



BRIDGE OVER TROUBLED WATERS, INC.  
AND AFFILIATE

Consolidated Financial Statements

June 30, 2017

---

Kevin P. Martin & Associates, P.C.

**BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE**

Index

June 30, 2017

**Independent Auditors' Report**

**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***

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

**Consolidated Financial Statements:**

Consolidated Statement of Financial Position as of June 30, 2017  
with comparative totals as of June 30, 2016

Consolidated Statement of Activities for the Year Ended June 30, 2017  
with comparative totals for the Year Ended June 30, 2016

Consolidated Statement of Cash Flows for the Year Ended June 30, 2017

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2017

Notes to Consolidated Financial Statements

Schedule of Findings and Questioned Costs

Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2017

**Supplemental Information**

Consolidating Statement of Financial Position as of June 30, 2017

Consolidating Statement of Activities for the Year Ended June 30, 2017



## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Bridge Over Troubled Waters, Inc. (a nonprofit organization), (the Organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2016. 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, 2016, 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* 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.

The consolidating statement of financial position and the consolidating statement of activities, which are the responsibility of management, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, 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.

*Nunir P. Mantua & Associates, P.C.*

November 13, 2017



**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. and Affiliate

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 consolidated financial statements of Bridge Over Troubled Waters, Inc. (a nonprofit organization), and Affiliate (the Organization) which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 13, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

 Nunn P. Martine & Associates, P.C.

November 13, 2017



**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. and Affiliate

**Report on Compliance for Each Major Federal Program**

We have audited Bridge Over Troubled Waters, Inc. (a nonprofit organization) and Affiliate's (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, 2017. 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 the 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, 2017.

## **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 13, 2017

**BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE**

Consolidated Statement of Financial Position

As of June 30, 2017

With Comparative Totals as of June 30, 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,325,000	\$ 1,358,833
Construction cash	751,134	-
Total cash and cash equivalents	<u>2,076,134</u>	<u>1,358,833</u>
Accounts receivable	222,928	369,383
Promises to give, current portion	68,250	344,640
Prepaid expenses	36,835	54,146
Total current assets	<u>2,404,147</u>	<u>2,127,002</u>
<b>Fixed Assets</b>		
Property and equipment, net	<u>4,178,581</u>	<u>2,332,938</u>
<b>Other Assets</b>		
Promises to give, net of current portion and discount of \$24,174	115,826	95,238
Investments	4,899,668	4,471,219
Total other assets	<u>5,015,494</u>	<u>4,566,457</u>
<b>Total Assets</b>	<u>\$ 11,598,222</u>	<u>\$ 9,026,397</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable - trade	\$ 102,386	\$ 144,958
Accounts payable - construction	483,353	-
Accrued expenses	294,632	185,256
Deferred compensation, current portion	95,073	92,846
Deferred revenue	1,500	1,500
Total current liabilities	<u>976,944</u>	<u>424,560</u>
<b>Long Term Liabilities</b>		
Deferred compensation, net of current portion	181,236	295,398
Other debt	1,834,752	-
Total long term liabilities	<u>2,015,988</u>	<u>295,398</u>
Total liabilities	<u>2,992,932</u>	<u>719,958</u>
<b>Net Assets</b>		
Unrestricted	2,507,591	2,331,364
Unrestricted - board designated	4,783,849	4,611,923
Total unrestricted	<u>7,291,440</u>	<u>6,943,287</u>
Temporarily restricted	1,187,412	1,236,714
Permanently restricted	126,438	126,438
Total net assets	<u>8,605,290</u>	<u>8,306,439</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 11,598,222</u>	<u>\$ 9,026,397</u>

