

BRIDGE OVER TROUBLED WATERS, INC.

Financial Statements
June 30, 2013
(With Comparative Totals for 2012)



SANDBERG & CREEDEN, P.C.

Certified Public Accountants

331 Page Street

Stoughton, MA 02072

BRIDGE OVER TROUBLED WATERS, INC.

FINANCIAL STATEMENTS
JUNE 30, 2013

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

Independent Auditor's Report

Report on Financial Statements

We have audited the accompanying financial statements of Bridge Over Troubled Waters, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 Bridge Over Troubled Waters, Inc. as of Year End, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2013, on our consideration of Bridge Over Troubled Waters, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bridge Over Troubled Waters, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Bridge Over Troubled Waters, Inc.'s 2012 financial statements, and our report dated November 28, 2012, 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 Year End Date, is consistent, in all material respects, with the audited financial statements from which it has been derived.


SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
October 3, 2013



BRIDGE OVER TROUBLED WATERS, INC.

STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2013
 (With Comparative Totals for 2012)

	<u>ASSETS</u>	
	<u>2013</u>	<u>2012</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,085,699	\$ 1,719,310
Accounts receivable	104,321	230,982
Pledged receivables	225,430	220,620
Prepaid expenses	<u>27,013</u>	<u>31,132</u>
Total current assets	1,442,463	2,202,044
<u>Property and Equipment</u>		
Land	441,500	441,500
Building and improvements	4,398,439	4,229,720
Furniture and equipment	201,990	691,029
Vehicles	<u>155,000</u>	<u>155,000</u>
Subtotal	5,196,929	5,517,249
Less: accumulated depreciation	<u>(2,893,361)</u>	<u>(3,273,692)</u>
Total property and equipment	2,303,568	2,243,557
<u>Other Assets</u>		
Mortgage acquisition costs, net of accumulated Amortization	651	1,731
Investments	<u>4,119,985</u>	<u>3,450,261</u>
Total other assets	<u>4,120,636</u>	<u>3,451,992</u>
<u>Total Assets</u>	<u>\$ 7,866,667</u>	<u>\$ 7,897,593</u>
	<u>LIABILITIES AND NET ASSETS</u>	
<u>Current Liabilities</u>		
Mortgage payable-current	\$ 30,000	\$ 30,000
Deferred compensation plan agreement	55,477	55,477
Accounts payable and accrued expenses	70,141	127,651
Accrued salary and benefits	<u>218,057</u>	<u>275,958</u>
Total current liabilities	373,675	489,086
<u>Long-Term Liabilities</u>		
Mortgage payable	60,000	90,000
Deferred compensation plan agreement	484,089	539,566
Security deposit	<u>12,500</u>	<u>12,500</u>
Total long-term liabilities	556,589	642,066
<u>Net Assets</u>		
Unrestricted	6,247,115	5,976,091
Temporarily restricted	562,850	663,912
Permanently restricted	<u>126,438</u>	<u>126,438</u>
Total net assets	<u>6,936,403</u>	<u>6,766,441</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 7,866,667</u>	<u>\$ 7,897,593</u>

See accompanying notes. See Independent Auditor's Report on the Financial Statements and the Supplementary Schedule of Expenditures of Federal Awards.





BRIDGE OVER TROUBLED WATERS, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>				
Contributions				
Individuals and foundations	\$ 988,254	\$ 774,608	\$	\$ 1,762,862
Donated services	361,318			361,318
Special events	796,830	360,430		1,157,260
Net assets released from restrictions	1,237,301	(1,237,301)		
Service fees	908,064			908,064
Rental income	105,792			105,792
Interest income	90,385	6,149		96,534
Net realized and unrealized gains/(losses) on investments	<u>62,381</u>	<u>(4,948)</u>		<u>57,433</u>
Total support and revenue	<u>4,550,325</u>	<u>(101,062)</u>		<u>4,449,263</u>
<u>Expenses</u>				
Program services	3,062,840			3,062,840
Management and general expenses	693,582			693,582
Fundraising	<u>522,879</u>			<u>522,879</u>
Total expenses	<u>4,279,301</u>			<u>4,279,301</u>
<u>Change in Net Assets</u>	271,024	(101,062)		169,962
<u>Net Assets - Beginning of Year</u>	<u>5,976,091</u>		<u>126,438</u>	<u>6,219,840</u>
<u>Net Assets - End of Year</u>	<u>\$ 6,247,115</u>	<u>\$ 562,850</u>	<u>\$ 126,438</u>	<u>\$ 6,936,403</u>

