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013387

BRIDGE OVER TROUBLED WATERS, INC.  
  
Financial Statements  
June 30, 2012



SANDBERG & CREEDEN, P.C.  
*Certified Public Accountants*  
331 Page Street  
Stoughton, MA 02072

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**BRIDGE OVER TROUBLED WATERS, INC.**

FINANCIAL STATEMENTS  
JUNE 30, 2012

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Audit

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013387

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

Independent Auditor's Report on the Financial Statement and on the Supplementary Schedule of Expenditures of Federal Awards

We have audited the accompanying statement of financial position of Bridge Over Troubled Waters, Inc. as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Bridge Over Troubled Waters, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridge Over Troubled Waters, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Sandberg & Creeden P.C.*  
SANDBERG & CREEDEN, P.C.  
Certified Public Accountants

Stoughton, Massachusetts  
November 28, 2012



BRIDGE OVER TROUBLED WATERS, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,719,310
Accounts receivable	230,982
Pledged receivables	220,620
Prepaid expenses	<u>31,132</u>
Total current assets	2,202,044

Property and Equipment

Land	441,500
Building and improvements	4,229,720
Furniture and equipment	691,029
Vehicles	<u>155,000</u>
Subtotal	5,517,249
Less: accumulated depreciation	<u>(3,273,692)</u>
Total property and equipment	2,243,557

Other Assets

Mortgage acquisition costs, net of accumulated Amortization	1,731
Investments	<u>3,450,261</u>
Total other assets	<u>3,451,992</u>

Total Assets

\$ 7,897,593

LIABILITIES AND NET ASSETS

Current Liabilities

Mortgage payable-current	\$ 30,000
Deferred compensation plan agreement	55,477
Accounts payable and accrued expenses	127,651
Accrued salary and benefits	<u>275,958</u>
Total current liabilities	489,086

Long-Term Liabilities

Mortgage payable	90,000
Deferred compensation plan agreement	539,566
Security deposit	<u>12,500</u>
Total long-term liabilities	642,066

Net Assets

Unrestricted	5,976,091
Temporarily restricted	663,912
Permanently restricted	<u>126,438</u>
Total net assets	<u>6,766,441</u>

Total Liabilities and Net Assets

\$ 7,897,593

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



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**BRIDGE OVER TROUBLED WATERS, INC.**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Support and Revenue</u></b>				
Contributions				
Individuals and foundations	\$ 1,271,269	\$ 588,730	\$	\$ 1,859,999
Donated services	383,867			383,867
Special events	1,016,094			1,016,094
Net assets released from restrictions	1,198,779	(1,198,779)		
Service fees	1,153,291			1,153,291
Rental income	103,227			103,227
Interest income	95,758	11,907		107,665
Net realized and unrealized gains/(losses) on investments	<u>18,188</u>	<u>4,645</u>		<u>22,833</u>
Total support and revenue	5,240,473	(593,497)		4,646,976
<b><u>Expenses</u></b>				
Program services	2,821,392			2,821,392
Management and general expenses	713,200			713,200
Fundraising	<u>565,783</u>			<u>565,783</u>
Total expenses	<u>4,100,375</u>			<u>4,100,375</u>
<b><u>Change in Net Assets</u></b>	1,140,098	(593,497)		546,601
<b><u>Net Assets - Beginning of Year</u></b>	<u>4,835,993</u>	<u>1,257,409</u>	<u>126,438</u>	<u>6,219,840</u>
<b><u>Net Assets - End of Year</u></b>	<u>\$ 5,976,091</u>	<u>\$ 663,912</u>	<u>\$ 126,438</u>	<u>\$ 6,766,441</u>

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



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**BRIDGE OVER TROUBLED WATERS, INC.**  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012

