

The 410 Bridge, Inc.
Alpharetta, Georgia

Independent Auditor's Report

Financial Statements

Years ended December 31, 2015 and 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT

	<u>Exhibit</u>
STATEMENTS OF FINANCIAL POSITION, December 31, 2015 and 2014	A
STATEMENTS OF ACTIVITIES, Years ended December 31, 2015 and 2014	B
STATEMENTS OF FUNCTIONAL EXPENSES, Years ended December 31, 2015 and 2014	C
STATEMENTS OF CASH FLOWS, Years ended December 31, 2015 and 2014	D
NOTES TO FINANCIAL STATEMENTS	<u>Pages</u> 1-5

BARNES MERRITT & BARNES LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The 410 Bridge, Inc.
Alpharetta, GA

We have audited the accompanying financial statements of The 410 Bridge, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The 410 Bridge, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Barnes Merritt + Barnes LLC

Atlanta, Georgia
July 20, 2016

The 410 Bridge, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets:		
Cash	\$ 1,883,676	\$ 1,077,831
Accounts receivable-net	283,643	387,951
Prepaid expenses	69,258	100,089
Pledges and grants receivable (Note B)	<u>81,071</u>	<u>-</u>
Total current assets	2,317,648	1,565,871
Non-current assets:		
Property and equipment-net (Note C)	<u>438,009</u>	<u>51,607</u>
Total assets	<u>\$ 2,755,657</u>	<u>\$ 1,617,478</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 120,648	\$ 25,981
Prepaid trips	291,483	164,300
Notes payable - current	<u>45,833</u>	<u>-</u>
Total current liabilities	<u>457,964</u>	<u>190,281</u>
Non-current liabilities:		
Notes payable - long-term	<u>229,167</u>	<u>-</u>
Total liabilities	687,131	190,281
Net assets:		
Unrestricted	1,236,598	1,004,303
Temporarily restricted	<u>831,928</u>	<u>422,894</u>
Total net assets	<u>2,068,526</u>	<u>1,427,197</u>
Total liabilities and net assets	<u>\$ 2,755,657</u>	<u>\$ 1,617,478</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

STATEMENT OF ACTIVITIES

For year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Changes in net assets:				
Revenues, gains (losses) and other support:				
Private gifts and grants	\$ 670,754	\$ 4,696,329	\$ -	\$ 5,367,083
Interest income	330	-	-	330
Net assets released from restrictions:				
Satisfaction of restrictions	<u>4,287,295</u>	<u>(4,287,295)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>4,958,379</u>	<u>409,034</u>	<u>-</u>	<u>5,367,413</u>
Operating expenses:				
Program services:				
Program services	<u>4,053,889</u>	<u>-</u>	<u>-</u>	<u>4,053,889</u>
Supporting services:				
Administrative services	307,376	-	-	307,376
Fundraising activities	<u>364,819</u>	<u>-</u>	<u>-</u>	<u>364,819</u>
Total supporting services	<u>672,195</u>	<u>-</u>	<u>-</u>	<u>672,195</u>
Total operating expenses	<u>4,726,084</u>	<u>-</u>	<u>-</u>	<u>4,726,084</u>
Changes in net assets	232,295	409,034	-	641,329
Net assets, beginning of year	<u>1,004,303</u>	<u>422,894</u>	<u>-</u>	<u>1,427,197</u>
Net assets, end of year	<u>\$ 1,236,598</u>	<u>\$ 831,928</u>	<u>\$ -</u>	<u>\$ 2,068,526</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

STATEMENT OF ACTIVITIES

Year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Changes in net assets:				
Revenues, gains (losses) and other support:				
Private gifts and grants	\$ 456,349	\$ 4,298,160	\$ -	\$ 4,754,509
Interest income	553	-	-	553
Net assets released from restrictions:				
Satisfaction of restrictions	<u>4,591,791</u>	<u>(4,591,791)</u>	<u>-</u>	<u>-</u>
 Total revenue and other support	 <u>5,048,693</u>	 <u>(293,631)</u>	 <u>-</u>	 <u>4,755,062</u>
 Operating expenses:				
Program services:				
Program services	<u>3,704,392</u>	<u>-</u>	<u>-</u>	<u>3,704,392</u>
Supporting services:				
Administrative services	294,190	-	-	294,190
Fundraising activities	<u>492,596</u>	<u>-</u>	<u>-</u>	<u>492,596</u>
Total supporting services	<u>786,786</u>	<u>-</u>	<u>-</u>	<u>786,786</u>
 Total operating expenses	 <u>4,491,178</u>	 <u>-</u>	 <u>-</u>	 <u>4,491,178</u>
 Changes in net assets	 557,515	 (293,631)	 -	 263,884
 Net assets, beginning of year	 <u>446,788</u>	 <u>716,525</u>	 <u>-</u>	 <u>1,163,313</u>
 Net assets, end of year	 <u>\$ 1,004,303</u>	 <u>\$ 422,894</u>	 <u>\$ -</u>	 <u>\$ 1,427,197</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2015

