

BRIDGE OVER TROUBLED WATERS, INC.

Financial Statements

June 30, 2016

BRIDGE OVER TROUBLED WATERS, INC.

Index

June 30, 2016

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bridge Over Troubled Waters, Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Organization as of June 30, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2015. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 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 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.



November 15, 2016



Independent Auditors' 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*

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

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), (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Munir P. Mautun & Chanto P.C.

November 15, 2016



Independent Auditors' Report on Compliance for Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Bridge Over Troubled Waters, Inc.'s (a nonprofit organization),(the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of the Organization's major federal program for the year ended June 30, 2016. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program 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 in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Organization'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 the Organization's compliance.

Opinion on Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Organization'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 a 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



November 15, 2016

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Financial Position

As of June 30, 2016
With Comparative Totals as of June 30, 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,358,833	\$ 1,041,858
Accounts receivable	369,383	195,412
Promises to give, current portion	344,640	155,050
Prepaid expenses	<u>54,146</u>	<u>33,253</u>
Total current assets	<u>2,127,002</u>	<u>1,425,573</u>
Fixed Assets		
Land	441,500	441,500
Buildings and improvements	4,604,610	4,592,257
Furniture and equipment	248,863	248,863
Vehicles	155,000	155,000
Software	14,000	-
Construction in process	<u>367,516</u>	<u>159,428</u>
Total fixed assets	<u>5,831,489</u>	<u>5,597,048</u>
Less: accumulated depreciation	<u>(3,498,551)</u>	<u>(3,309,945)</u>
Total net fixed assets	<u>2,332,938</u>	<u>2,287,103</u>
Other Assets		
Promises to give, net of current portion and discount of \$4,762.	95,238	185,941
Investments	<u>4,471,219</u>	<u>4,984,091</u>
Total other assets	<u>4,566,457</u>	<u>5,170,032</u>
Total Assets	<u>\$ 9,026,397</u>	<u>\$ 8,882,708</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 144,958	\$ 143,432
Accrued expenses	185,256	281,373
Mortgage note payable	-	30,000
Deferred compensation, current portion	92,846	73,527
Deferred revenue	<u>1,500</u>	<u>-</u>
Total current liabilities	<u>424,560</u>	<u>528,332</u>
Long Term Liabilities		
Deferred compensation, net of current portion	<u>295,398</u>	<u>340,497</u>
Total long term liabilities	<u>295,398</u>	<u>340,497</u>
Total liabilities	<u>719,958</u>	<u>868,829</u>
Net Assets		
Unrestricted	6,943,287	6,794,212
Temporarily restricted	1,236,714	1,093,229
Permanently restricted	<u>126,438</u>	<u>126,438</u>
Total net assets	<u>8,306,439</u>	<u>8,013,879</u>
Total Liabilities and Net Assets	<u>\$ 9,026,397</u>	<u>\$ 8,882,708</u>

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

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Activities

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenue and Support					
Contributions and grants:					
Individual and foundations	\$ 885,993	\$ 617,461	\$ -	\$ 1,503,454	\$ 1,963,042
Donated services	439,296	-	-	439,296	555,126
Special events, net of expenses of \$316,783	1,087,589	201,140	-	1,288,729	1,198,590
Service fees	1,607,525	-	-	1,607,525	998,701
Rental revenue	37,226	-	-	37,226	43,247
Interest and dividend revenue, net	60,173	1,952	-	62,125	62,325
Net realized and unrealized gain/(loss) on investments	(10,467)	(273)	-	(10,740)	(80,391)
Net assets released from restrictions	<u>676,795</u>	<u>(676,795)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>4,784,130</u>	 <u>143,485</u>	 <u>-</u>	 <u>4,927,615</u>	 <u>4,740,640</u>
Expenses					
Program services	3,378,094	-	-	3,378,094	2,952,432
Management and general expenses	759,732	-	-	759,732	652,397
Fundraising	<u>497,229</u>	<u>-</u>	<u>-</u>	<u>497,229</u>	<u>369,994</u>
 Total expenses	 <u>4,635,055</u>	 <u>-</u>	 <u>-</u>	 <u>4,635,055</u>	 <u>3,974,823</u>
 Change in net assets	 149,075	 143,485	 -	 292,560	 765,817
 Net Assets at Beginning of Year	 <u>6,794,212</u>	 <u>1,093,229</u>	 <u>126,438</u>	 <u>8,013,879</u>	 <u>7,248,062</u>
 Net Assets at End of Year	 <u>\$ 6,943,287</u>	 <u>\$ 1,236,714</u>	 <u>\$ 126,438</u>	 <u>\$ 8,306,439</u>	 <u>\$ 8,013,879</u>

