

**H.I.S. BRIDGEBUILDERS
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANTS'
COMPILATION REPORT
JUNE 30, 2018**

H.I.S. BridgeBuilders
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June 30, 2018

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SALMON SIMS THOMAS

Accountants and Consultants

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors of
H.I.S. BridgeBuilders

Management is responsible for the accompanying financial statements of H.I.S. BridgeBuilders (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Salmon Sims Thomas & Associates
A Professional Limited Liability Company
March 20, 2019

H.I.S. Bridgebuilders
Statement of Financial Position
June 30, 2018

ASSETS

Current Assets	
Cash	\$ 38,778
Contribution receivable	55,748
Total Current Assets	<u>94,526</u>
Noncurrent Assets	
Property and equipment, net	101,243
Total Noncurrent Assets	<u>101,243</u>
 TOTAL ASSETS	 <u><u>\$ 195,769</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 86,960
Accrued expenses	190
Total Current Liabilities	<u>87,150</u>
Net Assets	
Unrestricted	36,623
Temporarily restricted	71,996
Total Net Assets	<u>108,619</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 195,769</u></u>

See accompanying notes and independent accountants' compilation report.

H.I.S. Bridgebuilders
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions	\$ 877,164	\$ 55,700	\$ 932,864
Grants	174,950	-	174,950
In-kind donations	38,222	-	38,222
Other	251	-	251
	1,090,587	55,700	1,146,287
Net assets released from restriction	293,818	(293,818)	-
Total Revenues and Support	1,384,405	(238,118)	1,146,287
Expenses			
Program services	1,059,613	-	1,059,613
Management and general	240,412	-	240,412
Fundraising	223,787	-	223,787
Total Expenses	1,523,812	-	1,523,812
Non-Operating Expense			
Loss on disposal of fixed assets	124,417	-	124,417
Decrease in Net Assets	(263,824)	(238,118)	(501,942)
Net Assets, beginning of year	300,447	310,114	610,561
Net Assets, end of year	\$ 36,623	\$ 71,996	\$ 108,619

See accompanying notes and independent accountants' compilation report.

H.I.S. Bridgebuilders
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows From Operating Activities

Decrease in Net Assets	\$ (501,942)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	27,835
Loss on disposal of property and equipment	124,417
Loss on investment	300
Change in operating assets and liabilities:	
Contribution receivable	(54,873)
Prepaid expenses	4,288
Security deposit	750
Accounts payable	24,826
Accrued expenses	(20,937)
Net Cash Used by Operating Activities	<u>(395,336)</u>

Cash Flows From Investing Activities

Purchases of property and equipment	(16,152)
Proceeds from the disposal of property and equipment	1,010
Net Cash Used by Investing Activities	<u>(15,142)</u>

Decrease in Cash	(410,478)
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Cash, beginning of year	<u>449,256</u>
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Cash, end of year	<u><u>\$ 38,778</u></u>
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See accompanying notes and independent accountants' compilation report.

H.I.S. BridgeBuilders
Notes to Financial Statements
June 30, 2018

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

The summary of significant accounting policies of H.I.S. BridgeBuilders (Organization) are presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Organization - The Organization, a nonprofit organization incorporated in the state of Texas in 1996, is an urban missionary organization that breaks the cycle of poverty by confronting the spiritual needs of the "poor" and resolving the material realities that prevent them from flourishing.

The Organization believes that material poverty, specifically within the inner city today, originates from a cultural condition and that this cultural condition is a result of the extent to which four foundational relationships, essential to human flourishing, have been broken: relationship with God, self, others, and creation. The state of these relationships forms the basis of an individual's worldview, which directs their choices. The result of those choices forms the culture by establishing what the community will accept or reject, *i.e.*, its "values." In the inner-city communities where the Organization serves, these values are predominantly those of entitlement, dependency, and victimization reinforced by grievance peddlers and dependency-reinforcing government structures.

The Organization believes that the resulting culture is oppressive and diminishes the dignity of human beings made in the image of God. It further believes that the mission of God, or *missio Dei*, is centered on the restoration of these four foundational relationships through the atoning work of Jesus Christ and that it is only by the redemptive power of God applied to these relationships that human beings can experience *shalom* (the proper ordering of their lives). Therefore, every program or initiative that the Organization undertakes must include as its goal, the restoration of some or all of these relationships.