See accompanying notes. See Independent Auditor's Report on the Financial Statements and the Supplementary Schedule of Expenditures of Federal Awards.



BRIDGE OVER TROUBLED WATERS, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2013
 (With Comparative Totals for 2012)

	2013					2012		
	Outreach & Support Programs	Emergency Services Programs	Residential Services Programs	Property Rental	Total Program Services	General and Administrative	Development	Total
Salaries	\$ 570,513	\$ 303,082	\$ 625,915	\$	\$ 1,499,510	\$ 381,152	\$ 2,108,427	\$ 1,967,461
Payroll taxes	83,887	38,106	75,309		197,302	33,566	248,442	233,439
Benefits	107,529	61,299	104,398		273,226	40,787	338,907	302,746
Subtotal	761,929	402,487	805,622		1,970,038	455,505	2,695,776	2,503,646
Advertising	630	210	280		1,120	70	1,190	1,630
Bank and credit card charges						1,593	12,613	17,492
Client expenses	3,716	562	13,146		17,424		17,424	21,804
Consultants	62,766	550	550		63,866	12,208	90,694	141,970
Depreciation and amortization	80,982	20,624	47,640	23,100	172,346	18,005	198,584	170,400
Dues and fees	5,314	675	1,090		7,079	2,935	11,152	12,164
Equipment rental	5,176	2,013	2,013		9,202	863	10,595	11,606
Food	6,113	15,021	27,166		48,300	653	48,953	50,871
Inkind services	335,920				335,920		335,920	383,867
Insurance	14,496	3,624	10,872	2,796	31,788	9,228	44,640	40,560
Interest expense		1,095	1,095	1,164	5,887	18,134	24,363	30,763
Investment fees						39,346	39,346	38,072
Miscellaneous	371	2,423	4,090		6,884	10,162	17,046	5,578
Payroll service fees	1,088	692	1,121		2,901	165	3,297	2,687
Postage and delivery						845	7,275	7,377
Printing	69		27		96	33	16,442	25,844
Professional fees						42,385	42,385	27,207
Real estate taxes							20,609	19,959
Repairs and maintenance	40,110	12,704	35,238	20,609	20,609	3,855	104,559	90,900
Special event				9,505	97,557		177,210	164,466
Supplies	39,662	7,873	20,786		68,321	8,710	78,999	75,368
Telephone	5,614	2,462	4,274		12,350	4,585	17,675	14,752
Temporary staffing	2,703		15,009		17,712	46,055	63,767	46,093
Training and education	9,136	189	378		9,703	1,243	12,551	16,679
Travel and transportation	14,913	1,142	3,570		19,625	1,437	21,676	18,615
Utilities	31,092	12,128	34,230	20,041	97,491	9,159	111,444	100,326
Vehicle expenses	36,152		10,469		46,621	6,408	53,523	59,679
Total	\$ 1,460,485	\$ 486,474	\$ 1,038,666	\$ 77,215	\$ 3,062,840	\$ 693,582	\$ 4,279,301	\$ 4,100,375

See accompanying notes. See Independent Auditors' Report on the Financial Statements and the Supplementary Schedule of Expenditures of Federal Awards.