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

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Cash Flows

For the Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 292,560	\$ 765,817
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	188,606	207,984
Net loss on investments	(51,385)	(241,359)
Donated stock	(4,020)	(3,645)
Discount on pledges	(9,297)	14,059
Contributions for long term investment	(50,000)	-
Decrease (increase) in assets:		
Accounts receivable	(173,971)	2,889
Pledges receivable	(89,590)	(215,800)
Prepaid expenses	(20,893)	9,590
Increase (decrease) in liabilities:		
Accounts payable	1,526	103,356
Accrued expenses	(96,117)	(20,180)
Deferred revenue	1,500	-
Deferred compensation	(25,780)	(65,301)
Net Cash (Used in) Provided by Operating Activities	<u>(36,861)</u>	<u>557,410</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(234,441)	(196,513)
Proceeds from the sale of investments	568,277	763,624
Purchase of investments	-	(1,004,188)
Net Cash Provided by (Used in) Investing Activities	<u>333,836</u>	<u>(437,077)</u>
Cash Flows from Financing Activities		
Principle payments on long-term debt	50,000	(30,000)
Contributions for long term investment	(30,000)	-
Net Cash Provided by (Used in) Financing Activities	<u>20,000</u>	<u>(30,000)</u>
Net Increase in Cash and Cash Equivalents	316,975	90,333
Cash and Cash Equivalents - Beginning	<u>1,041,858</u>	<u>951,525</u>
Cash and Cash Equivalents - Ending	\$ <u><u>1,358,833</u></u>	\$ <u><u>1,041,858</u></u>
Supplement Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ <u><u>2,704</u></u>	\$ <u><u>10,650</u></u>

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

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Functional Expenses

As of June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015

	2016							2015	
	Outreach & Support Programs	Emergency Services Programs	Residential Services Programs	Property Rental	Total Program Services	General and Administrative	Development	Total	
Functional Expenses									
Salaries	\$ 624,843	\$ 352,781	\$ 585,683	\$ -	\$ 1,563,307	\$ 340,776	\$ 307,199	\$ 2,211,282	\$ 1,851,297
Payroll taxes	61,094	34,933	58,038	-	154,065	28,974	29,446	212,485	187,822
Benefits	91,420	54,687	87,030	-	233,137	87,478	34,140	354,755	320,870
Subtotal	<u>777,357</u>	<u>442,401</u>	<u>730,751</u>	<u>-</u>	<u>1,950,509</u>	<u>457,228</u>	<u>370,785</u>	<u>2,778,522</u>	<u>2,359,989</u>
Bank and credit card charges	383	179	270	-	832	9,032	13,129	22,993	17,669
Depreciation and amortization	80,130	15,615	41,338	20,708	157,791	26,291	4,524	188,606	207,985
In-kind services	425,795	-	-	-	425,795	13,501	-	439,296	488,680
Interest expense	320	145	218	-	683	1,919	100	2,702	10,650
Occupancy	88,225	31,520	83,635	65,281	268,661	22,307	11,639	302,607	257,189
Professional fees	60,015	72,111	103,768	1,150	237,044	176,291	28,316	441,651	304,316
Supplies, insurance and office	91,425	41,910	127,618	378	261,331	46,509	68,678	376,518	259,229
Travel and transportation	57,388	992	17,068	-	75,448	6,654	58	82,160	69,116
Total Functional Expenses	<u>\$ 1,581,038</u>	<u>\$ 604,873</u>	<u>\$ 1,104,666</u>	<u>\$ 87,517</u>	<u>\$ 3,378,094</u>	<u>\$ 759,732</u>	<u>\$ 497,229</u>	<u>\$ 4,635,055</u>	<u>\$ 3,974,823</u>