The Organization fulfills its *Mission* and *Vision* through three Programs: **MISSIONS** to *save*, **WORK** to *restore*, and **KIDS** to *preserve* and *protect*.

MISSIONS to *save*:

1. **Gospel Proclamation:** The Urban Missionary Team focuses on proclaiming the gospel (making disciples). The plan emphasizes conversion through faith in Jesus Christ followed by being joined to the local church.
2. **Community Outreach:** Weekly Bible study and attractional events such as Men's Basketball & Bible Study with periodic gospel presentations.

H.I.S. BridgeBuilders
Notes to Financial Statements
June 30, 2018

**NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(CONTINUED)**

Organization (Continued)

WORK to *restore*

1. **Employment Services** involves job readiness training through the assessment and provision of transitional needs for the unemployed, life-skills training, job training and placement with one of its employer partners.
 - a. **Assessment & Relief** - Offers a broad array of services beginning with a needs assessment to determine short-term housing and economic needs. The Organization then coordinates with other non-profit partners, churches and government agencies to meet clients' immediate needs.
 - b. **Mitigation Services** – These include services such as driver's license renewal, child support mitigation, etc.
 - c. **Life Skills Training** – The Organization's three-week course combines rigorous biblical principles and practical training to provide clients with life success skills.
 - d. **Vocational Training** – Employer-directed training. Upon completion of Life Skills, students are offered employment with our corporate partners.
 - e. **Employment** – Seeks to place candidates that do not meet the Organization's employer-partner requirements into fulltime employment through corporate and foundation partners.
 - f. **Mentoring** - All students are offered a volunteer *Ally* during training, who can provide guidance, encouragement and support throughout training and into employment.
2. **Income Support**
 - a. **Professional Clothing** – The Organization's *Clothes Closet* provides students with professional clothing, improving their confidence during the transition into employment.
 - b. **Professional Counseling Services** are offered to help clients overcome past traumas.
3. **Financial Coaching** is offered onsite through Achievement Coaches to aid clients in achieving better financial understanding and decision-making

KIDS to *preserve and protect*

1. **After School Programming** for children ages 6-18 that helps them develop spiritually, academically, and emotionally through a 5-day-a-week, 3-hour after-school program that provides meals, homework assistance and instruction to augment the educational deficiencies and empower parents to advocate on behalf of their children.
2. **Athletics - Youth Sports Programming** that helps boys and girls, ages 3-18, develop physical fitness, grow strong emotionally and spiritually, and learn Christian principles, character, and positive life values.

H.I.S. BridgeBuilders
Notes to Financial Statements
June 30, 2018

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Income Taxes - The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Organization has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Organization qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511.

Accounting for Uncertainty in Income Taxes - Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the operating statement or accrued in the statement of financial position. Federal and state tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all investments with original maturity dates of ninety days or less when acquired to be cash equivalents. The Organization places cash, which at times may exceed federally-insured limits, with high-credit quality financial institutions. The Organization has not experienced any losses on such assets.

Contribution Receivable - The Organization has receivables primarily from grants. The Organization has established an allowance for doubtful accounts based upon specific identification of non-collectible receivables. The Organization considers all accounts receivable to be collectible, therefore no allowance for doubtful accounts has been recorded as of June 30, 2018.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording the useful life of property and equipment and collectability of accounts receivable. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimate.

Property and Equipment - Property and equipment are stated at cost when purchased, or fair value at the date donated, less accumulated depreciation. Major expenditures and expenditures which substantially increase useful lives are capitalized. Maintenance, repairs, and replacements, which do not improve or extend the lives of the respective assets, are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation are removed, and any gain or loss is included in operations.

H.I.S. BridgeBuilders
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Depreciation is calculated using the straight-line method at rates sufficient to capitalize the related costs over the estimated useful lives of the respective assets as follows:

Vehicles	5-7 years
Computers and software	3 years
Buildings	40 years

Functional Allocation of Expenses - The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs, supporting services, and fundraising activities.

