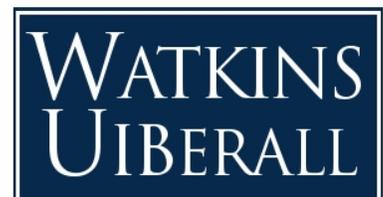


**BRIDGES U.S.A., INC. AND AFFILIATE  
COMBINED FINANCIAL STATEMENTS**

June 30, 2015 and 2014



Watkins Uiberall, PLLC  
Certified Public Accountants & Financial Advisors  
Independent Member of BKR International

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
BRIDGES U.S.A., Inc. and Affiliate  
Memphis, Tennessee

We have audited the accompanying combined financial statements of BRIDGES U.S.A., Inc. and Affiliate (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2015 and 2014, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of BRIDGES U.S.A., Inc. and Affiliate as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedules of financial position and activities on pages 21 and 22 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
October 29, 2015

**BRIDGES U.S.A., INC. AND AFFILIATE**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**

June 30, 2015 and 2014

	<u>Assets</u>	
	2015	2014
<b>Current Assets</b>		
Cash and cash equivalents	\$ 561,144	\$ 741,031
Receivables		
Grants	56,046	228,098
Promises to give - current portion	894,200	187,000
Other	16,862	9,544
Total receivables	967,108	424,642
Prepaid expenses	41,267	61,192
Total current assets	1,569,519	1,226,865
<b>Non-Current Assets</b>		
Promises to give - less current portion above, net	1,638,245	287,089
Investments	1,877,305	2,045,111
Restricted investments	15,266,173	14,524,930
Property and equipment, net	7,475,998	7,387,126
Total non-current assets	26,257,721	24,244,256
Total assets	\$ 27,827,240	\$ 25,471,121
	<u>Liabilities and Net Assets</u>	
<b>Current Liabilities</b>		
Accounts payable and accruals	\$ 326,994	\$ 284,096
Current maturities of long-term debt	8,154	7,776
Deferred revenue	20,946	5,263
Total current liabilities	356,094	297,135
Long-term debt, net of current maturities	69,303	77,457
Total liabilities	425,397	374,592
<b>Net Assets</b>		
Unrestricted		
Investment in property and equipment	7,475,998	7,387,126
Undesignated	1,567,804	1,417,796
Total unrestricted	9,043,802	8,804,922
Temporarily restricted	3,262,577	4,544,249
Permanently restricted	15,095,464	11,747,358
Total net assets	27,401,843	25,096,529
Total liabilities and net assets	\$ 27,827,240	\$ 25,471,121

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

**BRIDGES U.S.A., INC. AND AFFILIATE**  
**COMBINED STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Other Income				
Grants	\$ 224,654	\$ -	\$ -	\$ 224,654
Contributions	2,080,486	87,500	3,348,106	5,516,092
Training fees	545,794	-	-	545,794
Special events	39,662	-	-	39,662
Other income	1,776	-	-	1,776
Net assets released from restrictions	870,366	(870,366)	-	-
Total revenue and other income	<u>3,762,738</u>	<u>(782,866)</u>	<u>3,348,106</u>	<u>6,327,978</u>
Expenses				
Program Services				
Bridge Builders	1,646,904	-	-	1,646,904
Workforce Development	163,763	-	-	163,763
Team Bridges	404,901	-	-	404,901
Strategic Initiatives	205,581	-	-	205,581
Total program services	<u>2,421,149</u>	<u>-</u>	<u>-</u>	<u>2,421,149</u>
Management and general	360,790	-	-	360,790
Fundraising	429,671	-	-	429,671
Total expenses	<u>3,211,610</u>	<u>-</u>	<u>-</u>	<u>3,211,610</u>
Excess (deficit) of revenue and other income over expenses	551,128	(782,866)	3,348,106	3,116,368
Other Changes in Net Assets				
Change in market value of investments	(58,628)	(2,387,655)	-	(2,446,283)
Interest and dividend income	58,925	1,888,849	-	1,947,774
Facility rental income	56,316	-	-	56,316
Loss on disposal of property and equipment	(6,826)	-	-	(6,826)
Lease revenues	135,879	-	-	135,879
Less: direct expenses	(497,914)	-	-	(497,914)
Total other changes in net assets	<u>(312,248)</u>	<u>(498,806)</u>	<u>-</u>	<u>(811,054)</u>
Change in net assets	238,880	(1,281,672)	3,348,106	2,305,314
Net assets at beginning of year	<u>8,804,922</u>	<u>4,544,249</u>	<u>11,747,358</u>	<u>25,096,529</u>
Net assets at end of year	<u>\$ 9,043,802</u>	<u>\$ 3,262,577</u>	<u>\$ 15,095,464</u>	<u>\$ 27,401,843</u>