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

**BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE**

Consolidated Statement of Activities

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Revenue and Support</b>					
Contributions and grants:					
Individual and foundations	\$ 1,040,499	\$ 1,014,968	\$ -	\$ 2,055,467	\$ 1,503,454
Donated services	385,250	-	-	385,250	439,296
Special events, net of expenses of \$255,591	1,209,231	-	-	1,209,231	1,288,729
Service fees	1,488,794	-	-	1,488,794	1,607,525
Rental revenue	101,507	-	-	101,507	37,226
Other revenue	46,292	-	-	46,292	-
Interest and dividend revenue, net	52,344	1,969	-	54,313	62,125
Net realized and unrealized gain/(loss) on investments	385,080	11,206	-	396,286	(10,740)
Net assets released from restrictions	<u>1,077,445</u>	<u>(1,077,445)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>5,786,442</u>	 <u>(49,302)</u>	 <u>-</u>	 <u>5,737,140</u>	 <u>4,927,615</u>
<b>Expenses</b>					
Program services	3,921,875	-	-	3,921,875	3,378,094
Management and general expenses	976,046	-	-	976,046	759,732
Fundraising	<u>540,368</u>	<u>-</u>	<u>-</u>	<u>540,368</u>	<u>497,229</u>
 Total expenses	 <u>5,438,289</u>	 <u>-</u>	 <u>-</u>	 <u>5,438,289</u>	 <u>4,635,055</u>
 Change in net assets	 348,153	 (49,302)	 -	 298,851	 292,560
 <b>Net Assets at Beginning of Year</b>	 <u>6,943,287</u>	 <u>1,236,714</u>	 <u>126,438</u>	 <u>8,306,439</u>	 <u>8,013,879</u>
 <b>Net Assets at End of Year</b>	 <u>\$ 7,291,440</u>	 <u>\$ 1,187,412</u>	 <u>\$ 126,438</u>	 <u>\$ 8,605,290</u>	 <u>\$ 8,306,439</u>

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

**BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE**

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
<b>Change in net assets</b>	\$ 298,851	\$ 292,560
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	147,717	188,606
Net realized and unrealized gain (loss) on investments	(396,286)	10,740
Reinvested interest and dividends, net	(54,196)	(62,125)
Donated stock and services	(22,858)	(4,020)
Discount on pledges receivable	19,412	(9,297)
Bad debt expense	97,250	-
Contributions for long term investment	-	(50,000)
Decrease (increase) in assets:		
Accounts receivable	146,455	(173,971)
Promises to give	139,140	(89,590)
Prepaid expenses	17,311	(20,893)
Increase (decrease) in liabilities:		
Accounts payable	(42,572)	1,526
Accrued expenses	109,376	(96,117)
Deferred revenue	-	1,500
Deferred compensation	<u>(111,935)</u>	<u>(25,780)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>347,665</u>	<u>(36,861)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(1,497,476)	(234,441)
Proceeds from the sale of investments	<u>32,360</u>	<u>568,277</u>
<b>Net Cash (Used in) Provided by Investing Activities</b>	<u>(1,465,116)</u>	<u>333,836</u>
<b>Cash Flows from Financing Activities</b>		
Principal additions on long-term debt	1,834,752	-
Principal payments on long-term debt	-	50,000
Contributions for long term investment	<u>-</u>	<u>(30,000)</u>
<b>Net Cash Provided by Financing Activities</b>	<u>1,834,752</u>	<u>20,000</u>
<b>Net Increase in Cash and Cash Equivalents</b>	717,301	316,975
<b>Cash and Cash Equivalents - Beginning</b>	<u>1,358,833</u>	<u>1,041,858</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 2,076,134</u>	<u>\$ 1,358,833</u>
<b>Supplement Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 2,704</u>
<b>Supplemental Data for Noncash Investing and Financing Activities</b>		
Fixed asset additions included in construction payables	<u>\$ 483,353</u>	<u>\$ -</u>
Donated services included in construction in progress	<u>\$ 12,531</u>	<u>\$ -</u>

