

The 410 Bridge, Inc.
Alpharetta, Georgia

Independent Auditor's Report

Financial Statements

Years ended December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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
August 30, 2017

The 410 Bridge, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets:		
Cash	\$ 3,139,816	\$ 1,883,676
Accounts receivable-net	227,611	283,643
Prepaid expenses	48,820	69,258
Pledges and grants receivable (Note B)	26,500	81,071
Other current assets	4,580	-
Total current assets	<u>3,447,327</u>	<u>2,317,648</u>
Non-current assets:		
Property and equipment-net (Note C)	<u>437,978</u>	<u>438,009</u>
Total assets	<u>\$ 3,885,305</u>	<u>\$ 2,755,657</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 131,961	\$ 120,648
Prepaid trips	325,183	291,483
Notes payable - current (Note G)	45,833	45,833
Total current liabilities	<u>502,977</u>	<u>457,964</u>
Non-current liabilities:		
Notes payable - long-term (Note G)	<u>183,334</u>	<u>229,167</u>
Total liabilities	\$ 686,311	\$ 687,131
Net assets:		
Unrestricted	933,390	1,236,598
Temporarily restricted	<u>2,265,604</u>	<u>831,928</u>
Total net assets	<u>3,198,994</u>	<u>2,068,526</u>
Total liabilities and net assets	<u>\$ 3,885,305</u>	<u>\$ 2,755,657</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

STATEMENT OF ACTIVITIES

For year ended December 31, 2016

	<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	\$ 527,986	\$ 5,776,688	\$ -	\$ 6,304,674
Interest income	2,762	-	-	2,762
Net assets released from restrictions:				
Satisfaction of restrictions	<u>4,343,012</u>	<u>(4,343,012)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>4,873,760</u>	<u>1,433,676</u>	<u>-</u>	<u>6,307,436</u>
Operating expenses:				
Program services:				
Program services	<u>4,485,177</u>	<u>-</u>	<u>-</u>	<u>4,485,177</u>
Supporting services:				
Administrative services	416,221	-	-	416,221
Fundraising activities	<u>275,570</u>	<u>-</u>	<u>-</u>	<u>275,570</u>
Total supporting services	<u>691,791</u>	<u>-</u>	<u>-</u>	<u>691,791</u>
Total operating expenses	<u>5,176,968</u>	<u>-</u>	<u>-</u>	<u>5,176,968</u>
Changes in net assets	(303,208)	1,433,676	-	1,130,468
Net assets, beginning of year	<u>1,236,598</u>	<u>831,928</u>	<u>-</u>	<u>2,068,526</u>
Net assets, end of year	<u>\$ 933,390</u>	<u>\$ 2,265,604</u>	<u>\$ -</u>	<u>\$ 3,198,994</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

STATEMENT OF ACTIVITIES

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 FUNCTIONAL EXPENSES

Year ended December 31, 2016

	Program Services	Administrative Services	Fundraising Activities	Total
Accounting and legal	\$ 5,410	\$ 48,687	\$ -	\$ 54,097
Advertising	-	-	536	536
Bank charges	26,122	2,902	-	29,024
Contract labor	-	41,796	-	41,796
Depreciation	12,730	5,267	3,951	21,948
Dues and subscriptions	-	1,987	7,946	9,933
Fundraising	-	-	15,152	15,152
Gifts and donations	1,108,539	-	-	1,108,539
Insurance - general	5,622	16,866	-	22,488
Insurance - medical	23,913	9,896	7,421	41,230
Meals and lodging	4,298	2,866	7,164	14,328
Miscellaneous	266	(5,655)	89	(5,300)
Office	24,103	9,974	7,480	41,557
Payroll taxes	45,412	18,792	14,093	78,297
Postage	3,050	1,262	947	5,259
Printing	6,563	1,392	12,532	20,487
Professional development	4,978	1,659	-	6,637
Project costs	2,576,942	-	-	2,576,942
Rent	21,974	9,093	6,819	37,886
Repairs and maintenance	-	2,168	-	2,168
Salaries	582,700	241,118	180,838	1,004,656
Supplies	1,650	682	512	2,844
Taxes - licenses	125	492	-	617
Telecom and internet	6,586	3,293	6,586	16,465
Travel	23,345	1,373	2,747	27,465
Video production	72	-	109	181
Website	777	14	648	1,439
Total	<u>\$ 4,485,177</u>	<u>\$ 416,221</u>	<u>\$ 275,570</u>	<u>\$ 5,176,968</u>
Percent of total	<u>87%</u>	<u>8%</u>	<u>5%</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, 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.