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

**BRIDGES U.S.A., INC. AND AFFILIATE**  
**COMBINED STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Income				
Grants	\$ 1,267,327	\$ -	\$ -	\$ 1,267,327
Contributions	1,088,419	-	686,089	1,774,508
Training fees	578,080	-	-	578,080
Special events	46,337	-	-	46,337
Other income	3,197	-	-	3,197
Net assets released from restrictions	624,839	(624,839)	-	-
Total revenue and other income	<u>3,608,199</u>	<u>(624,839)</u>	<u>686,089</u>	<u>3,669,449</u>
Expenses				
Program Services				
Bridge Builders	1,390,428	-	-	1,390,428
Workforce Development	1,313,933	-	-	1,313,933
Team Bridges	349,637	-	-	349,637
Strategic Initiatives	206,668	-	-	206,668
Total program services	<u>3,260,666</u>	<u>-</u>	<u>-</u>	<u>3,260,666</u>
Management and general	338,849	-	-	338,849
Fundraising	549,039	-	-	549,039
Total expenses	<u>4,148,554</u>	<u>-</u>	<u>-</u>	<u>4,148,554</u>
Excess (deficit) of revenue and other income over expenses	(540,355)	(624,839)	686,089	(479,105)
Other Changes in Net Assets				
Change in market value of investments	20,167	2,245,895	-	2,266,062
Interest and dividend income	36,867	816,710	-	853,577
Facility rental income	66,270	-	-	66,270
Total other changes in net assets	<u>123,304</u>	<u>3,062,605</u>	<u>-</u>	<u>3,185,909</u>
Change in net assets	(417,051)	2,437,766	686,089	2,706,804
Net assets at beginning of year	<u>9,221,973</u>	<u>2,106,483</u>	<u>11,061,269</u>	<u>22,389,725</u>
Net assets at end of year	<u>\$ 8,804,922</u>	<u>\$ 4,544,249</u>	<u>\$ 11,747,358</u>	<u>\$ 25,096,529</u>

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

**BRIDGES U.S.A., INC. AND AFFILIATE**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2015

	Program Services				Total Program Services	Supporting Services		Total Program and Supporting Services
	Bridge Builders	Workforce Development	Team BRIDGES	Strategic Initiatives		Management and General	Fundraising	
Personnel	\$ 982,108	\$ 97,149	\$ 304,093	\$ 155,258	\$ 1,538,608	\$ 158,894	\$ 300,815	\$ 1,998,317
Contracted services	269,131	6,138	11,428	13,642	300,339	105,640	22,197	428,176
Professional services	8,844	2,519	5,660	1,794	18,817	42,674	5,648	67,139
Supplies	46,192	1,706	184	369	48,451	13,016	8,654	70,121
Communication	15,680	2,174	3,812	919	22,585	2,063	3,095	27,743
Postage and shipping	726	67	103	29	925	1,199	1,853	3,977
Occupancy	58,720	8,295	12,287	3,900	83,202	11,312	12,518	107,032
Equipment rental and maintenance	74,741	9,668	25,248	13,530	123,187	6,794	16,555	146,536
Printing/publications/marketing	1,801	1,876	2	-	3,679	680	9,163	13,522
Advertising	-	-	-	3,629	3,629	-	-	3,629
Local transportation	4,716	959	691	224	6,590	651	685	7,926
Depreciation and amortization	112,321	23,764	27,894	8,875	172,854	4,065	27,796	204,715
Insurance	29,867	4,666	6,210	1,958	42,701	1,386	6,206	50,293
Conferences/conventions/meetings	8,819	13	3,195	1,189	13,216	2,834	10,653	26,703
Miscellaneous expense	30,587	4,374	3,486	69	38,516	9,491	3,227	51,234
Interest	2,428	395	608	196	3,627	91	606	4,324
Student incentives	223	-	-	-	223	-	-	223
	<u>\$ 1,646,904</u>	<u>\$ 163,763</u>	<u>\$ 404,901</u>	<u>\$ 205,581</u>	<u>\$ 2,421,149</u>	<u>\$ 360,790</u>	<u>\$ 429,671</u>	<u>\$ 3,211,610</u>

