

The 410 Bridge, Inc.
Alpharetta, Georgia

Independent Auditor's Report

Financial Statements

Years ended December 31, 2018 and 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT

	<u>Exhibit</u>
STATEMENTS OF FINANCIAL POSITION, December 31, 2018 and 2017	A
STATEMENTS OF ACTIVITIES, Years ended December 31, 2018 and 2017	B
STATEMENTS OF FUNCTIONAL EXPENSES, Years ended December 31, 2018 and 2017	C
STATEMENTS OF CASH FLOWS, Years ended December 31, 2018 and 2017	D
NOTES TO FINANCIAL STATEMENTS	<u>Pages</u> 1-7

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, 2018 and 2017, 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, 2018 and 2017, 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
October 22, 2019

The 410 Bridge, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets:		
Cash	\$ 4,281,281	\$ 3,732,668
Pledges and grants receivable (Note A)	-	250,532
Other current assets	<u>4,580</u>	<u>4,580</u>
Total current assets	4,285,861	3,987,780
Non-current assets:		
Due from related parties (Note D)	137,507	191,140
Property and equipment, net (Note C)	<u>417,975</u>	<u>420,512</u>
Total non-current assets	<u>555,482</u>	<u>611,652</u>
Total assets	<u>\$ 4,841,343</u>	<u>\$ 4,599,432</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 65,759	\$ 29,477
Accrued expenses	-	101,505
Notes payable (Note H)	<u>45,833</u>	<u>45,833</u>
Total current liabilities	<u>111,592</u>	<u>176,815</u>
Non-current liabilities:		
Notes payable (Note H)	<u>91,667</u>	<u>137,500</u>
Total liabilities	\$ 203,259	\$ 314,315
Net assets (Note F):		
Without donor restrictions	1,521,934	1,592,292
With donor restrictions	<u>3,116,150</u>	<u>2,692,825</u>
Total net assets	<u>4,638,084</u>	<u>4,285,117</u>
Total liabilities and net assets	<u>\$ 4,841,343</u>	<u>\$ 4,599,432</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

STATEMENT OF ACTIVITIES

For year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in net assets:			
Revenues, gains (losses) and other support:			
Private gifts and grants	\$ 728,450	\$ 5,501,843	\$ 6,230,293
Product Sales	597	-	597
Interest income	10,188	-	10,188
	<u>739,235</u>	<u>5,501,843</u>	<u>6,241,078</u>
Total revenue and other support			
	<u>739,235</u>	<u>5,501,843</u>	<u>6,241,078</u>
Reclassifications:			
Net assets released from restrictions:			
Satisfaction of restrictions	<u>5,078,518</u>	<u>(5,078,518)</u>	<u>-</u>
Operating expenses:			
Program services:			
Program services	<u>4,980,704</u>	<u>-</u>	<u>4,980,704</u>
Supporting services:			
Administrative services	447,076	-	447,076
Fundraising activities	<u>460,331</u>	<u>-</u>	<u>460,331</u>
Total supporting services	<u>907,407</u>	<u>-</u>	<u>907,407</u>
Total operating expenses	<u>5,888,111</u>	<u>-</u>	<u>5,888,111</u>
Changes in net assets	(70,358)	423,325	352,967
Net assets, beginning of year	<u>1,592,292</u>	<u>2,692,825</u>	<u>4,285,117</u>
Net assets, end of year	<u>\$ 1,521,934</u>	<u>\$ 3,116,150</u>	<u>\$ 4,638,084</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

STATEMENT OF ACTIVITIES

Year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:			
Revenues, gains (losses) and other support:			
Private gifts and grants	\$ 718,225	\$ 6,314,156	\$ 7,032,381
Product Sales	561	-	561
Interest income	5,432	-	5,432
Gain (loss) on sale of asset	(245)	-	(245)
Total revenue and other support	723,973	6,314,156	7,038,129
Reclassifications:			
Net assets released from restrictions:			
Satisfaction of restrictions	5,886,935	(5,886,935)	-
Operating expenses:			
Program services:			
Program services	5,125,590	-	5,125,590
Supporting services:			
Administrative services	450,876	-	450,876
Fundraising activities	375,540	-	375,540
Total supporting services	826,416	-	826,416
Total operating expenses	5,952,006	-	5,952,006
Changes in net assets	658,902	427,221	1,086,123
Net assets, beginning of year	933,390	2,265,604	3,198,994
Net assets, end of year	\$ 1,592,292	\$ 2,692,825	\$ 4,285,117