	Outreach & Support Programs	Emergency Services Programs	Residential Services Programs	Property Rental	Total Program Services	General and Administrative	Development	Total
Salaries	\$ 541,531	\$ 269,730	\$ 551,760		\$ 1,363,021	\$ 356,463	\$ 247,977	\$ 1,967,461
Payroll taxes	64,253	32,003	65,467		161,723	42,294	29,422	233,439
Benefits	83,329	41,505	84,903		209,737	54,851	38,158	302,746
Subtotal	689,113	343,238	702,130		1,734,481	453,608	315,557	2,503,646
Advertising	510	190	470		1,170	130	330	1,630
Bank and credit card charges	55				55	1,030	16,407	17,492
Client expenses	9,266	2,047	10,491		21,804			21,804
Consultants	20,995	2,010			23,005	95,651	23,314	141,970
Depreciation and amortization	70,603	5,205	60,216	8,272	144,296	20,306	5,798	170,400
Dues and fees	7,109	1,019	1,473		9,601	1,710	853	12,164
Equipment rental	4,925	2,062	2,902		9,889	1,068	649	11,606
Food	4,188	19,367	27,316		50,871			50,871
Inkind services	383,867				383,867			383,867
Insurance	12,000	3,000	12,000	3,000	30,000	7,560	3,000	40,560
Interest expense	3,241	1,401	1,401	1,489	7,532	22,793	438	30,763
Investment fees						38,072		38,072
Miscellaneous	874	810	541		2,225	3,353		5,578
Payroll service fees	768	521	1,014		2,303	165	219	2,687
Postage and delivery	23	52			75	174	7,128	7,377
Printing	13,137	131	115		13,383	180	12,281	25,844
Professional fees			2,010		2,010	25,197		27,207
Real estate taxes				19,959	19,959			19,959
Repairs and maintenance	24,548	11,574	33,919	7,645	77,686	5,037	8,177	90,900
Special event							164,466	164,466
Supplies	30,481	16,137	25,475		72,093	1,976	1,299	75,368
Telephone	4,870	2,411	3,647		10,928	3,195	629	14,752
Temporary staffing	34,737		412		35,149	10,944		46,093
Training and education	9,311	1,665	1,099		12,075	4,534	70	16,679
Travel and transportation	10,753	528	3,103		14,384	2,947	1,284	18,615
Utilities	29,453	10,041	38,166	12,655	90,315	6,509	3,502	100,326
Vehicle expenses	41,165	14	11,057		52,236	7,061	382	59,679
Total	\$ 1,405,992	\$ 423,423	\$ 938,957	\$ 53,020	\$ 2,821,392	\$ 713,200	\$ 565,783	\$ 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, 2012

<b><u>Cash Flows From Operating Activities</u></b>	
Change in net assets	\$ 546,601
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	170,400
Unrealized losses on investments	13,381
Donated stock	(15,189)
(Increase) decrease in:	
Accounts receivables	(98,141)
Pledged receivables	(86,504)
Prepaid expenses	18,157
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>78,987</u>
<b><u>Net Cash Provided by Operating Activities</u></b>	<u>627,692</u>
<b><u>Cash Flows From Investing Activities</u></b>	
Purchase of property and equipment	(206,113)
Purchases of investments	1,181,941
Proceeds from sale of investments	(1,158,920)
Use of deposit	<u>15,655</u>
<b><u>Net Cash (Used) in Investing Activities</u></b>	<u>(167,437)</u>
<b><u>Cash Flows From Financing Activities</u></b>	
Principal payments on long-term debt	(30,000)
Reduction in deferred compensation agreement	<u>(50,990)</u>
<b><u>Net Cash (Used) by Financing Activities</u></b>	<u>(80,990)</u>
<b><u>Increase in Cash and Cash Equivalents</u></b>	379,265
<b><u>Cash and Cash Equivalents - Beginning of Year</u></b>	<u>1,340,045</u>
<b><u>Cash and Cash Equivalents - End of Year</u></b>	<u>\$ 1,719,310</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>	
Interest paid	<u>\$ 30,762</u>
Write off fully depreciated vehicle	<u>\$ 85,769</u>

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





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## BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

### 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.



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**BRIDGE OVER TROUBLED WATERS, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

(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.



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**BRIDGE OVER TROUBLED WATERS, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

(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  
Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report 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.



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BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

(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.



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BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

(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, 2012, Bridge received and recorded in-kind contributions as follows:

	<u>Total</u>
Medical specialists	\$ 184,460
Social Workers	<u>199,407</u>
Total	<u>\$ 383,867</u>



BRIDGE OVER TROUBLED WATERS, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

(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.

**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, 2012, 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.

**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, 2012, the Organization's uninsured cash balance totaled \$1,172,187. Bridge's investments have a fair market value at June 30, 2012 that make up 43% 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.



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**BRIDGE OVER TROUBLED WATERS, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

(Continued)

**Note 4. Concentrations of Credit Risk** (Continued)

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, 2012 consist of \$220,620 due in FY2013.

**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>June 30, 2012:</u>		<u>Maturity Dates</u>	<u>Market</u>	<u>Cost</u>
Cash and money markets			\$ 176,413	\$ 176,413
Accrued interest			20,015	20,015
Corporate bonds	8/2008-8/2018		1,373,055	1,372,816
Equity securities			818,205	706,703
Government bonds	8/2008-10/2009		632,147	593,953
Asset backed securities			430,426	431,250
Total			<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:

Interest/dividends	\$ 107,665
Realized gains (losses)	36,214
Unrealized gains (losses)	<u>(13,381)</u>
Total investment returns	<u>\$ 130,498</u>

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

**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 September 1, 2013. There were no borrowings outstanding at June 30, 2012.