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

**BRIDGES U.S.A., INC. AND AFFILIATE**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2014

	Program Services				Total Program Services	Supporting Services		Total Program and Supporting Services
	Bridge Builders	Workforce Development	Team BRIDGES	Strategic Initiatives		Management and General	Fundraising	
Personnel	\$ 837,941	\$ 910,943	\$ 258,084	\$ 168,680	\$ 2,175,648	\$ 178,667	\$ 338,540	\$ 2,692,855
Contracted services	191,507	58,521	8,843	7,258	266,129	17,743	89,377	373,249
Professional services	6,522	15,781	3,479	1,304	27,086	73,407	3,696	104,189
Supplies	40,915	13,601	3,551	643	58,710	11,087	7,615	77,412
Communication	11,256	10,204	2,996	1,077	25,533	3,440	2,637	31,610
Postage and shipping	449	1,513	44	13	2,019	1,155	6,148	9,322
Occupancy	48,012	56,951	12,763	6,311	124,037	12,558	13,572	150,167
Equipment rental and maintenance	52,851	48,203	12,783	4,599	118,436	5,079	10,593	134,108
Printing/publications/marketing	225	-	-	-	225	569	21,240	22,034
Advertising	2,418	-	-	657	3,075	-	1,688	4,763
Local transportation	7,793	2,249	255	96	10,393	136	308	10,837
Depreciation and amortization	134,869	159,226	36,127	13,547	343,769	18,801	38,384	400,954
Insurance	22,676	24,923	5,550	2,082	55,231	3,892	5,898	65,021
Conferences/conventions/meetings	8,198	1,246	3,264	116	12,824	2,693	6,176	21,693
Miscellaneous expense	23,161	8,662	1,491	119	33,433	9,349	2,735	45,517
Interest	1,534	1,791	407	156	3,888	268	432	4,588
Student incentives	101	119	-	10	230	5	-	235
	<u>\$ 1,390,428</u>	<u>\$ 1,313,933</u>	<u>\$ 349,637</u>	<u>\$ 206,668</u>	<u>\$ 3,260,666</u>	<u>\$ 338,849</u>	<u>\$ 549,039</u>	<u>\$ 4,148,554</u>

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

**BRIDGES U.S.A., INC. AND AFFILIATE**  
**COMBINED STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ 2,305,314	\$ 2,706,804
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation and amortization	349,535	400,954
Donation of stock	(15,491)	-
Donation of land	-	(30,000)
Loss on disposal of property and equipment	6,826	-
Change in market value of investments	2,446,283	(2,266,062)
Contributions restricted for endowment	(3,348,106)	(686,089)
Change in Operating Assets and Liabilities:		
Increase (Decrease) in Cash and Cash Equivalents:		
Receivables	77,234	(310,909)
Prepaid expenses	19,925	18,053
Accounts payable and accruals	42,898	(45,465)
Deferred revenue	15,683	3,513
Total adjustments	(405,213)	(2,916,005)
Net cash provided by (used for) operating activities	1,900,101	(209,201)
Cash Flows From (Used For) Investing Activities:		
Purchase of property and equipment	(445,233)	(56,771)
Purchase of investments	(4,124,001)	-
Proceeds from sale of investments	3,024,483	699,916
Reinvestment of investment earnings	(1,904,711)	(853,223)
Net cash used for investing activities	(3,449,462)	(210,078)
Cash Flows From (Used For) Financing Activities:		
Collection of contributions restricted for endowment	1,377,250	686,089
Principal payments on long-term debt	(7,776)	(11,131)
Net cash from financing activities	1,369,474	674,958
Net increase (decrease) in cash and cash equivalents	(179,887)	255,679
Cash and cash equivalents at beginning of year	741,031	485,352
Cash and cash equivalents at end of year	\$ 561,144	\$ 741,031

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

**BRIDGES U.S.A., INC. AND AFFILIATE**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

June 30, 2015 and 2014

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Operations

BRIDGES U.S.A., Inc. and its affiliated organization, BRIDGES Foundation, Inc. (collectively "BRIDGES") seek to unite and inspire diverse young people to become confident and courageous leaders committed to community transformation by providing comprehensive programs that develop leadership skills and strengthen acceptance of cultural and racial diversity. Working in partnership with business, government, educational institutions and other agencies, BRIDGES also provides workforce development training for teenagers and adults. BRIDGES is supported primarily by contributions from foundations, corporations, and individuals.

Principles of Combination

The financial statements of BRIDGES U.S.A., Inc. and its affiliate: BRIDGES Foundation, Inc. have been combined due to the entities being financially interrelated and commonly controlled. All significant intercompany accounts and transactions are eliminated.