Financial Statement Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

Donated Assets and Services - Donations of noncash assets are recorded as contributions at their estimated fair value as of the date of donation. Donated services are recognized as contributions in accordance with U.S. GAAP, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Recent Accounting Pronouncements – In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as an update to ASC 958, Not-for-Profit Entities. This update makes several improvements to current reporting requirements that address complexities in the use of the currently required three classes of net assets and enhance required disclosures related to donor restrictions of net assets. The updated guidance will result in a change in the classes of net assets reported on the face of the statement of financial position from three classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions).

H.I.S. BridgeBuilders
Notes to Financial Statements
June 30, 2018

**NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(CONTINUED)**

Recent Accounting Pronouncements (Continued)

The update also requires all not-for-profit entities to report expenses by function and by natural classification, either on the face of the financial statements or in the footnotes. Additional qualitative information about the methods used to allocate costs is also required to be disclosed. The update also requires all not-for-profit entities to disclose quantitative information that communicates the availability of the Organization's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year as well as qualitative information on how the Organization manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.

The updated guidance will be effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The new guidance should be applied on a retrospective basis. The Organization will be adopting this update in the fiscal year ended June 30, 2019. No other material impact is expected.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The new standard requires lessees to recognize a right-of-use (ROU) asset and a related lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and statement of changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The new standard is effective for private entities for annual periods beginning after December 15, 2019. The Organization is currently assessing the impact that adoption of ASU 2016-02 will have on its statement of position but expects that the guidance will not result in significant changes to the results of operations.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, as an update to ASC 230, Statement of Cash Flows. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The updated guidance will be effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Organization will be adopting this update in the fiscal year ended June 30, 2020. The new guidance will be applied on a retrospective basis. The updated guidance will result in a change in the statement of cash flow to include restricted cash and restricted cash equivalents. No other material impact is expected.

H.I.S. BridgeBuilders
Notes to Financial Statements
June 30, 2018

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The statement is effective for annual periods beginning after December 15, 2018. The Organization is in the process of evaluating the potential impact of ASU 2014-09 on its financial statements and it has not yet determined the method by which the standard will be adopted in the fiscal year ended June 30, 2020.

These amounts are included in revenue as unrestricted contributions and in the applicable expense categories in the accompanying statement of activities.

Date of Management's Review – Subsequent events have been evaluated for potential recognition or disclosure through March 20, 2019, which is the date the financial statements were available to be issued.

NOTE 2: PROPERTY AND EQUIPMENT

At June 30, 2018, property and equipment consisted of the following:

Vehicles	\$	30,000
Leasehold improvements		11,295
Buildings and improvements		92,526
Land		1,250
		<u>135,071</u>
Less: Accumulated depreciation		33,828
	\$	<u><u>101,243</u></u>

Depreciation expense for the year ended June 30, 2018 totaled \$27,835.

NOTE 3: DONATED GOODS AND SERVICES

During the year ended June 30, 2018, the Organization received and recognized contributed goods and services as follows:

Rent	\$	35,422
Professional Services		2,800
	\$	<u><u>38,222</u></u>

H.I.S. BridgeBuilders
Notes to Financial Statements
June 30, 2018

NOTE 4: COMMITMENTS

The Organization leases facilities and equipment under various noncancelable lease agreements. Future commitments pursuant to these leases are as follows for the year ended June 30, 2018:

2019	\$	9,800
2020		5,500
2021		5,500
2022		3,200
2023 and thereafter		-
	<u>\$</u>	<u>24,000</u>

Rental expense for the year ended June 30, 2018 totaled \$ 65,048.

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018, the purpose and corresponding balances remaining in temporarily restricted net assets were as follows:

KIDS Athletics	\$	71,996
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Temporarily restricted net assets released from restrictions during the year ended June 30, 2018 were as follows:

KIDS Athletics	\$	293,818
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NOTE 6: NATURAL EXPENSE CLASSIFICATIONS

Management's allocation of functional expenses is based on time and other resources used in the various functions benefitted. The table below summarizes the natural expenses that are so allocated for the year ended June 30, 2018.

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 815,191	\$ 49,002	\$ 153,489	\$ 1,017,682
Other operating expenses	167,861	139,666	70,298	377,825
Rent	76,561	23,909	-	100,470
Depreciation	-	27,835	-	27,835
	<u>\$ 1,059,613</u>	<u>\$ 240,412</u>	<u>\$ 223,787</u>	<u>\$ 1,523,812</u>