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2018

	Program Services	Administrative Services	Fundraising Activities	Total
Accounting and professional	\$ 9,835	\$ 88,514	\$ -	\$ 98,349
Bank charges	25,559	2,840	-	28,399
Contract labor	49,158	19,569	79,575	148,302
Depreciation	11,603	4,118	2,994	18,715
Dues and subscriptions	-	6,163	24,654	30,817
Fundraising	-	-	101,549	101,549
Gifts and donations	946,539	-	-	946,539
Insurance - general	6,129	18,386	-	24,515
Insurance - medical	29,266	10,385	7,553	47,204
Materials	444	-	1,332	1,776
Meals and lodging	10,820	7,213	18,034	36,067
Office	11,090	3,935	2,862	17,887
Payroll taxes	51,236	18,181	13,222	82,639
Postage	2,967	1,052	766	4,785
Printing	8,974	860	5,126	14,960
Professional development	6,953	2,317	-	9,270
Project costs	3,015,174	-	-	3,015,174
Rent	37,250	13,217	9,613	60,080
Repairs and maintenance	-	1,875	-	1,875
Salaries	681,021	239,343	172,703	1,093,067
Taxes - licenses	-	380	-	380
Telecom and internet	7,506	3,753	7,505	18,764
Travel	62,280	3,663	7,327	73,270
Utilities	3,696	1,312	954	5,962
Video production	2,846	-	4,270	7,116
Website	358	-	292	650
Total	<u>\$ 4,980,704</u>	<u>\$ 447,076</u>	<u>\$ 460,331</u>	<u>\$ 5,888,111</u>
Percent of total	<u>84%</u>	<u>8%</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, 2017

	Program Services	Administrative Services	Fundraising Activities	Total
Accounting and professional	\$ 5,954	\$ 53,581	\$ -	\$ 59,535
Administrative service fee	10	70	17	97
Advertising	-	-	61	61
Bank charges	19,359	2,151	-	21,510
Contract labor	67,122	20,994	49,768	137,884
Depreciation	11,161	4,895	3,525	19,581
Dues and subscriptions	-	4,135	16,538	20,673
Fundraising	-	-	27,821	27,821
Gifts and donations	1,154,495	-	-	1,154,495
Insurance - general	5,814	17,443	-	23,257
Insurance - medical	30,679	13,455	9,688	53,822
Materials	259	-	777	1,036
Meals and lodging	6,220	4,147	10,366	20,733
Miscellaneous	-	(230)	-	(230)
Office	20,214	8,866	6,383	35,463
Payroll taxes	46,643	20,458	14,729	81,830
Postage	2,858	1,253	903	5,014
Printing	6,563	910	8,189	15,662
Project costs	3,038,215	-	-	3,038,215
Rent	33,437	14,665	10,559	58,661
Repairs and maintenance	-	2,388	-	2,388
Salaries	624,808	274,038	197,308	1,096,154
Taxes - licenses	125	325	-	450
Telecom and internet	7,052	3,526	7,053	17,631
Travel	36,570	2,152	4,302	43,024
Utilities	3,771	1,653	1,191	6,615
Video production	4,217	-	6,325	10,542
Website	44	1	37	82
Total	<u>\$ 5,125,590</u>	<u>\$ 450,876</u>	<u>\$ 375,540</u>	<u>\$ 5,952,006</u>
Percent of total	<u>86%</u>	<u>8%</u>	<u>6%</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Changes in net assets:	\$ 352,967	\$ 1,086,123
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	18,715	19,581
Loss on sale of assets	-	244
(Increase) decrease in operating assets		
Accounts receivable	-	37,646
Due from related parties	53,633	(1,175)
Prepaid expenses	-	48,820
Pledges and grants receivable	250,532	(224,032)
Increase (decrease) in operating liabilities		
Accounts payable	36,282	(4,275)
Accrued expenses	(101,505)	3,296
Prepaid trips	-	(325,184)
Notes payable	(45,833)	(45,833)
Net cash provided by operating activities	<u>564,791</u>	<u>595,211</u>
Cash flows from investing activities:		
Purchase of assets	<u>(16,178)</u>	<u>(2,359)</u>
Net cash used for investing activities	<u>(16,178)</u>	<u>(2,359)</u>
Net increase in cash	548,613	592,852
Cash, beginning of year	<u>3,732,668</u>	<u>3,139,816</u>
Cash, end of year	<u>\$ 4,281,281</u>	<u>\$ 3,732,668</u>

The accompanying notes are an integral part of this exhibit.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

Note A-Summary of significant accounting policies:

Nature of activities:

The 410 Bridge, Inc. (the “Organization”) is a Christ-centered, not-for-profit organization committed to relentlessly pursuing healthy community development in nations confined by poverty. The Organization sees the poor as the solution to poverty and not the problem to be solved. The Organization engages communities to participate in their own development, restoring their sense of dignity, purpose and freedom. The 410 Bridge, Inc. works alongside local churches and leadership to assess and leverage their community’s gifts and strengths, not just their needs. Working in conjunction with its partners, the Organization activates a unique, holistic approach that combines Christian discipleship, economic development, quality education, and clean water as well as health and wellness to create lasting freedom from poverty. 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.