Method of Accounting

The accompanying combined financial statements reflect the results of all programs operated and controlled by BRIDGES. The combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Support received or receivable is recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Revenues from training and service fees are recognized when earned.

### Concentrations and Credit Risks

BRIDGES' credit risks primarily relate to cash and cash equivalents and receivables. BRIDGES maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits of \$250,000 in the aggregate. BRIDGES has not experienced any losses in such accounts nor does management believe there is any significant credit risk on cash and cash equivalents.

For 2015 and 2014, BRIDGES received 36% and 56% of its total contributions from three donors, respectively.

### Fair Value Measurement

BRIDGES applies generally accepted accounting principles ("GAAP") for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. See Note 3 for additional disclosures.

### Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the combined statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Cash and Cash Equivalents

For purposes of the combined statements of cash flows, cash and cash equivalents consist of cash on hand in checking and interest-bearing accounts. BRIDGES' policy is to consider all highly liquid debt securities purchased with initial maturities of three months or less to be cash equivalents.

### Promises to Give

Unconditional promises to give are recognized as revenues when received at their net realizable values. Unconditional promises to give due in subsequent years have been discounted to the present value of their net realizable value. Any conditional promises to give are recognized when the conditions on which they depend are substantially met.

BRIDGES uses the allowance method to determine uncollectible unconditional promises receivable. The allowance, if any, is based upon prior years' experience and management's analysis of specific promises made. The allowance represents an estimate by management, and it is at least reasonably possible that a change in the estimate will occur in the near term. No allowance was considered to be necessary at June 30, 2015 or 2014.

## Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts, if any, through a charge to operating expense and a credit to the allowance for doubtful accounts based upon its assessment of the current status of individual accounts. BRIDGES does not assess finance charges on past-due amounts. Past-due amounts are determined based upon the original invoice date. There were no receivables past due 90 days or more at June 30, 2015 or 2014.

An allowance for uncollectible accounts is based upon a review of the individual accounts, past experience, current economic conditions and other pertinent factors which form a basis for determining the adequacy of the allowance. The allowance represents an estimate by management based upon these and other factors and is at least reasonably possible that a change in the estimate will occur in the near term. No allowance was considered to be necessary at June 30, 2015 or 2014.

## Investments

Investments in marketable securities are carried at their fair values in the combined statements of financial position. Realized and unrealized gains and losses on investments are presented in the combined statements of activities as change in market value of investments.

## Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated fair value at the date of donation. BRIDGES' policy is to capitalize items which have an initial cost at the date of purchase or fair value at the date of donation of \$1,000 or more. Repair and maintenance costs, which do not increase the useful lives of the assets, are expensed as incurred.

Depreciation is computed on the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Furnishings and equipment	3-25 years
Vehicles	5 years

## Deferred Revenue

Income collected in advance for special projects or sponsorships related to the next fiscal year are recorded as deferred revenue to properly match revenues with the related expenses.

## Net Assets

BRIDGES' net assets and changes therein are classified and reported as follows:

*Temporarily Restricted Net Assets* – Temporarily restricted net assets represent gifts or other revenues wherein donors have specified the purpose for which the net assets are to be spent or time restrictions imposed or implied by the nature of the gift.

*Permanently Restricted Net Assets* – Permanently restricted net assets represent contributions subject to donor-imposed stipulations to be invested in perpetuity, for which only the income may be available for program operations.

*Unrestricted Net Assets* – Unrestricted net assets are all the remaining net assets of BRIDGES. This includes voluntary board-approved designations of unrestricted net assets for specific purposes, projects, or investments. Because designations are voluntary and may be reversed at any time by the board, designated portions of net assets are not considered temporarily or permanently restricted.

### Advertising

BRIDGES expenses advertising costs as incurred. Such costs totaled \$3,629 and \$4,763 during 2015 and 2014, respectively.

### In-Kind Contributions

In-kind contributions of goods or assets are recorded at their estimated fair market value at the date of donation. During 2015 and 2014, BRIDGES received in-kind contributions valued at \$15,491 and \$30,000, respectively.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise need to be purchased if not provided by donation. There were no donated services recognized in 2015 or 2014. However, a number of volunteers have donated significant amounts of their time to BRIDGES. These services do not meet the requirements for recognition in the financial statements.

### Federal Tax Status

The Internal Revenue Service has classified BRIDGES as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. BRIDGES files an exempt organization return in the U.S. federal jurisdiction.

### Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

### Date of Management's Review

BRIDGES evaluated its June 30, 2015 combined financial statements for subsequent events through October 29, 2015, the date the financial statements were available to be issued. Management is not aware of any subsequent events which require recognition or disclosure in the combined financial statements.

## NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were comprised of the following at June 30:

	<u>2015</u>	<u>2014</u>
Gross promises	\$ 2,616,950	\$ 485,000
Less unamortized discount	<u>(84,505)</u>	<u>(10,911)</u>
Net unconditional promises to give	<u>\$ 2,532,445</u>	<u>\$ 474,089</u>

At June 30, 2015, unconditional promises to give are due as follows:

2016	\$ 894,200
2017	575,000
2018	540,000
2019	402,750
2020	<u>205,000</u>
	<u>\$ 2,616,950</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.62%.

## NOTE 3 - FAIR VALUE MEASUREMENTS AND INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that BRIDGES has the ability to access.
- Level 2 – Inputs (other than quoted prices within level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 investments are primarily valued on prices provided by reputable dealers or pricing services. Certain Level 2 investments are in entities that calculate net asset value per share or its equivalent for which fair value is not readily determinable.
- Level 3 – Unobservable inputs for the asset or liability that rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

In determining fair values, BRIDGES utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual funds and bonds:* Valued at the closing price reported on the active market in which they are traded.

*Common Trust Funds:* Valued at the closing price per unit reported by the fund custodian.

The following tables present investments that are measured at fair value on a recurring basis at June 30:

	2015		
	Level 1	Level 2	Total
Equity Mutual Funds			
Foreign large blend	\$ 3,146,632	\$ -	\$ 3,146,632
Large blend	5,739,548	-	5,739,548
Mid-cap value	4,311,750	-	4,311,750
Common Trust Funds			
Fixed Income	-	3,574,669	3,574,669
Multi-Strategy	-	370,879	370,879
	<u>\$ 13,197,930</u>	<u>\$ 3,945,548</u>	<u>\$ 17,143,478</u>

	2014		
	Level 1	Level 2	Total
Equity Mutual Funds			
Foreign large blend	\$ 3,655,202	\$ -	\$ 3,655,202
Large blend	6,104,188	-	6,104,188
Mid-cap value	4,765,541	-	4,765,541
Long-short	156,276	-	156,276
Moderate allocation	221,891	-	221,891
Intermediate term bond	1,542,098	-	1,542,098
Short-term bond	124,845	-	124,845
	<u>\$ 16,570,041</u>	<u>\$ -</u>	<u>\$ 16,570,041</u>

See Note 8 for a description of donor restrictions placed on investments.

#### NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 is as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 350,477	\$ 350,477
Buildings and improvements	9,573,344	9,280,434
Furnishings and equipment	1,295,355	1,325,500
Vehicles	38,990	61,937
	<u>11,258,166</u>	<u>11,018,348</u>
Less accumulated depreciation	(3,782,168)	(3,631,222)
Net property and equipment	<u>\$ 7,475,998</u>	<u>\$ 7,387,126</u>

#### NOTE 5 - LINE OF CREDIT

BRIDGES maintains a \$350,000 line of credit with a local bank, secured by all deposits and investments held with the bank. The line of credit has a maturity date of May 31, 2016. Interest on the line of credit is charged at the Lender's base commercial rate (3.25% as of June 30, 2015) and is due and payable on the 30<sup>th</sup> day of each month beginning on June 30, 2015, with all unpaid accrued interest due and payable on the maturity date. There were no outstanding borrowings under the line of credit at June 30, 2015 and 2014.

#### NOTE 6 - LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Note payable to local nonprofit organization at 0% interest; discounted using imputed interest rate of 4.75%; due in annual installments of \$11,914 through 2022; secured by land	\$ 96,051	\$ 107,587
Less unamortized discount	<u>(18,594)</u>	<u>(22,354)</u>
	77,457	85,233
Less current maturities	<u>(8,154)</u>	<u>(7,776)</u>
Long term debt, net of current maturities	<u>\$ 69,303</u>	<u>\$ 77,457</u>

Principal maturities of long-term debt for the years ending June 30 are as follows:

2016	\$ 8,154
2017	8,549
2018	8,965
2019	9,400
2020	9,856
Thereafter	<u>32,533</u>
	<u>\$ 77,457</u>

#### **NOTE 7 - RETIREMENT PLAN**

BRIDGES has an employer sponsored tax-sheltered annuity plan which covers substantially all full-time employees. BRIDGES contributes certain percentages of participant compensation plus other amounts, if any, as determined by BRIDGES. All contributions become vested to each participant upon attainment of three years of employment.

Employer contributions under this plan totaled \$51,621 and \$0 for the years ended June 30, 2015 and 2014, respectively.

