciation - realized and unrealized losses	(264,789)	-	(264,789)
Total investment return	(251,458)	-	(251,458)
Endowment, end of year	<u>\$ 378,348</u>	<u>\$ 1,514,157</u>	<u>\$ 1,892,505</u>

NOTE 20 - CONTINGENCIES

The human service industry is subject to numerous laws and regulations of federal, state and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by human service providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. Management believes that the Organization is in substantial compliance with current laws and regulations.

In the normal course of operations, the Organization if, from time to time, the respondent in various legal actions brought against them. Management believes that such actions will not have a material effect on the Organization or its financial condition.

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2009