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

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed by Bridge Over Troubled Waters, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

(a) *Nature of Activities*

The Organization 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. The primary sources of revenue are purchases of service contracts and contributions. The Organization provides services in four areas including:

Outreach and Support Program - which includes Counseling, Educational and Workforce Development, Medical Van and Outreach, Dental and Medical Clinics.

Counseling Services - The Counseling Services by the Organization'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 - The Medical and Dental Services through partnerships with Harvard, Tufts, the Sydney Borum Health Center, the Justice Resource Institute, and the Multicultural AIDS Coalition. The Organization provides weekly dental clinics, medical clinics, and HIV/STD testing and counseling to youth ages 14 to 24. All services are provided at the main facility located at 47 West Street and are free and confidential.

GED Program - The 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 - The College and Career Counseling through the Organization's College and Career counselor assists youth with job searches, college applications, interview preparation, resumes and cover letters, finding professional clothing for interviews, and provides counseling and referrals to address barriers to employment.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Outreach and Support Program - continued

Medical Van and Outreach - 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 Program - which includes the Transitional Day Program, Warming Center and Emergency Youth Shelter.

Transitional Day Program (TDP) - The 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.

Warming Center - The 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 - The 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 Program - which includes the Transitional Living Programs, Maternal Group Home and Runaway Services Bridge.

Transitional Living Program - The 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 the Organization.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Residential Services Program - continued

Maternal Group Home - The 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 - The 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.

Property Rental - The Organization owns a residential and commercial property from which rental income is collected.

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in unrestricted net asset from operating activities. Operating revenues consists of those monies received and other contributions attributable to the Organization's ongoing efforts.

(c) Standards of Accounting and Reporting

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents three classes of net assets (unrestricted, temporarily restricted and permanently restricted) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(c) *Standards of Accounting and Reporting - continued*

Unrestricted - Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Temporarily Restricted - Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Reflects the original amount of gifts and investment earnings required by the donor to be permanently retained. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

(d) *Cash and Cash Equivalents*

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are secured by the Federal Deposit Insurance Corporation (FDIC). In addition, the Organization maintains cash equivalents that are held by Fidelity Investments. The cash equivalents are secured by the Securities Investor Protection Corporation (SIPC). The cash equivalents balance amounted to \$568,258 as of June 30, 2016. Cash and deposit balances maintained with Bank of America amounted to \$722,066 as of June 30, 2016. The Organization did not maintain cash balances in excess of FDIC or SIPC limits in any other financial institution as of June 30, 2016.

(e) *Investments*

The Organization carries investments at fair value. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Investments are exposed to risks such as interest rate, credit and overall market volatility.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(f) Revenue Recognition

The Organization earns revenue as follows:

Contributions and Grants - Contributions and grants are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special events revenue is recognized when earned and is shown net of related direct expenses in the accompanying statement of activities. The majority of special event revenue is derived from the Annual Gala event. Revenue derived from these events, net of expense of \$316,783 totaled \$1,288,729.

Program Service Fees - Service fee revenue is earned and recognized by the Organization when units or services are provided and billed under various agreements funded primarily by governmental agencies. All contracts consist of two types: unit-rate and cost-reimbursement contracts, all with ceiling amounts. Unit-rate contracts provide that revenue is to be earned and recognized at a negotiated or class rate for each unit-of-service that is provided under the terms of the contract. Under the cost-reimbursement contracts, revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental Organization.

Rental - Rental income is derived from commercial and residential tenant rent from a lease relationship. Rental income is recognized when earned according to the lease agreement.