#### **NOTE 8 - ENDOWMENT FUND**

BRIDGES' endowment fund was initially established with a \$500,000 permanently restricted donation raised during the 1988 Capital Campaign for the stated purpose of creating an endowment to provide future income for BRIDGES' activities. In subsequent years, transfers were made into the endowment at the behest of the Board of Trustees, creating an unrestricted component of the endowment fund. Historically, the Board had an endowment spending policy of approximately 5% of the fair value of the endowment assets. However, in recent years, the spending percentage has varied based on operating needs. The Board is currently in the process of revising its spending policy in order to maintain compliance with donor restrictions while at the same time providing for adequate funding of operations.

In 2011, BRIDGES received a \$10,000,000 contribution to its endowment fund with the stipulation that an additional \$10,000,000 be raised by BRIDGES by December 15, 2015 before any investment earnings can be spent on operations. However, permission was subsequently received from the donor to allow for annual distributions for fiscal years 2013, 2014, and 2015, of up to 5% of the endowment balance at year end. BRIDGES began an endowment giving campaign in 2011 to raise the necessary funds as required by the donor. As of June 30, 2015, cash, pledges, and bequests totaling \$7,971,814 have been raised toward the match. This balance includes \$2,865,000 of bequests. See Note 11 for additional information concerning the bequests.

The original gift of \$10,000,000 as well as the earnings therefrom are required to remain invested in certain securities specified by the donor and are classified as restricted investments in the combined statements of financial position. Restricted investments also include additional

endowment campaign contributions collected and invested. As of June 30, 2015 and 2014, restricted investments were \$15,266,173 and \$14,524,930, respectively.

Endowment Investment Policy

BRIDGES' endowment investments are managed by an investment committee, appointed by the executive committee of the Board of Trustees. The committee engages investment professionals to advise and assist in retaining principal and growing balances through conservative yet fiscally responsible investments. They are charged with maintaining a predictable stream of income to fund the operations and mission of BRIDGES. Investment allocations are reviewed periodically throughout the year. The investment committee has approved the following minimum and maximum broad asset class exposures, excluding the donor-advised assets, which are held in a separate account:

	<u>Minimum</u>	<u>Maximum</u>
Cash and fixed income	30%	100%
Equities	0%	60%
Alternative investments	0%	30%

Interpretation of Relevant Law

BRIDGES is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which governs the State of Tennessee, the provisions of which apply to its endowment fund. Based on its interpretation of the provisions of UPMIFA, BRIDGES is required to act prudently when making decisions to spend or accumulate donor-restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its endowment fund.

The net asset composition of the endowment fund consisted of the following at June 30:

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds				
1988 endowment	\$ 1,396,546	\$ -	\$ 500,000	\$ 1,896,546
2011 endowment	-	3,175,077	14,595,464	17,770,541
	<u>\$ 1,396,546</u>	<u>\$ 3,175,077</u>	<u>\$ 15,095,464</u>	<u>\$ 19,667,087</u>
	<u>2014</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds				
1988 endowment	\$ 1,311,135	\$ -	\$ 500,000	\$ 1,811,135
2011 endowment	6,009	4,544,249	11,247,358	15,797,616
	<u>\$ 1,317,144</u>	<u>\$ 4,544,249</u>	<u>\$ 11,747,358</u>	<u>\$ 17,608,751</u>

A reconciliation of the endowment fund's beginning and ending balances for the years ending June 30 are as follows:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Beginning endowment net assets	\$ 1,317,144	\$ 4,544,249	\$ 11,747,358	\$ 17,608,751
Investment Return				
Investment income	58,384	1,888,849	-	1,947,233
Change in market value	(58,628)	(2,387,655)	-	(2,446,283)
Contributions	192,474	-	3,348,106	3,540,580
Appropriations	(112,828)	(870,366)	-	(983,194)
Ending endowment net assets	<u>\$ 1,396,546</u>	<u>\$ 3,175,077</u>	<u>\$ 15,095,464</u>	<u>\$ 19,667,087</u>

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Beginning endowment net assets	\$ 1,338,724	\$ 2,103,292	\$ 11,061,269	\$ 14,503,285
Investment Return				
Investment income	36,605	816,710	-	853,315
Change in market value	20,167	2,245,895	-	2,266,062
Contributions	-	-	686,089	686,089
Appropriations	(78,352)	(621,648)	-	(700,000)
Ending endowment net assets	<u>\$ 1,317,144</u>	<u>\$ 4,544,249</u>	<u>\$ 11,747,358</u>	<u>\$ 17,608,751</u>

#### NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted as follows at June 30:

	2015	2014
Purpose Restrictions		
Bridge Builders	\$ 50,000	\$ -
Climbing wall	37,500	-
Unspent endowment appreciation	3,175,077	4,544,249
	<u>\$ 3,262,577</u>	<u>\$ 4,544,249</u>

## NOTE 10 - COMMITMENTS

BRIDGES leases office equipment under non-cancelable operating leases. Rent and usage expense under these leases totaled \$15,064 and \$19,835 in 2015 and 2014, respectively. Future minimum lease payments for the years ending June 30 are as follows:

2016	\$	5,356
2017		5,356
2018		5,356
2019		1,339
	\$	<u>17,407</u>

## NOTE 11 - CONDITIONAL PROMISES TO GIVE

BRIDGES has entered into an agreement with the Emotionally Hurt Children (“EHC”) Trust created by a deceased donor whereby, subject to certain defined program accomplishments, BRIDGES will receive 50% of the trust’s total annual charitable distributions, if any, for a ten year period beginning June, 2001. During the next 15 years, the percentage distribution will be 25%. Since the amounts of these distributions are unknown, no amount has been recorded in the accompanying financial statements nor will be until the distribution is received. BRIDGES received \$10,266 and \$9,500 during 2015 and 2014, respectively.

As discussed in Note 8, BRIDGES has been notified of approximately \$2,865,000 in bequests in which BRIDGES has been designated as a beneficiary in the wills of certain donors. Since wills can be changed at any time, these amounts have not been recorded in the combined financial statements.

## NOTE 12 – RENTAL REAL ESTATE

BRIDGES has an operating lease agreement for the North Building on its property located at 477 North 5<sup>th</sup> Street. Future lease payments to be received for the years ending June 30 are as follows:

2016	\$	202,739
2017		202,739
2018		67,580
	\$	<u>473,058</u>

## **SUPPLEMENTAL INFORMATION**

**BRIDGES U.S.A., INC. AND AFFILIATE**  
**COMBINING SCHEDULE OF FINANCIAL POSITION**

June 30, 2015

<u>Assets</u>	BRIDGES U.S.A., Inc	BRIDGES Foundation Inc.	Eliminations	Combined Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 487,480	\$ 73,664	\$ -	\$ 561,144
Receivables				
Grants	56,046	-	-	56,046
Promises to give - current portion	87,500	806,700	-	894,200
Receivable - affiliate	-	5,000	(5,000)	-
Other	16,862	-	-	16,862
Total receivables	<u>160,408</u>	<u>811,700</u>	<u>(5,000)</u>	<u>967,108</u>
Prepaid expenses	41,267	-	-	41,267
Total current assets	<u>689,155</u>	<u>885,364</u>	<u>(5,000)</u>	<u>1,569,519</u>
<b>Non-Current Assets</b>				
Promises to give - less current portion above	-	1,638,245	-	1,638,245
Investments	-	1,877,305	-	1,877,305
Restricted investments	-	15,266,173	-	15,266,173
Property and equipment, net	7,475,998	-	-	7,475,998
Total non-current assets	<u>7,475,998</u>	<u>18,781,723</u>	<u>-</u>	<u>26,257,721</u>
<b>Total assets</b>	<u>\$ 8,165,153</u>	<u>\$ 19,667,087</u>	<u>\$ (5,000)</u>	<u>\$ 27,827,240</u>
<u>Liabilities and Net Assets</u>				
<b>Current Liabilities</b>				
Accounts payable and accruals	\$ 326,994	\$ -	\$ -	\$ 326,994
Current maturities of long-term debt	8,154	-	-	8,154
Deferred revenue	20,946	-	-	20,946
Due to affiliate	5,000	-	(5,000)	-
Total current liabilities	<u>361,094</u>	<u>-</u>	<u>(5,000)</u>	<u>356,094</u>
Long-term debt, net of current maturities	69,303	-	-	69,303
Total liabilities	<u>430,397</u>	<u>-</u>	<u>(5,000)</u>	<u>425,397</u>
<b>Net Assets</b>				
Unrestricted				
Investment in property and equipment	7,475,998	-	-	7,475,998
Undesignated	171,258	1,396,546	-	1,567,804
Total unrestricted	<u>7,647,256</u>	<u>1,396,546</u>	<u>-</u>	<u>9,043,802</u>
Temporarily restricted	87,500	3,175,077	-	3,262,577
Permanently restricted	-	15,095,464	-	15,095,464
Total net assets	<u>7,734,756</u>	<u>19,667,087</u>	<u>-</u>	<u>27,401,843</u>
<b>Total liabilities and net assets</b>	<u>\$ 8,165,153</u>	<u>\$ 19,667,087</u>	<u>\$ (5,000)</u>	<u>\$ 27,827,240</u>

See independent auditor's report.