	Program Services	Administrative Services	Fundraising Activities	Total
Accounting and legal	\$ 5,714	\$ 51,429	\$ -	\$ 57,143
Administrative service fee	27	174	70	271
Advertising	-	-	6,200	6,200
Bank charges	16,751	1,861	-	18,612
Contract labor	30,619	37,549	-	68,168
Depreciation	9,184	2,533	4,117	15,834
Dues and subscriptions	-	2,124	8,498	10,622
Fundraising	-	-	20,935	20,935
Gifts and donations	1,253,437	-	-	1,253,437
Insurance - general	4,502	13,505	-	18,007
Insurance - medical	30,900	8,523	13,852	53,275
Meals and lodging	3,242	2,161	5,404	10,807
Miscellaneous	(445)	-	(148)	(593)
Office	9,475	2,614	4,247	16,336
Payroll taxes	45,984	12,685	20,614	79,283
Postage	2,743	757	1,230	4,730
Printing	6,563	419	3,767	10,749
Professional development	6,437	2,146	-	8,583
Project costs	1,978,163	-	-	1,978,163
Rent	23,394	6,454	10,487	40,335
Repairs and maintenance	-	540	-	540
Salaries	554,659	153,009	248,640	956,308
Supplies	8,313	2,293	3,726	14,332
Taxes - licenses	125	250	-	375
Telecom and internet	5,896	2,948	5,895	14,739
Travel	57,755	3,397	6,795	67,947
Video production	183	-	275	458
Website	268	5	215	488
Total	<u>\$ 4,053,889</u>	<u>\$ 307,376</u>	<u>\$ 364,819</u>	<u>\$ 4,726,084</u>
Percent of total	<u>85%</u>	<u>7%</u>	<u>8%</u>	<u>100%</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2014

	<u>Program Services</u>	<u>Administrative Services</u>	<u>Fundraising Activities</u>	<u>Total</u>
Accounting and legal	\$ 3,806	\$ 34,249	\$ -	38,055
Administrative service fee	310	144	267	721
Advertising	-	-	692	692
Bank charges	17,187	1,910	-	19,097
Contract labor	18,727	-	-	18,727
Depreciation	(2,924)	(1,359)	(2,516)	(6,799)
Dues and subscriptions	-	-	10,293	10,293
Fundraising	-	-	13,952	13,952
Insurance - general	2,848	8,544	-	11,392
Insurance - medical	25,022	11,638	21,531	58,191
Meals and lodging	4,658	3,106	7,764	15,528
Miscellaneous	(30,083)	-	(10,028)	(40,111)
Office	12,668	5,892	10,900	29,460
Payroll taxes	33,583	15,620	28,897	78,100
Postage	4,566	2,124	3,929	10,619
Printing	453	453	8,155	9,061
Professional development	1,139	379	-	1,518
Project costs	3,128,814	-	-	3,128,814
Rent	18,146	8,440	15,614	42,200
Repairs and maintenance	-	121	-	121
Salaries	418,096	194,463	359,757	972,316
Supplies	5,910	2,749	5,085	13,744
Taxes - licenses	125	335	-	460
Telecom and internet	7,346	3,673	7,347	18,366
Travel	28,920	1,701	3,402	34,023
Video production	4,503	-	6,754	11,257
Website	416	8	332	756
Total	<u>\$ 3,704,392</u>	<u>\$ 294,190</u>	<u>\$ 492,596</u>	<u>\$ 4,491,178</u>
Percent of total	<u>82%</u>	<u>7%</u>	<u>11%</u>	<u>100%</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

STATEMENTS OF CASH FLOWS

For years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Changes in net assets:	\$ 641,329	\$ 263,884
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	15,834	(6,799)
(Increase) decrease in operating assets		
Accounts receivable	104,308	(110,843)
Prepaid expenses	30,831	46,708
Pledges and grants receivable	(81,071)	-
Increase (decrease) in operating liabilities		
Accounts payable	94,667	(68,071)
Prepaid trips	127,183	(139,721)
Notes payable	<u>275,000</u>	<u>-</u>
Net cash provided by operating activities	<u>1,208,081</u>	<u>(14,842)</u>
Cash flows from investing activities:		
Purchase of assets	<u>(402,236)</u>	<u>(32,988)</u>
Net cash used for investing activities	<u>(402,236)</u>	<u>(32,988)</u>
Net increase in cash	805,845	(47,830)
Cash, beginning of year	<u>1,077,831</u>	<u>1,125,661</u>
Cash, end of year	<u>\$ 1,883,676</u>	<u>\$ 1,077,831</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2015 and 2014