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**BRIDGE OVER TROUBLED WATERS, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

(Continued)

**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:	
2013	\$ 30,000
2014	30,000
2015	30,000
2016	<u>30,000</u>
Total debt	120,000
Less current portion	<u>30,000</u>
Total long-term portion	<u>\$ 90,000</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, 2012). Total payments made under the agreements were \$50,990 for the year ended June 30, 2012. The net present value of the deferred compensation plan was \$595,043.

**Note 10. Security Deposits**

A security deposit at June 30, 2012 consists of \$12,500 received from the tenant.

**Note 11. Board Designated Net Assets**

At June 30, 2012, the board has designated the following accumulated net assets at year end for the following purposes:

FY2011 Gala Fund a Mission	\$162,000
FY2012 Gala Fund a Mission	<u>125,000</u>
Total Board Designated	<u>\$287,000</u>





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**BRIDGE OVER TROUBLED WATERS, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

(Continued)

**Note 12. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2012 consist of the following:

Transitional Living	\$ 46,500
Single Parent Program	30,000
Medical Van Replacement	89,969
Emergency Shelter	273,333
Time Restricted	125,120
Educational/Vocational Program	98,990
	<u>\$ 541,672</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	\$ 197,576	\$ 126,438	\$ 324,014
Net investment income	12,393		12,393
Replacement cost of medical van	<u>(120,000)</u>		<u>(120,000)</u>
Endowment, end of year	<u>\$ 89,969</u>	<u>\$ 126,438</u>	<u>\$ 216,407</u>



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**BRIDGE OVER TROUBLED WATERS, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

(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 2013. 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 the year ended June 30, 2012.

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

2013	\$ 84,000
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**Note 15. Operating Leases**

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

2013	\$ 8,280
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**Note 16. The Evaluation of Subsequent Events**

The Organization has evaluated subsequent events through December 12, 2012, the date which the financial statements were available to be issued.

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



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**BRIDGE OVER TROUBLED WATERS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>CFDA No.</u>	<u>Pass Through Grant Number</u>	<u>Federal Award</u>	<u>Expenditures</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
<u>Direct</u>				
Basic Center Grant	93.623	90CY2491/02	\$ 135,716	\$ 140,697
Education and Prevention to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.550	01CX05757/04	200,000	200,295
Transitional Living for Homeless Youth	93.550	01CX0581/04	200,000	182,545
Street Outreach Program	93.557	90Y00090/02	175,000	<u>153,200</u>
			Subtotal direct	<u>676,737</u>
<u>Pass through Commonwealth of Massachusetts – Department of Public Health</u>				
Case Management	93.959	INTF2311	103,719	31,115
Ambulatory Services - Outpatient	93.959	23015358092	54,574	27,205
Supportive Housing	93.959	23235390004	27,824	8,888
Homeless Search	93.959	2339541000	79,960	<u>75,000</u>
			Subtotal pass through	<u>142,208</u>
<b><u>Total U.S. Department of Health and Human Services</u></b>				<u>818,945</u>
<b><u>US Department of Labor</u></b>				
<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>
<b><u>Total Department of Labor</u></b>				<u>32,978</u>
<b><u>Total Expenditures of Federal Awards</u></b>				<u>\$ 851,923</u>
			<u>CFDA</u>	<u>Total</u>
			93.623	\$ 140,697
			93.550	382,840
			93.557	153,200
			93.959	142,208
			17.259	<u>32,978</u>
				<u>\$ 851,923</u>

See accompanying notes. See Independent Auditors' 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

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 the financial statements of Bridge Over Troubled Waters, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012. 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.

Internal Control over Financial Reporting

Management of Bridge Over Troubled Waters, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bridge Over Troubled Waters, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bridge Over Troubled Waters, Inc.'s financial statements are free of 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*.

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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

November 28, 2012



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

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bridge Over Troubled Waters, Inc.'s management. Our responsibility is to express an opinion on Bridge Over Troubled Waters, Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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. Our audit does not provide a legal determination of Bridge Over Troubled Waters, Inc.'s compliance with those requirements.

In our opinion, Bridge Over Troubled Waters, Inc. complied, in all material respects, with the 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, 2012.

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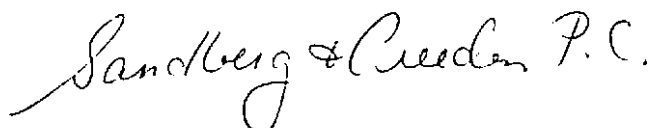
Internal Control Over Compliance

Management of Bridge Over Troubled Waters, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bridge Over Troubled Waters, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the 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.  
Certified Public Accountants

November 28, 2012



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**BRIDGE OVER TROUBLED WATERS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

**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