BRIDGE OVER TROUBLED WATERS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 169,962	\$ 546,601
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	196,584	170,400
Unrealized losses on investments	11,504	13,381
Donated stock	(55,150)	(15,189)
Donated building improvements	(25,397)	
(Increase) decrease in:		
Accounts receivables	126,661	(98,141)
Pledged receivables	(4,810)	(86,504)
Prepaid expenses	4,119	18,157
Increase (decrease) in:		
Accounts payable	(7,510)	(196,971)
Accrued expenses	(107,901)	<u>275,958</u>
<u>Net Cash Provided by Operating Activities</u>	<u>308,062</u>	<u>627,692</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of property and equipment	(230,118)	(206,113)
Proceeds from sale of investments	1,017,068	1,181,941
Purchase of investments	(1,643,146)	(1,158,920)
Use of deposit		<u>15,655</u>
<u>Net Cash (Used) in Investing Activities</u>	<u>(856,196)</u>	<u>(167,437)</u>
<u>Cash Flows From Financing Activities</u>		
Principal payments on long-term debt	(30,000)	(30,000)
Reduction in deferred compensation agreement	(55,477)	(50,990)
<u>Net Cash (Used) in Financing Activities</u>	<u>(85,477)</u>	<u>(80,990)</u>
<u>(Decrease) Increase in Cash and Cash Equivalents</u>	<u>(633,611)</u>	<u>379,265</u>
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>1,719,310</u>	<u>1,340,045</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 1,085,699</u>	<u>\$ 1,719,310</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ 24,363</u>	<u>\$ 30,762</u>
Write off fully depreciated fixed assets	<u>\$ 575,835</u>	<u>\$ 85,769</u>

See accompanying notes. See Independent Auditor's Report on the Financial Statements and the Supplementary Schedule of Expenditures of Federal Awards.



BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 purchase of service contracts and contributions. Bridge provides services in three areas including:

Outreach and Support Services which includes Counseling, Educational and Workforce Development, Medical van and Outreach, Dental and Medical clinics

- Counseling Services by Bridge's licensed counselors specialize in dealing with homelessness, substance abuse, sexual abuse, trauma, post-traumatic stress disorder, attachment disorder, and other disorders, including depression and anxiety. Youth who are interested in counseling must meet with an intake specialist before being assigned to a counselor. Counseling is free and confidential.
- Medical and Dental Services through partnerships with Harvard, Tufts, the Sydney Borum Health Center, the Justice Resource Institute, and MAC, Bridge provides weekly dental clinics, medical clinics, and HIV/STD testing and counseling to youth ages 14 to 24. All services are provided at the Bridge main facility at 47 West Street and are free and confidential.
- GED Program through Bridge's GED program helps students earn their GED. Students may enter the program at any time and work at their own pace to build academic skills to help them reach their long-term educational and career goals. Students also develop job and computer skills necessary for both college and the workplace.
- College and Career Counseling through Bridge's College and Career counselor assists youth with job searches, college applications, interview preparation, resumes and cover letters, finding professional clothing for interviews, and provide counseling and referrals to address barriers to employment.
- The Mobile Medical Van and the Outreach Mini-Van travel through Boston, Cambridge, and surrounding areas weekday evenings, offering free and confidential services at locations where young people gather. Volunteer medical staff offer homeless and street youth free basic first aid, referrals, and health advice, as well as access to services including crisis intervention, emergency shelter, survival items (food, blankets, clothes), assessment, counseling, and education. The Van offers youth a place to connect with a supportive adult. The vans make more than 3,000 contacts a year with street youth.

Emergency Services which includes the following programs:

- Transitional Day Program (TDP) is a drop-in center where homeless young people can get a hot meal, take a shower, access lockers, do laundry, connect with case managers, and participate in workshops. The TDP offers breakfast and lunch, as well as a safe and comfortable space to relax, read, use computers, and connect with friends or staff.



BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(Continued)

Note 1. Organization (Continued)

Emergency Services which includes the following programs: (Continued)

- Warming Center is open every night from 10 PM to 7 AM. The Center offers homeless youth warmth, safety, and supportive adults who can help.
- Emergency Youth Shelter provides homeless young adults with shelter, food, clothing, meals, and safety, along with access to a wide range of support and services, all designed to help young people overcome difficult circumstances, become self-sufficient, and obtain transitional or permanent housing. Beds are available both on an emergency basis and for longer periods of time as a "contract bed" for youth who are actively working toward independence.

Residential Services which includes our Transitional Living Programs, Maternal Group Home and Runaway Shelter

- Transitional Living Program provides housing, life-skills training, and support to homeless youth ages 18 to 21. Young people live among their peers while they learn the life skills necessary to successfully manage and sustain their own households. Through groups and individual counseling, residents learn how to set goals and work toward them while focusing on daily routines that may include work, school, homemaking, shared meals, and a regular calendar of traditional holidays and events. All residents have access to all the services available at Bridge.
- Maternal Group Home provides housing, life-skills training, and support to homeless pregnant or parenting girls ages 18 to 21 and their children. Young women live among their peers while they learn the life skills needed to successfully manage and sustain their own households and raise healthy children. Through groups and individual counseling, residents learn how to set goals and work toward them, while focusing on daily routines that may include work, school, child care, and homemaking and shared meals. Mothers participate in parenting education and groups on health, nutrition, and nurturing care. All residents have access to services available at Bridge.
- Runaway Services Bridge is the local respondent for the national runaway hotline (1-800-RUNAWAY), offering 24-hour access to a counselor and a safe bed off the streets for youth 14 to 17 years old who have run away from home and find themselves in crisis. Bridge staff will contact Metro Cab to pick up youth 24 hours a day, 7 days a week, within a 30-mile radius of Boston—at no cost to the youth—and safely transport them to our Transitional Living Program in Brighton for shelter and services.

Note 2. Summary of Significant Accounting Policies

- a. Standards of Accounting and Reporting
The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for Not-for-Profit Organizations.



BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(Continued)

Note 2. Summary of Significant Accounting Policies

- a. Standards of Accounting and Reporting (Continued)
The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bridge Over Troubled Waters, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Auditors of States, Local Governments and Non-Profit Organizations*.
- b. Financial Statement Presentation
The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations*). Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:
- Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily Restricted - Net assets whose use by the Organization is subject to donor imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.
- Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.
- c. Cash and Cash Equivalents
For purposes of the statement of cash flows, Bridge Over Troubled Waters, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- d. Promises to Give
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.



BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(Continued)

Note 2. Summary of Significant Accounting Policies

e. Property and Equipment

These assets are recorded at cost, when purchased or if donated, at their estimated fair market value at date of donation. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs and betterments that materially prolong the useful lives of assets are capitalized. 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.

f. Investments

Bridge Over Troubled Waters, Inc. follows FASB ASC 820, *Fair Value Measurements*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements.

Under FASB ASC 820, fair value refers to the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, FASB ASC 820 establishes a fair value hierarchy that prioritizes the information used to develop these assumptions. Under FASB ASC 820, fair value measurements are separately disclosed by level within the fair value hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices are available in active markets for identical investments as of the reporting date.

Level II: Pricing inputs are other than quoted prices in active markets of comparable investments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

Investments include listed equity or debt instruments which are publicly traded, and whose fair value is therefore classified and disclosed as Level I. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.



BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(Continued)

Note 2. Summary of Significant Accounting Policies

- g. 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 loan.
- h. Government Contract Fees
Financial awards from state government entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.
- i. Restricted and Unrestricted Revenue and Support
Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- J. Donated Goods and Services
Donated goods and services are reflected as contributions at their estimated fair market value at date of receipt if an objective basis exists for recording and assigning value to such donations. Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided program and fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met. Such volunteers are an integral part of the services provided by the organization but do not qualify as specialized skills as defined by SFAS No. 116.