Substantially all of the Organization's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2016, the Organization derived approximately 38% of its total revenue from foundations and individuals, 34% from governmental agencies, 26% from special events, 1% from investments and 1% from others. All revenue is recorded at the estimated net realizable amounts.

(g) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on a history of past write-offs and collections and credit conditions. As of June 30, 2016, management has determined any allowance would be immaterial.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(g) *Accounts Receivable - continued*

The Organization does not have a policy to accrue interest on receivables. With the exception of tenant accounts receivable, the Organization has no policies requiring collateral or other security to secure the accounts receivable.

As of June 30, 2016, 100% of the Organization's accounts receivable is due from various governmental agencies.

(h) *Promises to Give*

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2016, management has determined any allowance would be immaterial.

(i) *Fixed Assets*

Fixed assets are recorded at cost or if donated, at fair value on the date of receipt. All acquisition 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. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Organization computes depreciation using the straight-line method over the following estimated lives:

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(i) Fixed Assets - continued

Building	40 years
Building improvements	5-40 years
Land improvements	20 years
Furniture and equipment	3-20 years
Software	3-5 years
Autos and trucks	3-5 years

Construction in progress is recorded on the cost method and is not depreciated until it is placed into service. As of June 30, 2016, construction in progress amounts to \$367,516 and is included in fixed assets on the statement of financial position

(j) Contributed Services and Gifts in Kind

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 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 fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. Such volunteers are an integral part of the services provided by the organization but do not qualify as specialized skills.

(k) Fair Value Measurements

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(k) Fair Value Measurements - continued

Recurring Fair Value Measurements

The following section describes the valuation methodologies used to measure financial assets and liabilities at fair value on a recurring basis.

Investments: Quoted market prices, a Level 1 input, are used to determine the fair value of publicly traded equity securities. The Organization also invests in real estate investment trusts. A combination of the following methods (1) a matrix of pricing of similar securities, or (2) quoted prices for recent trading activity of assets with similar characteristics, a Level 2 input, is used to determine the fair value of the investments in real estate investment trusts.

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of June 30, 2016.

Fair Value Measurements on a Recurring Basis

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ <u>4,372,928</u>	\$ <u>98,291</u>	\$ <u>-</u>	\$ <u>4,471,219</u>
	\$ <u><u>4,372,928</u></u>	\$ <u><u>98,291</u></u>	\$ <u><u>-</u></u>	\$ <u><u>4,471,219</u></u>

Refer to Note 3 for additional information related to the composition of investments.

The Organization's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended June 30, 2016.

Nonrecurring Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Organization records assets and liabilities at fair value on a nonrecurring basis as required by GAAP. The following section describes the valuation methodologies used to measure financial assets and liabilities at fair value on a nonrecurring basis.

Promises to Give: Promises to give due in more than one year amounted to \$95,238 which are reflected at the present value of estimated future cash flows using a discount rate of 5%, a Level 2 input.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(l) Fundraising

Fundraising relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total contribution and special event revenue was 16% for the year ended June 30, 2016. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(m) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration 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.

Payroll and associated costs are allocated to functions based upon time studies. Occupancy costs are allocated based upon estimate of time studies.

(n) Use of Estimates

In preparing the Organization's financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

(o) Income Taxes

The Agency qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Agency's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Agency is not a private foundation under Section 509(a)(1).

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(p) Summarized Financial Information for 2015

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, there is no presentation of the statement of functional expenses for the year ended June 30, 2015. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information is derived.

(q) Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

(2) Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be received more than a year after June 30, 2016 are recorded at the present value of their future cash flows using a discount rate of 5%.