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

**BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE**

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	2017							2016	
	Outreach & Support Programs	Emergency Services Programs	Residential Services Programs	Property Rental	Total Program Services	Management and General	Fundraising	Total	Total
<b>Functional Expenses</b>									
Salaries	\$ 725,502	\$ 326,869	\$ 969,596	\$ -	\$ 2,021,967	\$ 419,182	\$ 271,100	\$ 2,712,249	\$ 2,211,282
Payroll taxes	64,377	29,004	85,991	-	179,372	28,322	24,056	231,750	212,485
Benefits	91,483	41,217	122,262	-	254,962	40,247	34,185	329,394	354,755
Subtotal	881,362	397,090	1,177,849	-	2,456,301	487,751	329,341	3,273,393	2,778,522
Bank and credit card charges	5,417	2,441	7,239	-	15,097	4,396	19,759	39,252	22,993
Bad debt	-	-	-	-	-	97,250	-	97,250	-
Depreciation and amortization	65,768	12,778	28,051	14,374	120,971	23,018	3,728	147,717	188,606
In-kind services	337,756	-	20,000	-	357,756	14,963	-	372,719	439,296
Interest expense	-	-	-	-	-	(9,925)	-	(9,925)	2,702
Occupancy	101,357	31,535	68,377	63,924	265,193	29,191	13,742	308,126	302,607
Professional fees	90,826	77,476	144,082	7,342	319,726	270,830	75,896	666,452	441,651
Supplies, insurance and office	87,203	59,060	140,743	-	287,006	53,876	96,968	437,850	376,518
Travel and transportation	74,508	2,333	22,984	-	99,825	4,696	934	105,455	82,160
<b>Total Functional Expenses</b>	<u>\$ 1,644,197</u>	<u>\$ 582,713</u>	<u>\$ 1,609,325</u>	<u>\$ 85,640</u>	<u>\$ 3,921,875</u>	<u>\$ 976,046</u>	<u>\$ 540,368</u>	<u>\$ 5,438,289</u>	<u>\$ 4,635,055</u>

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

# BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2017

### (1) Summary of Significant Accounting Policies

The consolidated 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. and Affiliate (the Organization) are described below to enhance the usefulness of the consolidated financial statements to the reader.

#### *(a) Nature of Activities*

Bridge Over Troubled Waters, Inc. (BOTW) was incorporated as a not-for-profit corporation in 1970 and is located in Boston, Massachusetts. BOTW 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. BOTW provides services in four areas including:

Outreach and Support Program - which includes Counseling Services, Medical and Dental Services, GED Program, College and Career Counseling, and Medical and Van Outreach Services.

Counseling Services - The Counseling Services provided by BOTW'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 are provided through partnerships with Harvard, Tufts, the Sydney Borum Health Center, the Justice Resource Institute, and the Multicultural AIDS Coalition. BOTW 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 Program 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. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

### (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 on 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 Program, 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 BOTW.

# BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

## (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 BOTW.

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 Consolidation*

The consolidated financial statements include the accounts of BOTW and WSK House, Inc. (WSK). BOTW and WSK share a common board of directors. All material intercompany transactions and accounts have been eliminated in consolidation.

WSK was incorporated as a not-for-profit corporation in August 2016 and is located in Boston, MA. WSK was organized for the purpose of purchasing and renovating a 28-unit congregate house located in Brighton, Massachusetts (the property). Upon completion of the renovation project, WSK will lease the property to BOTW as part of BOTW's residential services program.

### (c) *Basis of Presentation*

The consolidated 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.

# BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

## (1) Summary of Significant Accounting Policies - continued

### *(d) 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 consolidated statement of financial position presents three classes of net assets (unrestricted, temporarily restricted and permanently restricted) and the consolidated 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:

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.

### *(e) 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 financial institutions located in Massachusetts. The cash balances are secured by either the Federal Deposit Insurance Corporation (FDIC) or by the Securities Investor Protection Corporation (SIPC). At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2017.

# BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

## (1) Summary of Significant Accounting Policies - continued

### *(f) 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.

### *(g) 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 consolidated 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 \$255,591, totaled \$1,209,231.

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, 2017, the Organization derived approximately 46% of its total revenue from foundations and individuals, 25% from governmental agencies, 18% from special events, 6% from investments and 5% from other sources. All revenue is recorded at the estimated net realizable amounts.

### *(h) 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, 2017, management has determined any allowance would be immaterial.

# BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2017

### **(1) Summary of Significant Accounting Policies - continued**

#### ***(h) Accounts Receivable - continued***

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

As of June 30, 2017, 77% of the Organization's accounts receivable is due from various governmental agencies and 23% is due from various foundations and corporations.

#### ***(i) Promises to Give***

Conditional promises to give are not recognized in the consolidated 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, 2017, management has determined any allowance would be immaterial.

As of June 30, 2017, 61% of the Organization's promises to give are due from various individuals and 39% are due from various foundations and corporations.

#### ***(j) Land, Buildings and Equipment***

Land, buildings and equipment are recorded at cost or if donated, at fair value on the date of receipt. 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. 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 consolidated statement of activities.

# BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

## (1) Summary of Significant Accounting Policies - continued

### (j) *Land, Buildings and Equipment - continued*

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

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, 2017, construction in progress amounts to \$2,825,447 and is included in land, buildings and equipment in the consolidated statement of financial position.

Land, buildings and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

### (k) *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 provide 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.

# BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2017

### (1) Summary of Significant Accounting Policies - continued

#### (i) 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.

#### 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, 2017.

#### Fair Value Measurements on a Recurring Basis

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ <u>4,793,564</u>	\$ <u>106,104</u>	\$ <u>-</u>	\$ <u>4,899,668</u>
	\$ <u>4,793,564</u>	\$ <u>106,104</u>	\$ <u>-</u>	\$ <u>4,899,668</u>

Refer to Note 4 for additional information related to the composition of investments.

# BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

## (1) Summary of Significant Accounting Policies - continued

### (l) *Fair Value Measurements - continued*

#### Recurring Measurements - continued

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, 2017.

#### 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.

**Promises to Give:** Promises to give due in more than one year amounted to \$105,826 which are reflected at the present value of estimated future cash flows using a discount rate of 5%, a Level 2 input.

### (m) *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 15% for the year ended June 30, 2017. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

### (n) *Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated 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.

# BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

## **(1) Summary of Significant Accounting Policies - continued**

### ***(o) Use of Estimates***

In preparing the Organization's consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***(p) Income Taxes***

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

### ***(q) Summarized Financial Information for 2016***

The consolidated financial statements include certain prior year summarized comparative information of BOTW in total but not by net asset class. Also, there is no presentation of statement of functional expenses for the year ended June 30, 2016. 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 BOTW's financial statements for the year ended June 30, 2016, from which the summarized information is derived.

## **(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, 2017 are recorded at the present value of their future cash flows using a discount rate of 5%.

## BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2017

#### (2) Promises to Give - continued

The following is an analysis of the promises to give as of June 30, 2017:

	<u>Gross Promise</u>	<u>Allowance</u>	<u>Net Promise</u>	<u>Unamortized Discount</u>	<u>Total</u>
Receivable in less than 1 year	\$ 68,250	\$ -	\$ 68,250	\$ -	\$ 68,250
Receivable in 1 - 5 years	90,000	-	90,000	(11,958)	78,042
Receivable in more than 5 years	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>(12,216)</u>	<u>37,784</u>
	<u>\$ 208,250</u>	<u>\$ -</u>	<u>\$ 208,250</u>	<u>\$ (24,174)</u>	<u>\$ 184,076</u>

The promises to give that are receivable in more than 1 year are included in other assets on the consolidated statement of financial position.

#### (3) Land, Buildings and Equipment

Land, buildings and equipment consists of the following as of June 30, 2017:

Land	\$ 281,500
Buildings and improvements	3,745,399
Furniture and equipment	259,015
Autos and trucks	155,000
Software	14,000
Construction in progress	<u>2,825,447</u>
	<u>\$ 7,280,361</u>

Depreciation expense for the year ended June 30, 2017 was \$147,717.

## BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2017

#### (4) Investments

Investments are classified as long-term and are comprised of the following as of June 30, 2017:

	<u>Fair Value</u>
Corporate bonds	
Domestic	\$ 128,097
Foreign	117,034
Common stock	
Domestic	1,328,654
Foreign	190,036
Mutual funds	
Domestic	3,029,743
Real estate investment trust	
Domestic	<u>106,104</u>
Total	\$ <u>4,899,668</u>

Investment return consisted of the following for the year ended June 30, 2017:

Interest and dividends, net of management fees	\$ 54,313
Net realized and unrealized gains	<u>396,286</u>
Total investment return	\$ <u>450,599</u>

Management fees for the year ended June 30, 2017 amounted to \$15,439.

#### (5) Debt

##### (a) *Line of Credit*

BOTW has available a demand revolving line of credit with Eastern Bank (a Massachusetts bank) of \$500,000 to be drawn upon as needed, with interest at the Eastern Bank Base Rate plus 0.50%, or 4.75% as of June 30, 2017. The line is secured by BOTW's general business assets. There were no borrowings outstanding as of June 30, 2017.

BOTW has available a non-revolving line of credit with Eastern Bank of \$1,000,000 to be used for future purchase of real estate. The note has a 24 month advance period and interest only payments are due during the advance period. Monthly payments including principal and interest will begin in month 25. The monthly payment will be based on the outstanding loan balance on the 24 month anniversary date of the note at the fixed interest rate established at that date and a 25 year amortization.

## BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2017

#### (5) Debt - continued

##### (a) *Line of Credit - continued*

Interest will be at the Eastern Bank Base Rate plus 1.0% for the first 24 months. The interest rate will then be fixed at the 5-year Classic FHLB rate plus 2.50% and fixed for 5 years. The interest rate will be adjusted on the 7<sup>th</sup> year anniversary date of the note based on the 3 year Classic FHLB rate plus 2.50%. The line is secured by BOTW's general business assets. There were no borrowings outstanding as of June 30, 2017.

##### (b) *Other Debt*

Other debt consists of contingent loans from various organizations used to develop WSK's housing property. Management's understanding is that these loans are not required to be repaid unless the property fails to comply with other conditions in the agreement. It is the intention of the Board of Directors and the management of the Organization to comply with the use restrictions and other conditions.

WSK has a non-interest bearing note payable to the Commonwealth of Massachusetts, acting by and through the Department of Housing and Community Development (DHCD) under the Affordable Housing Trust Fund in an amount up to \$1,000,000. The note is payable on the earlier of an event of default as described in the promissory note agreement or November 3, 2046. WSK may request to extend the maturity date for a period up to the original note term in order to maintain the affordability of the property. 50% of the positive difference, if any, between the final project sources and costs is due within 120 days after completion of the project. As of June 30, 2017, the outstanding balance was \$884,752.

WSK has a non-interest bearing note payable to the Community Economic Development Assistance Corporation (CEDAC), acting by and through DHCD under the Housing Innovations Fund in an amount up to \$1,000,000. The note is payable on the earlier of an event of default as described in the promissory note agreement or November 3, 2046. WSK may request to extend the maturity date for a period up to the original note term in order to maintain the affordability of the property. 50% of the positive difference, if any, between the final project sources and costs is due within 120 days after completion of the project. As of June 30, 2017, the outstanding balance was \$950,000.

WSK has a non-interest bearing note payable to the Massachusetts Housing Partnership Fund Board (MHP), acting by and through DHCD under the Housing Stabilization and Investment Trust Fund in an amount up to \$772,860. The note is payable on the earlier of an event of default as described in the promissory note agreement or November 3, 2066. WSK may request to extend the maturity date for a period up to the original note term in order to maintain the affordability of the property. 50% of the positive difference, if any, between the final project sources and costs is due within 120 days after completion of the project. Upon full advance of the loan and completion of the project, MHP will assign the note to DHCD. As of June 30, 2017, no advances were made on the note payable.

## BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2017

#### (6) Contributed Services and Gifts in Kind

Contributed services for the year ended June 30, 2017 were as follows:

Pro-bono outside services:	
Medical specialist	\$ 290,060
Social workers	47,696
Other professional services	27,494
Legal	<u>20,000</u>
Total	\$ <u>385,250</u>

The pro-bono outside services are included in other program and other operation expenses on the consolidated statement of functional expenses, except for, \$12,531 which is included in construction in progress.