For the year ended June 30, 2013 and 2012, Bridge received and recorded in-kind contributions as follows:

	<u>2013</u>	<u>2012</u>
Medical specialists	\$ 201,184	\$ 184,460
Social workers	134,737	199,407
Building improvements	<u>25,397</u>	<u> </u>
Total	<u>\$ 361,318</u>	<u>\$ 383,867</u>



BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(Continued)

Note 2. Summary of Significant Accounting Policies

k. Depreciation

Provisions for depreciation are made in the accounts using the straight-line method. Property and equipment are being depreciated as follows:

Building and improvements	25 – 30 years
Furniture and equipment	5 – 10 years
Vehicles	5 years

l. Allocation of Expenses

Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

m. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

n. Summarized Comparative Financial Statements

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, 2012 from which the summarized information was derived.

Note 3. Tax Status

Bridge Over Troubled Waters, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an Organization that is not a private foundation under Section 509(a)(1).

Unrelated business income for the year ending June 30, 2013, would be subject to Federal and State taxes. Unrelated business income was generated as a result of the Organization renting excess commercial space. The Organization files IRS form 990T to determine the annual tax provision for income taxes. No tax was due and no provisions for income taxes are reflected in these financial statements.



BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(Continued)

Note 4. Concentrations of Credit Risk

The Organization maintains its cash balances in local banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account. At June 30, 2013, the Organization's uninsured cash balance totaled \$624,422. Bridge's investments have a fair market value at June 30, 2013 that make up 52% of its total asset base. The fair market value of these investments is not insured and is subject to market fluctuations. The Organization regularly monitors both the financial institutions holding the operation cash and the investment portfolio and believes that the locations of the funds are prudent at this time in relation to other options.

The concentration of risk for accounts receivables was considered low as most balances are due from governmental sources.

Credit risk with respect to pledged receivable was considered low because a substantial portion of the receivables are from well-established foundations or continued supporters.

Note 5. Pledges Receivable

Unconditional grants and promises to give at June 30, 2013 and 2012 totaled \$225,430 and \$220,620, respectively. The balance as of June 30, 2013 has payments totaling \$190,430 due in FY2014, and payments totaling \$35,000 due in FY2015. No discount has been applied to the balance due over one year as the amount would be immaterial to these financial statements.

Note 6. Investments

Bridge maintains its investment accounts at a brokerage firm. The investments were allocated among various cash, equity and debt instruments. Investments are carried at fair value based on quoted prices in active markets (all level 1 measurements) as summarized below:

	<u>Maturity Dates</u>	<u>2013</u>		<u>2012</u>	
		<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Cash and money markets		\$ 205,485	\$ 205,485	\$ 176,413	\$ 176,413
Accrued interest		32,129	32,129	20,015	20,015
Corporate bonds	8/2008-8/2018	1,517,488	1,551,364	1,373,055	1,372,816
Equity securities		992,336	813,786	818,205	706,703
Government bonds	8/2008-10/2009	914,798	923,243	632,147	593,953
Asset backed securities		457,749	466,628	430,426	431,250
Total		<u>\$ 4,119,985</u>	<u>\$ 3,992,635</u>	<u>\$ 3,450,261</u>	<u>\$ 3,301,150</u>

The following schedules summarize the investment return and its classification in the consolidated statement of activities for the year ended June 30:

	<u>2013</u>	<u>2012</u>
Interest/dividends	\$ 96,534	\$ 107,665
Realized gains (losses)	68,937	36,214
Unrealized gains (losses)	(11,504)	(13,381)
Total investment returns	<u>\$ 153,967</u>	<u>\$ 130,498</u>

Expenses related to investment revenues, including custodial fees and investment fees totaled \$39,346 and \$38,072 for 2013 and 2012, respectively and has been included on the statement of functional expenses.



BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(Continued)

Note 7. Line of Credit

The Organization maintains a line of credit totaling \$200,000 from a local bank secured by all personal property. Borrowings under this agreement are due on demand, and interest is payable monthly at the Bank's prime rate. The line of credit is subject to renewal by the bank on October 31, 2014. There were no borrowings outstanding at June 30, 2013.