The following is an analysis of the promises to give as of June 30, 2016:

	<u>Gross Promise</u>	<u>Allowance</u>	<u>Net Promise</u>	<u>Unamortized Discount</u>	<u>Total</u>
Receivable less than 1 year	\$ 344,640	\$ -	\$ 344,640	\$ -	\$ 344,640
Receivable in 1 to 5 years	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(4,762)</u>	<u>95,238</u>
	<u>\$ 444,640</u>	<u>\$ -</u>	<u>\$ 444,640</u>	<u>\$ (4,762)</u>	<u>\$ 439,878</u>

The promises to give that are receivable in 1 to 5 years are included in other assets on the statement of financial position.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(3) Investments

Investments are classified as long-term and are comprised of the following as of June 30, 2016:

	<u>Fair Value</u>
Corporate bonds	
Domestic	\$ 263,948
Foreign	31,151
Common stock	
Domestic	1,326,463
Foreign	28,531
Mutual funds	
Domestic	2,722,835
Real estate investment trust	
Domestic	<u>98,291</u>
Total	\$ <u>4,471,219</u>

Investment return consisted of the following for the year ended June 30, 2016:

Interest and dividends, net of management fees	\$ 62,125
Net realized and unrealized losses	<u>(10,740)</u>
Total investment return	\$ <u>51,385</u>

Management fees for the year ended June 30, 2016 amounted to \$14,648.

(4) Debt

(a) Line of Credit

The Organization has available a demand line of credit with Eastern Bank (a Massachusetts bank) of \$200,000 to be drawn upon as needed, with interest at the prime rate, or 3.50% as of June 30, 2016. The line is secured by the Organization's general business assets. There were no borrowings outstanding as of June 30, 2016.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(4) Debt - continued

(b) Mortgage Note Payable

The Organization had a first mortgage note payable to Bank of America in the original amount of \$700,000. The note was due in fixed monthly installments of \$2,500 plus interest, with average monthly payments of \$2,586, bore interest at 6.32% and was secured by real estate and an assignment of rents and leases. As of June 30, 2016, the note was paid in full.

(5) Contributed Services and Gifts in Kind

Contributed services and gifts in kind for the year ended June 30, 2016 were as follows:

Pro-bono outside services:	
Medical specialist	\$ 298,880
Social workers	126,915
Other professional services	13,501
In-kind auction items included in special events	<u>102,797</u>
Total	\$ <u>542,093</u>

The pro-bono outside services are included in other program and other operation expenses on the statement of functional expenses.

(6) Operating Lease Commitments

The Organization leases office equipment under an operating lease expiring in March, 2017, which requires a monthly payment of \$652. Equipment rental expense for the year ended June 30, 2016 totaled \$8,896. Future minimum rental payments required under the non-cancelable lease agreement through March, 2017 totals \$5,868.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(7) Restricted Net Assets

(a) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2016, temporarily restricted net assets are restricted for the following purposes:

Brighton renovation	\$ 550,000
Time restriction	439,878
Education	125,000
Medical Van and Outreach	103,081
Residential Services	18,605
Youth Outreach	100
Transitional Living Program	<u>50</u>
Total	\$ <u>1,236,714</u>

(b) Permanently Restricted Net Assets

Permanently restricted net assets represent donations provided for investment in perpetuity, the income from which is available for the medical van replacement. Such permanently restricted net assets totaled \$126,438 at June 30, 2016. The permanently restricted donations are being held in investments consisting of stock, bonds and cash equivalents. These amounts have been classified as investments on the statement of financial position. Consistent with donor restrictions, unrealized gains and losses on these investments follow the treatment of investment income. Accordingly, unrealized gains and losses are reported in the statement of activities as increases or decreases in temporarily restricted net assets. Any excess unrealized losses over corpus are classified as decreases in unrestricted net assets.

Net investment losses on the endowment funds for the fiscal year ended June 30, 2016 totaled \$273.

(c) Board Designated Net Assets

As June 30, 2016, the board has designated unrestricted net assets of \$4,611,923 for the long term use of the Organization.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(8) Endowment

The Organization accepts endowment gifts under the stipulation that the funds are invested in perpetuity. Unless otherwise restricted by the donor, the investment income is to be used in accordance with the Organization's endowment spending policy. The goals of the endowment fund are to enhance existing programs, create new programs, make additional funding opportunities for donors and support capital improvements. The Organization's Executive Board (the Board) oversees the establishment and revision of goals, spending plans and asset allocations for endowments.