Note A-Summary of significant accounting policies:

Nature of activities:

The 410 Bridge, Inc. (the “Organization”) is a not-for-profit organization which provides the people of American churches, communities, and families with a bridge to the churches, communities, and families of nations with grave physical, economic, educational, and spiritual needs. It provides a way to answer the calling to serve and to make a difference in God’s kingdom. The Organization creates, directs, and coordinates mission trips and experiences, allowing people to get involved in the Organization’s projects and activities in the developing world, as well as in those of other ministries that share the Organization’s ethos. It has a sister not-for-profit organization, The 410 Bridge International, which helps coordinate, direct, and supervise activities and projects in Kenya. The Organization is independently funded through corporate and individual contributions and mission participant contributions.

Method of accounting:

The Organization maintains its accounting records on the accrual basis of accounting. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Financial statement presentation:

The financial statements follow the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 116, “Accounting for Contributions Received and Contributions Made”, and Statement No. 117, “Financial Statements for Not-For-Profit Organizations”.

Under Statement of Financial Accounting Standards No. 117, the net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets-Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets-Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended December 31, 2015 and 2014

Note A-Summary of significant accounting policies-continued:

Permanently restricted net assets-Net assets subject to donor-imposed restrictions which may be maintained by the Organization on a permanent basis. 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.

Concentration of credit risk:

The Organization's cash balances in a financial institution exceed federally insured limits. At December 31, 2015 and 2014, the uninsured cash balances totaled \$1,311,880 and \$587,251, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts receivables:

Accounts receivable are considered fully collectible. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed. During the years 2015 and 2014, bad debts were determined to have conclusively occurred and were charged to operations when that determination was made.

Pledges and grants receivable:

Pledges, including unconditional promises to give, are recognized in the period received. The amounts, if any, less an appropriate allowance, are recorded at their estimated fair value. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended December 31, 2015 and 2014

Note A-Summary of significant accounting policies-continued:

Property and equipment:

Property and equipment are stated at cost, or, if donated, at the approximate fair value at the date of donation. Acquisitions of property and equipment in excess of \$1,000 are capitalized.

Depreciation is provided over the estimated useful lives of the respected assets on a straight-line basis. A summary of depreciable lives follows:

<u>Asset Type</u>	<u>Years</u>
Buildings	40
Furniture and equipment	3 - 10
Leasehold Improvements	15

Income taxes:

The Organization is recognized as exempt from Federal income tax under Internal Revenue Code Section 501(c) (3) whereby only the unrelated business income, as defined by Section 512(a) (1) of the Internal Revenue Code, is subject to Federal income tax. The Organization has been classified as an organization that is not a private foundation under IRC Section 509 (a).

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended December 31, 2015 and 2014

Note B-Property and equipment-net:

Property and equipment-net at December 31, 2015 and 2014 is summarized as follows:

	<u>2015</u>	<u>2014</u>
Buildings	\$ 385,436	\$ -
Furniture and equipment	113,069	96,269
Leasehold improvements	<u>12,413</u>	<u>12,413</u>
Property and equipment	510,918	108,682
Less accumulated depreciation	<u>(72,909)</u>	<u>(57,075)</u>
Property and equipment-net	<u>\$ 438,009</u>	<u>\$ 51,607</u>

Depreciation expense related to property and equipment amounted to \$15,834 and (\$6,799) for the years ended December 31, 2015 and 2014, respectively. The 2013 depreciation expense was overstated. Therefore, an adjustment was made in 2014 resulting in the net credit of (\$6,799) to depreciation expense.

Note C-Related party transactions:

Lease: The Organization leases its operating facility from an entity of which the owner is the Organization's Founder/Chairman of the Board, (See Note D).

Donations: The Organization funds certain special mission projects, and the administration thereof, in Kenya via donations to its sister organization, The 410 Bridge International. Several of the Organization's board members also serve on the board of the Kenyan organization. Donations made to the Kenyan organization amounted to \$1,153,117 and \$895,667 for the years ended December 31, 2015 and 2014, respectively.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended December 31, 2015 and 2014

Note D-Commitments:

The Organization leases its office space under a one year lease agreement and storage space under a month-to-month agreement. Rent expense under these agreements was \$40,335 and \$42,200 for the years ended December 31, 2015 and 2014.

Note E-Temporarily restricted net assets:

Temporarily restricted net assets at December 31, 2015 and 2014 are to be used for the following purposes:

	<u>2015</u>	<u>2014</u>
Special mission projects	<u>\$ 831,928</u>	<u>\$ 422,894</u>

Note F-Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.