#### (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, 2017, temporarily restricted net assets are restricted for the following purposes:

Brighton renovation	\$ 787,255
Time restriction	184,075
Medical van and outreach	103,082
Education	100,000
Fundraising	<u>13,000</u>
Total	\$ <u>1,187,412</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, 2017. 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 consolidated 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 consolidated 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 gains on the endowment funds for the fiscal year ended June 30, 2017 totaled \$13,175.

## BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2017

#### **(7) Restricted Net Assets - continued**

##### ***(c) Board Designated Net Assets***

As June 30, 2017, the board has designated unrestricted net assets of \$4,873,849 for the long term use of the Organization.

#### **(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.

## BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

### **(8) Endowment - continued**

#### ***(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

#### ***(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 93%) of the endowment funds in equity investments (to produce long-term appreciation) and a portion (currently 7%) 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.

## BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2017

#### **(8) Endowment - continued**

##### ***(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.

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, 2017.

##### ***(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 consolidated 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	\$ 102,701	\$ 126,438	\$ 229,139
Net investment income	<u>13,175</u>	<u>-</u>	<u>13,175</u>
Endowment, end of year	\$ <u>115,876</u>	\$ <u>126,438</u>	\$ <u>242,314</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 401(K) 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 \$25,000 for the year ended June 30, 2017.

## BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2017

### (9) Employee Benefits - continued

#### *(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.

#### *(c) Deferred Compensation Plan*

The Organization maintains agreements with two founders of BOTW 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 \$82,674 for the year ended June 30, 2017. The net present value of the deferred compensation plan was \$276,309 for the year ended June 30, 2017.

### (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.

## BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2017

#### **(10) Commitments and Contingencies - continued**

##### ***(a) Funding Sources - continued***

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.

##### ***(b) Construction Contract***

WSK has entered into a \$2,797,896 construction contract in connection with the renovation of the property. As of June 30, 2017, the balance to finish, including retainage payable of \$147,258 was \$1,511,001.

##### ***(c) Conditional Grant***

WSK has entered into a housing payment agreement with the City of Boston acting by and through its Public Facilities Commission by the Director of the Department of Neighborhood Development (DND), and the Neighborhood Housing Trust (NHT). Under the agreement, WSK was awarded a \$1,000,000 conditional grant for the rehabilitation and construction of the project by NHT. 50% of the positive difference, if any, between the final project sources and costs is due within 120 days after completion of the project. In addition, the NHT grant is subject to an affordable housing restriction. During the year ended June 30, 2017, no NHT grant monies funded the project and accordingly, no grant revenue was earned.

#### **(11) Purchase Option**

On November 3, 2016, WSK entered into an affordability housing restriction agreement with DHCD, the City of Boston through DND, CEDAC and MHP. After November 2066, DHCD shall have the right to purchase WSK's interest in the property from WSK at a price equal to the then current appraised value of the property, less the total outstanding obligations. DHCD has the right to assign its rights under the purchase option to a qualified developer. BOTW will have the right to match the best offer received by DHCD from a qualified developer to become DHCD's assignee.

#### **(12) Schedule of Federal Awards**

Determination of federal major programs was made using a risk based approach. For the fiscal year ended June 30, 2017, the Organization qualified as a low-risk auditee. The major program tested is disclosed as such in the schedule of findings and questioned costs.

## BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2017

#### **(13) Related Party Transactions**

##### ***(a) Bookkeeping Services***

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, 2017, the related expense amounted to \$118,761 of which \$5,815 is included in accounts payable as of June 30, 2017.

##### ***(b) Developer Fee***

On November 3, 2016, BOTW entered into a developer services agreement with WSK. The total developer fee is \$354,000; of which \$177,000 is an overhead fee and \$177,000 is a developer fee. 50% of the overhead fee was due upon execution of the agreement and the remainder is due in monthly equal installments. The developer fee will accrue and be payable at the time of the final disbursement from the lenders. Payment is subject to available net cash flow. Any amount of the development fee not paid at the time of the final disbursement from the lenders shall bear no interest. The full amount of the development fee is payable no later than December 31, 2020. During the year ended June 30, 2017, \$152,860 of the developer services fee was earned and \$144,815 was paid. This intercompany activity was eliminated upon consolidation.