(a) Uniform Prudent Management of Institutional Funds Act

The Organization's management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline to states to use enacting legislation. UPMIFA was adopted by the Commonwealth of Massachusetts effective June 30, 2009. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

The Board has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Further, per the interpretation, the UPMIFA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is 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 UPMIFA.

(b) Appropriation of Endowment Assets for Expenditure

The Organization considers the following factors in making a determination to appropriate endowment funds for expenditure:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) The investment policies of the Organization

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(8) Endowment - continued

(c) Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that invest in a thoughtful and prudent manner to preserve and/or enhance the Organization's ability to help provide services for runaways and homeless youths. The oversight of the endowment funds is the responsibility of the Finance Committee, a committee of the Organization's Executive Board. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Executive Board, the endowment assets are invested in a manner that is intended to preserve the endowment funds' principal, considering inflation and to regulate the long term ability and short term needs to distribute income.

(d) Strategies Employed for Achieving Investment Objectives

To satisfy its objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation by investing a prudently determinable portion (currently 70%) of the endowment funds in equity investments (to produce long-term appreciation) and a portion (currently 30%) to fixed income investments (to produce a consistent level of income and reduce overall volatility). Guidelines have been set forth in the policy for prudent investment options.

(e) Spending Policy and Investment Objectives

The Organization records 3% of the annual investment return as temporarily restricted net assets and is included in the endowment fund. The Organization has a policy of appropriating for distribution from the unrestricted net assets, in the endowment fund, an amount not to exceed the realized return over a three year rolling period of time less the rate of inflation. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment.

(f) 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 requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(8) Endowment - continued

(f) Funds with Deficiencies - continued

Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies as of June 30, 2016.

(g) Composition and Reconciliation of Endowment Funds

The endowment fund is solely comprised of donor-restricted contributions. A reconciliation of the Organization's endowment by net asset class is presented on the statement of activities.

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	\$ 102,974	\$ 126,438	\$ 229,412
Net investment income	(273)	-	(273)
Endowment, end of year	\$ <u>102,701</u>	\$ <u>126,438</u>	\$ <u>223,139</u>

(9) Employee Benefits

(a) Defined Contribution Plan

The Organization has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 403(b)(7) of the IRC for the benefit of eligible employees. Salaried employees with 1,000 hours or more of service during any consecutive 12-month period commencing with date of employment, or anniversary date, are eligible to participate in this plan. Under the plan, benefit eligible employees can invest pre-tax dollars. The employees are not taxed on contributions or earnings until they receive distributions from the account. The Organization's contributions under this plan amounted to \$50,000 for the year ended June 30, 2016.

(b) Section 125 Plan

The Organization has a plan that qualifies as "Cafeteria Plans" under Section 125 of the IRC. The plan allows the Organization's employees to pay for medical and dental insurance and daycare on a pre-tax basis. All employees whose customary employment is at least 40 hours per week are eligible to participate in the plans.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(9) Employee Benefits - continued

(c) 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 on January 1 of each year for the increase in the consumer price index plus a 2% cost of living adjustment. All expenses of the property are paid by the Organization, and the two founders are obligated to pay the Organization the fair market value of the local annual rental costs, which is included in rental income. The total payments made under the agreements were \$67,443 for the year ended June 30, 2016. The net present value of the deferred compensation plan was \$346,581 for the year ended June 30, 2016.

(10) Commitments and Contingencies

(a) Funding Sources

The Organization receives a portion of its funding from governmental agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Organization's operations are concentrated in the social service provider field. As such, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the following:

United States Department of Health and Human Services
Commonwealth of Massachusetts Department of Public Health
City of Boston

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state and local legislature or an administrative change mandated by the United States Departments or Commonwealth of Massachusetts Department listed above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally, contractual funding may decrease or be withdrawn with little notice.

BRIDGE OVER TROUBLED WATERS, INC.