Note 8. Mortgage Payable

The Organization is obligated under a bank mortgage note agreement requiring 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 ended June 30:	
2014	\$ 30,000
2015	30,000
2016	<u>30,000</u>
Total debt	90,000
Less current portion	<u>(30,000)</u>
Total long-term portion	<u>\$ 60,000</u>

Note 9. 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 may be adjusted in January 1 of each year for the increase in the consumer price index plus a 2% (percent) 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, 2013). Total payments made under the agreements were \$55,477 and \$50,990 for the years ended June 30, 2013 and 2012 respectively. The net present value of the deferred compensation plan was \$539,566 and \$595,043 for the years ended June 30, 2013 and 2012, respectively.

Note 10. Security Deposits

A security deposit at June 30, 2013 consists of \$12,500 received from the tenant.



BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(Continued)

Note 11. Board Designated Net Assets

At June 30, 2013, the board has designated the following accumulated net assets at year end for the following purposes:

FY2011 Gala Fund a Mission	\$ 75,000
FY2012 Gala Fund a Mission	<u>125,000</u>
Total Board Designated	<u>\$ 200,000</u>

Note 12. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2013 consist of the following:

Time Restricted	\$ 225,430
Building Repairs	30,000
Educational/Vocational Program	11,250
Medical Van Replacement	191,170
Transitional Day	85,000
Counseling	<u>20,000</u>
	<u>\$ 562,850</u>

Note 13. Permanently Restricted Net Assets

Permanently restricted net assets consist of donations provided for investment in perpetuity, the income from which is available for the medical van replacement totaling \$126,438.

The Board has interpreted Massachusetts General Law as requiring realized and unrealized gains on permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Board and expended. Massachusetts General Law allows the Board to appropriate as much of net appreciation of permanently restricted net assets as is prudent considering the Organization's long and short-term needs, present and anticipated financial requirements, and expected total return on investments, price level trends, and general economic conditions. In the absence of evidence to the contrary, Chapter 180A (the "Uniform Management of Institutional Funds") of the Commonwealth of Massachusetts General Law ("Chapter 180A") defines prudent as expending realized and unrealized gains up to 7% of such assets. Based on the donor restriction for the replacement as needed for a medical van, earnings are accumulated and restricted as temporarily restricted net assets until such time as needed.

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

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment, beginning of year	\$ 89,969	\$ 126,438	\$ 216,407
Net investment income	<u>1,201</u>		<u>1,201</u>
Endowment, end of year	<u>\$ 91,170</u>	<u>\$ 126,438</u>	<u>\$ 217,608</u>



BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(Continued)

Note 14. Subleases

Bridge currently leases commercial space to a local business at its West Street, Boston location under an operating lease agreement which expires in June 2015. In addition, the lessee is obligated to pay the Organization for certain operating expenses related to the space. Total commercial rental income under the lease was \$72,000 for each the years ended June 30, 2013 and 2012, respectively.

The following is a schedule of future minimum rental income on the non-cancelable lease agreement:

2014	\$ 73,800
2015	<u>73,800</u>
	<u>\$ 147,600</u>

Note 15. Operating Leases

The Organization leases office equipment and a vehicle under various operating leases expiring through March, 2014, requiring monthly payments between \$184 and \$690. Equipment rental expense totaled \$10,596 and \$11,606 for the years ended June 30, 2013 and 2012, respectively. Future minimum rental payments on cancelable lease agreements are as follows:

2014	\$6,201
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Note 16. The Evaluation of Subsequent Events

The Organization has evaluated subsequent events through November 8, 2013, the date which the financial statements were available to be issued.

There were no subsequent events to be disclosed based on this evaluation.