STATEMENTS OF CASH FLOWS

For years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Changes in net assets:	\$ 1,130,468	\$ 641,329
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	21,948	15,834
(Increase) decrease in operating assets		
Accounts receivable	56,032	104,308
Prepaid expenses	20,438	30,831
Pledges and grants receivable	54,571	(81,071)
Other current assets	(4,580)	-
Increase (decrease) in operating liabilities		
Accounts payable	11,313	94,667
Prepaid trips	33,700	127,183
Notes payable	(45,833)	275,000
Net cash provided by operating activities	<u>1,278,057</u>	<u>1,208,081</u>
Cash flows from investing activities:		
Purchase of assets	<u>(21,917)</u>	<u>(402,236)</u>
Net cash used for investing activities	<u>(21,917)</u>	<u>(402,236)</u>
Net increase in cash	1,256,140	805,845
Cash, beginning of year	<u>1,883,676</u>	<u>1,077,831</u>
Cash, end of year	<u>\$ 3,139,816</u>	<u>\$ 1,883,676</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

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, 2016 and 2015

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, 2016 and 2015, the uninsured cash balances totaled \$2,529,436 and \$1,311,880, 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 2016 and 2015, 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, 2016 and 2015

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, 2016 and 2015

Note B-Property and equipment-net:

Property and equipment-net at December 31, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 385,436	\$ 385,436
Furniture and equipment	116,576	113,069
Leasehold improvements	<u>30,823</u>	<u>12,413</u>
Property and equipment	532,835	510,918
Less accumulated depreciation	<u>(94,857)</u>	<u>(72,909)</u>
Property and equipment-net	<u>\$ 437,978</u>	<u>\$ 438,009</u>

Depreciation expense related to property and equipment amounted to \$21,948 and \$15,834 for the years ended December 31, 2016 and 2015, respectively.

Note C-Related party transactions:

Lease: The Organization leased its operating facility from an entity whose owner is the Organization's Founder/Chairman of the Board, through November 30, 2016 when the Organization relocated to a new, unrelated facility. Rent expense under this lease was \$41,250 and \$40,335 for the years ended December 31, 2016 and 2015, respectively.

Donations: The Organization funds certain special mission projects, and the administration thereof, in Kenya via donations to its sister organization, The 410 Bridge International. Historically, several of the Organization's board members also served on the board of the Kenyan organization. As of December 31, 2016, the Organization and The 410 Bridge International had only one board member in common. Donations made to the Kenyan organization amounted to \$1,021,219 and \$1,153,117 for the years ended December 31, 2016 and 2015, respectively.

The Organization made donations to Canopy Life, a not-for-profit entity whose executive director is a former employee of The Organization. Donations made to this entity totaled \$86,266 and \$99,985 for the years ended December 31, 2016 and 2015, respectively.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended December 31, 2016 and 2015

Note C-Related party transactions-continued:

Accounts Receivable: The Daraja Children's Choir, Inc. (the Choir) was originally a division of the Organization. When the Choir became an independent entity, the net assets were transferred to the Choir along with the related payable to the Organization. The receivable from the Choir was \$189,965 and \$256,921 at December 31, 2016 and 2015, respectively.

Note D-Commitments:

On December 1, 2016 the Organization entered into a five year lease for its new office space. Rent expense under this agreement was \$4,580 for the year ended December 31, 2016 and 2015. The total commitments for the remaining term of this lease as of December 31, 2016 are as follow:

2017	\$	54,960
2018		55,510
2019		56,065
2020		56,625
2021		57,192
	\$	<u>280,352</u>

Note E-Temporarily restricted net assets:

Temporarily restricted net assets at December 31, 2016 and 2015 are to be used for the following purposes:

	<u>2016</u>	<u>2015</u>
Special mission projects	<u>\$ 2,265,604</u>	<u>\$ 831,928</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.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended December 31, 2016 and 2015

Note G-Long-term debt:

Long-term debt consists of the following note payable at December 31:

	<u>2016</u>	<u>2015</u>
Non-interest bearing note due to a private party, payable in annual installments of \$45,833 through June 2021	\$ 229,167	\$ 275,000
Less current portion	<u>(45,833)</u>	<u>\$ (45,833)</u>
	<u>\$ 183,334</u>	<u>\$ 229,167</u>

Maturities of long-term debt for years ending December 31 are as follow:

	<u>2016</u>	<u>2015</u>
2017	\$ -	\$ 45,833
2018	45,833	\$ 45,833
2019	45,833	\$ 45,833
2020	45,833	\$ 45,833
2021	<u>45,835</u>	<u>\$ 45,835</u>
	<u>\$ 183,334</u>	<u>\$ 229,167</u>