Basis of presentation:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

In 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958)– Presentation of Financial Statements of Not-for-Profit Entities. (See Note B – Change in Accounting Principle).

Under ASU2016-14, 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:

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended December 31, 2018 and 2017

Note A-Summary of significant accounting policies-continued:

Net assets without donor restrictions-Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions-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 and net assets that may be maintained permanently by the organization.

Cash and cash equivalents:

For purposes of reporting cash flows, the Organization considers all highly liquid, short-term investments, with an original maturity of three months or less at acquisition, as cash and cash equivalents.

Concentration of credit risk:

The Organization's cash balances in a financial institution exceed federally insured limits. At December 31, 2018 and 2017, the uninsured cash balances totaled \$3,554,317 and \$2,972,110, 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 2018 and 2017, bad debt expense was \$-0- as all accounts receivable were considered fully collectible.

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, 2018 and 2017

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:

Asset Type	Years
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.

Subsequent events:

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended December 31, 2018 and 2017

Note B-Change in Accounting Principle

Effective January 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, effective for financial statements issued for fiscal years beginning after December 31, 2017, amends the current reporting model for nonprofit organizations and enhances their required disclosures.

The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of placed-in-service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Organization’s net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

Note C-Property and equipment, net:

Property and equipment, net at December 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 385,436	\$ 385,436
Furniture and equipment	116,246	114,091
Leasehold improvements	<u>44,847</u>	<u>30,823</u>
Property and equipment	546,529	530,350
Less accumulated depreciation	<u>(128,554)</u>	<u>(109,838)</u>
Property and equipment-net	<u>\$ 417,975</u>	<u>\$ 420,512</u>

Depreciation expense related to property and equipment amounted to \$18,715 and \$19,581 for the years ended December 31, 2018 and 2017, respectively.

Note D-Related party transactions:

Due from related parties: 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. In 2018, the Organization funded additional expenses of the Choir, however, repayments were made in excess of this funding during the year ended December 31, 2018. The receivable from the Choir was \$137,507 and \$191,140 at December 31, 2018 and 2017, respectively.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

Note E-Commitments:

On December 1, 2016 the Organization entered a five-year lease for its new office space. Rent expense under this agreement was \$55,556 and \$55,006 for the years ended December 31, 2018 and 2017, respectively. The commitments for the remaining term of this lease as of December 31, 2018 are as follow:

2019	\$	56,065
2020		56,625
2021		57,192
	\$	<u>169,882</u>

Note F-Net assets:

Net assets without donor restrictions

At December 31, 2018, all net assets without donor restrictions were undesignated as to their use.

Net assets with donor restrictions

At December 31, the net assets with donor restrictions were available for payment of the following:

	<u>2018</u>	<u>2017</u>
Special mission projects	<u>\$ 3,116,150</u>	<u>\$ 2,692,825</u>

Note G-Functional allocation of expenses:

Some expense categories are attributable to more than one activity and require allocation applied on a consistent basis. Salaries and benefits expenses are allocated on the basis of time dedicated to each function. Expenses, such as utilities and rent, that are driven by staffing are allocated based on salary functional percentages. Other expenses are specifically identified as to function.

The 410 Bridge, Inc.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

Years ended December 31, 2018 and 2017

Note H-Long-term debt:

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

	<u>2018</u>	<u>2017</u>
Non-interest-bearing note due to a private party, payable in annual installments of \$45,833 through June 2021	\$ 137,500	\$ 183,333
Less current portion	<u>(45,833)</u>	<u>(45,833)</u>
	<u>\$ 91,667</u>	<u>\$ 137,500</u>

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

	<u>2018</u>	<u>2017</u>
2019	\$ -	\$ 45,833
2020	45,833	\$ 45,833
2021	<u>45,834</u>	<u>\$ 45,834</u>
	<u>\$ 91,667</u>	<u>\$ 137,500</u>

Note I-Liquidity:

At December 31, 2018, the Organization's financial assets available within one year of the balance sheet date for general operating expenditures consisted of cash less restricted cash as follows:

	<u>2018</u>
Cash	\$ 4,281,281
Less: Cash with donor restrictions	<u>(3,116,150)</u>
	<u>\$ 1,165,131</u>

The cash with donor restrictions of \$3,116,150 is available for funding the designated special mission projects. The unrestricted amount of \$1,165,131, includes balances set aside to cover potential operating expense shortfalls. This balance includes reserves of \$13,509 and \$226,964 held in two bank accounts as well as cash in excess of the required starting capital for the new year determined via the budgeting process.