Notes to Financial Statements

June 30, 2016

(10) Commitments and Contingencies - continued

(b) Legal

The Organization is involved with certain claims and other routine litigation matters that arose in the normal course of business, including one matter described below. In the opinion of management, after consultation with legal counsel, the outcome of these matters is not expected to have a material effect on the Organization's financial position or results of operations.

The Organization filed a complaint on October 21, 2015 stating that the lessor of the one of the Organization's real estate properties violated obligations in a lease contract in order to terminate the lease in June of 2015. The lessor has counterclaimed damages against the Organization for the return of the security deposit and first month's rent.

(11) Schedule of Federal Awards

Determination of federal major programs was made using a risk based approach. For the fiscal year ended June 30, 2016, the Organization did not qualify as a low-risk auditee. The major program tested is disclosed as such in the schedule of findings and questioned costs.

(12) Related Party Transactions

The Chief Financial Officer of the Organization is also the founding member of a company that provides bookkeeping services to the Organization. During the year ended June 30, 2016, the related expense amounted to \$100,179, of which \$8,346 is included in accounts payable as of June 30, 2016.

(13) Subsequent Events

The Organization has performed an evaluation of subsequent events through November 15, 2016, which is the date the Organization's financial statements were available to be issued. No material subsequent events, except as described below, have occurred since June 30, 2016 that required recognition or disclosure in these financial statements.

Subsequent to year end, the Organization entered into loan agreements to fund the renovation of an existing project. The renovation project costs are expected to approximate \$3,500,000.

BRIDGE OVER TROUBLED WATERS, INC.

Schedule of Findings and Questioned Costs

June 30, 2016

(1) Summary of Auditors' Results

Financial Statements:

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material Weakness(es) Identified? _____ yes X no

Significant Deficiency(ies) Identified? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards:

Internal Control Over Major Programs:

Material Weakness(es) Identified? _____ yes X no

Significant Deficiency(ies) Identified? _____ yes X none reported

Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR Section 200.516(a)? _____ yes X no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.550	Transitional Living for Homeless Youth

Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$ 750,000

Auditee Qualified as Low-Risk Auditee? _____ yes X no

BRIDGE OVER TROUBLED WATERS, INC.

Schedule of Findings and Questioned Costs

June 30, 2016

(2) Financial Statement Findings

No significant deficiencies or material weaknesses reported.

(3) Federal Award Findings and Questioned Costs

No significant deficiencies or material weaknesses reported.

(4) Status of Prior Year Findings

No significant deficiencies or material weaknesses reported.

BRIDGE OVER TROUBLED WATERS, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:				
Basic Center Grant	93.623	90CY6545-02-00	\$ -	\$ 199,176
Street Outreach Program	93.557	90YO2200-01-00	-	186,367
<i>Passed through ACYF-Family Youth Service Bureau</i>				
Transitional Living for Homeless Youth	93.550	90CX6981-03-00	-	200,000
	93.550	90CX6984-03-00	-	200,000
			-	400,000
<i>Passed through Commonwealth of Massachusetts - Department of Public Health</i>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CTDPHINTF2301MM3160524176	-	18,889
	93.959	CTDPHINTF2311MM3602714105	-	31,116
	93.959	CTDPH232353900040000	-	6,956
	93.959	CTDPH23395410001	-	23,988
			-	80,949
Total U.S. Department of Health and Human Services			\$ -	\$ 866,492
U.S. Department of Labor:				
<i>Passed through City of Boston-Economic Development Industrial Corporation</i>				
Education/Career Development	17.259	382-007-115	\$ -	\$ 71,278
Total U.S. Department of Labor			\$ -	\$ 71,278
U.S. Department of Housing and Urban Development:				
<i>Passed through City of Cambridge- Emergency Solution Grant Program</i>				
Street Outreach Van	14.231	E14MC25003	\$ -	\$ 9,125
Total U.S. Department of Housing and Urban Development			\$ -	\$ 9,125
Total Expenditures of Federal Awards			\$ -	\$ 946,895

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Bridge Over Troubled Waters, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.