BRIDGE OVER TROUBLED WATERS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>CFDA No.</u>	<u>Pass Through Grant Number</u>	<u>Federal Award</u>	<u>Expenditures</u>
<u>US Department of Labor</u>				
<u>Pass through the City of Boston - Economic Development Industrial Corporation</u> Education/Career Development	17.259	382-007-210	32,978	<u>32,978</u>
<u>Total Department of Labor</u>				<u>32,978</u>
<u>U.S. Department of Education</u>				
<u>Pass through Massachusetts Department of Elementary and Secondary Education</u> Adult and Community Learning Services	84,002		13,072	<u>13,072</u>
<u>Total U.S. Department of Education</u>				<u>13,072</u>
<u>U.S. Department of Health and Human Services</u>				
<u>Direct</u>				
Basic Center Grant	93.623	90CY2491/02	\$ 138,340	\$ 138,340
Education and Prevention to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.550	01CX05757/04	200,000	145,374
Transitional Living for Homeless Youth	93.550	01CX0581/04	200,000	138,455
Street Outreach Program	93.557	90Y00090/02	175,000	139,568
Street Outreach Program - Nebraska	93.557	26-0524-0063	38,882	<u>38,882</u>
			Subtotal direct	600,619
<u>Pass through Commonwealth of Massachusetts - Department of Public Health</u>				
Ambulatory Services - Outpatient	93.959	23015358092	54,574	33,131
Supportive Housing	93.959	23235390004	27,825	27,825
Homeless Search	93.959	2339541000	79,960	78,421
Case Management	93.959	INTF2311M3602714105	103,719	<u>103,588</u>
			Subtotal pass through	<u>242,965</u>
<u>Total U.S. Department of Health and Human Services</u>				<u>843,584</u>
<u>Total Expenditures of Federal Awards</u>				<u>\$ 889,634</u>
		<u>CFDA</u>		<u>Total</u>
		17.259		\$ 32,978
		84.002		13,072
		93.550		283,829
		93.557		178,450
		93.623		138,340
		93.959		<u>242,965</u>
				<u>\$ 889,634</u>

 See accompanying notes. See Independent Auditor's Report on the Financial Statements and the Supplementary Schedule of Expenditures of Federal Awards.

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Bridge Over Troubled Waters, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bridge Over Troubled Waters, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bridge Over Troubled Waters, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of management, Audit Committee, the Board of Directors federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Sandberg & Creeden P.C.

SANDBERG & CREEDEN, P.C.
Certified Public Accountants

October 3, 2013



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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Report on Compliance for Each Major Federal Program

We have audited Bridge Over Troubled Waters, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bridge Over Troubled Waters, Inc.'s major federal programs for the year ended June 30, 2013. Bridge Over Troubled Waters, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bridge Over Troubled Waters, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about Bridge Over Troubled Waters, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bridge Over Troubled Waters, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Bridge Over Troubled Waters, Inc. complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Internal Control Over Compliance

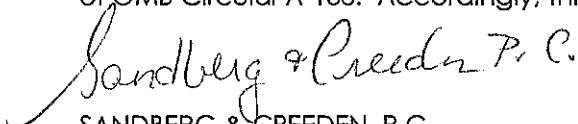
Report on Internal Control Over Compliance

Management of Bridge Over Troubled Waters, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bridge Over Troubled Waters, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bridge Over Troubled Waters, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



SANDBERG & CREEDEN, P.C.
Certified Public Accountants

October 3, 2013



BRIDGE OVER TROUBLED WATERS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Bridge Over Troubled Waters, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Bridge Over Troubled Waters, Inc. were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With Circular A-133 for Bridge Over Troubled Waters, Inc. expresses an unqualified opinion.
6. Not applicable.
7. The programs tested as major programs include:

Education and Prevention to Reduce Sexual Abuse of Runaway, Homeless, and Street Youth	93.550
Transitional Living for Homeless Youth	93.550
Street Outreach Program	93.557
Basic Center Grant	93.623
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Bridge Over Troubled Waters, Inc. did qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