##### ***(c) Acquisition***

BOTW donated land and building to WSK on November 3, 2016. BOTW and WSK are common controlled entities and accordingly, the acquisition was recorded at cost which totaled \$549,070. This intercompany activity was eliminated upon consolidation.

##### ***(d) Construction Payables***

As the project sponsor, BOTW paid for construction costs on behalf of WSK. These costs amounted to \$446,634. All of which was repaid as of June 30, 2017.

#### **(14) Subsequent Events**

The Organization has performed an evaluation of subsequent events through November 13, 2017, which is the date the Organization's consolidated financial statements were available to be issued. No material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in these consolidated financial statements.

**BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE**

Schedule of Findings and Questioned Costs

June 30, 2017

**(1) Summary of Auditors' Results**

**Consolidated 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:

<b><u>CFDA Number</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
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?  X  yes \_\_\_\_\_ no

**BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE**

Schedule of Findings and Questioned Costs - continued

June 30, 2017

**(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. AND AFFILIATE**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Expenditures
<b>U.S. Department of Housing and Urban Development:</b>				
<i>Passed through City of Cambridge - Emergency Solution Grant Program</i>				
Street Outreach Van	14.231	E14MC25003	\$ -	\$ 8,284
<i>Passed through City of Boston-Department of Neighborhood Development</i>				
Rapid Rehousing - Youth Housing Pathways	14.267	MA0546L1T001500	-	95,246
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ -</b>	<b>\$ 103,530</b>
<b>U.S. Department of Health and Human Services:</b>				
<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
	93.550	90LIG2004-01-00	-	225,469
			-	625,469
Street Outreach Program	93.557	90Y02200-01-00	-	186,366
Basic Center Grant	93.623	90CY6545-02-00	-	219,984
<i>Passed through Commonwealth of Massachusetts - Department of Public Health</i>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CTDPHINTF2301MM3160524176	-	4,796
	93.959	CTDPHINTF2311MM3602714105	-	53,731
	93.959	CTDPH232353900040000	-	6,956
	93.959	CTDPH23395410001	-	23,988
			-	89,471
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ -</b>	<b>\$ 1,121,290</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 1,224,820</b>

**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. and Affiliate, (the Organization) under programs of the federal government for the year ended June 30, 2017. 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 consolidated 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.

## **Supplemental Information**

**BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE**

Consolidating Statement of Financial Position (Unaudited)