**BRIDGES U.S.A., INC. AND AFFILIATE**  
**COMBINING SCHEDULE OF ACTIVITIES**

For the Year Ended June 30, 2015

	BRIDGES U.S.A., Inc.			BRIDGES Foundation, Inc.	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
Revenue and Other Income					
Grants	\$ 224,654	\$ -	\$ 224,654	\$ -	\$ -
Contributions	2,688,012	87,500	2,775,512	192,474	-
Training fees	545,794	-	545,794	-	-
Special events	39,662	-	39,662	-	-
Other income	1,776	-	1,776	-	-
Net assets released from restrictions	-	-	-	870,366	(870,366)
Total revenue and other income	3,499,898	87,500	3,587,398	1,062,840	(870,366)
Expenses					
Program Services					
Bridge Builders	1,646,904	-	1,646,904	-	-
Workforce Development	163,763	-	163,763	-	-
Team Bridges	404,901	-	404,901	-	-
Strategic Initiatives	205,581	-	205,581	-	-
Contributions to BRIDGES	-	-	-	800,000	-
Total program services	2,421,149	-	2,421,149	800,000	-
Management and general	177,596	-	177,596	183,194	-
Fundraising	429,671	-	429,671	-	-
Total expenses	3,028,416	-	3,028,416	983,194	-
Excess (deficit) of revenue and other income over expenses	471,482	87,500	558,982	79,646	(870,366)
Other Changes in Net Assets					
Change in market value of investments	-	-	-	(58,628)	(2,387,655)
Interest and dividend income	541	-	541	58,384	1,888,849
Facility rental income	56,316	-	56,316	-	-
Loss on disposal of assets	(6,826)	-	(6,826)	-	-
Lease revenues	135,879	-	135,879	-	-
Less: direct expenses	(497,914)	-	(497,914)	-	-
Total other changes in net assets	(312,004)	-	(312,004)	(244)	(498,806)
Change in net assets	159,478	87,500	246,978	79,402	(1,369,172)
Net assets at beginning of year	7,487,778	-	7,487,778	1,317,144	4,544,249
Net assets at end of year	\$ 7,647,256	\$ 87,500	\$ 7,734,756	\$ 1,396,546	\$ 3,175,077

See independent auditor's report.

BRIDGES Foundation, Inc.			Combined Totals			
Permanently Restricted	Total	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ -	\$ -	\$ 224,654	\$ -	\$ -	\$ 224,654
3,348,106	3,540,580	(800,000)	2,080,486	87,500	3,348,106	5,516,092
-	-	-	545,794	-	-	545,794
-	-	-	39,662	-	-	39,662
-	-	-	1,776	-	-	1,776
-	-	-	870,366	(870,366)	-	-
3,348,106	3,540,580	(800,000)	3,762,738	(782,866)	3,348,106	6,327,978
-	-	-	1,646,904	-	-	1,646,904
-	-	-	163,763	-	-	163,763
-	-	-	404,901	-	-	404,901
-	-	-	205,581	-	-	205,581
-	800,000	(800,000)	-	-	-	-
-	800,000	(800,000)	2,421,149	-	-	2,421,149
-	183,194	-	360,790	-	-	360,790
-	-	-	429,671	-	-	429,671
-	983,194	(800,000)	3,211,610	-	-	3,211,610
3,348,106	2,557,386	-	551,128	(782,866)	3,348,106	3,116,368
-	(2,446,283)	-	(58,628)	(2,387,655)	-	(2,446,283)
-	1,947,233	-	58,925	1,888,849	-	1,947,774
-	-	-	56,316	-	-	56,316
-	-	-	(6,826)	-	-	(6,826)
-	-	-	135,879	-	-	135,879
-	-	-	(497,914)	-	-	(497,914)
-	(499,050)	-	(312,248)	(498,806)	-	(811,054)
3,348,106	2,058,336	-	238,880	(1,281,672)	3,348,106	2,305,314
11,747,358	17,608,751	-	8,804,922	4,544,249	11,747,358	25,096,529
<u>\$ 15,095,464</u>	<u>\$ 19,667,087</u>	<u>\$ -</u>	<u>\$ 9,043,802</u>	<u>\$ 3,262,577</u>	<u>\$ 15,095,464</u>	<u>\$ 27,401,843</u>