As of June 30, 2017

	<u>BOTW</u>	<u>WSK</u>	<u>Elimination</u>	<u>Consolidated</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,325,000	\$ -	\$ -	\$ 1,325,000
Construction cash	-	751,134	-	751,134
Total cash and cash equivalents	<u>1,325,000</u>	<u>751,134</u>	<u>-</u>	<u>2,076,134</u>
Accounts receivable	212,428	16,711	(6,211)	222,928
Promises to give, current portion	68,250	-	-	68,250
Prepaid expenses	36,835	-	-	36,835
Total current assets	<u>1,642,513</u>	<u>767,845</u>	<u>(6,211)</u>	<u>2,404,147</u>
<b>Fixed Assets</b>				
Land	281,500	-	-	281,500
Buildings and improvements	3,745,399	-	-	3,745,399
Furniture and equipment	259,015	-	-	259,015
Vehicles	155,000	-	-	155,000
Software	14,000	-	-	14,000
Construction in progress	-	2,978,307	(152,860)	2,825,447
Total fixed assets	<u>4,454,914</u>	<u>2,978,307</u>	<u>(152,860)</u>	<u>7,280,361</u>
Less: accumulated depreciation	<u>(3,101,780)</u>	<u>-</u>	<u>-</u>	<u>(3,101,780)</u>
Total net fixed assets	<u>1,353,134</u>	<u>2,978,307</u>	<u>(152,860)</u>	<u>4,178,581</u>
<b>Other Assets</b>				
Promises to give, net of current portion and discount of \$24,174	115,826	-	-	115,826
Investments	4,899,668	-	-	4,899,668
Total other assets	<u>5,015,494</u>	<u>-</u>	<u>-</u>	<u>5,015,494</u>
<b>Total Assets</b>	<u>\$ 8,011,141</u>	<u>\$ 3,746,152</u>	<u>\$ (159,071)</u>	<u>\$ 11,598,222</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable - trade	\$ 108,597	\$ -	\$ (6,211)	\$ 102,386
Accounts payable - construction	-	483,353	-	483,353
Accrued expenses	294,632	-	-	294,632
Deferred compensation, current portion	95,073	-	-	95,073
Deferred revenue	1,500	-	-	1,500
Total current liabilities	<u>499,802</u>	<u>483,353</u>	<u>(6,211)</u>	<u>976,944</u>
<b>Long Term Liabilities</b>				
Deferred compensation, net of current portion	181,236	-	-	181,236
Other debt	-	1,834,752	-	1,834,752
Total long term liabilities	<u>181,236</u>	<u>1,834,752</u>	<u>-</u>	<u>2,015,988</u>
Total liabilities	<u>681,038</u>	<u>2,318,105</u>	<u>(6,211)</u>	<u>2,992,932</u>
<b>Net Assets</b>				
Unrestricted	2,019,659	640,792	(152,860)	2,507,591
Unrestricted - board designated	4,783,849	-	-	4,783,849
Total unrestricted	<u>6,803,508</u>	<u>640,792</u>	<u>(152,860)</u>	<u>7,291,440</u>
Temporarily restricted	400,157	787,255	-	1,187,412
Permanently restricted	126,438	-	-	126,438
Total net assets	<u>7,330,103</u>	<u>1,428,047</u>	<u>(152,860)</u>	<u>8,605,290</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 8,011,141</u>	<u>\$ 3,746,152</u>	<u>\$ (159,071)</u>	<u>\$ 11,598,222</u>

See independent auditors' report.

**BRIDGE OVER TROUBLED WATERS, INC. AND AFFILIATE**

Consolidating Statement of Activities (Unaudited)

For the Year Ended June 30, 2017

	<u>BOTW</u>	<u>WSK</u>	<u>Elimination</u>	<u>Consolidated</u>
<b>Revenue and Support</b>				
Contributions and grants:				
Individual and foundations	\$ 1,805,467	\$ 800,000	\$ (550,000)	\$ 2,055,467
Donated services	372,719	628,047	(615,516)	385,250
Special events, net of expenses of \$255,591	1,209,231	-	-	1,209,231
Service fees	1,488,794	-	-	1,488,794
Developer fee	152,860	-	(152,860)	-
Rental revenue	101,507	-	-	101,507
Other revenue	46,292	-	-	46,292
Interest and dividend revenue, net	54,313	-	-	54,313
Net realized and unrealized gain/(loss) on investments	396,286	-	-	396,286
	<u>5,627,469</u>	<u>1,428,047</u>	<u>(1,318,376)</u>	<u>5,737,140</u>
Total revenue and support				
<b>Expenses</b>				
Program services	5,087,391	-	(1,165,516)	3,921,875
Management and general expenses	976,046	-	-	976,046
Fundraising	540,368	-	-	540,368
	<u>6,603,805</u>	<u>-</u>	<u>(1,165,516)</u>	<u>5,438,289</u>
Total expenses				
Change in net assets	<u>(976,336)</u>	<u>1,428,047</u>	<u>(152,860)</u>	<u>298,851</u>
Net Assets at Beginning of Year	<u>8,306,439</u>	<u>-</u>	<u>-</u>	<u>8,306,439</u>
Net Assets at End of Year	<u>\$ 7,330,103</u>	<u>\$ 1,428,047</u>	<u>\$ (152,860)</u>	<u>\$ 8,605,290</u>

See independent auditors' report.