

# Bridge of Hope Lancaster and Chester Counties

## Financial Report

March 31, 2013



CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS ADVISORS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Bridge of Hope Lancaster and Chester Counties  
Coatesville, Pennsylvania

We have audited the accompanying financial statements of Bridge of Hope Lancaster and Chester Counties (a nonprofit organization), which comprise the statements of financial position as of March 31, 2013 and 2012, 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 of 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 Bridge of Hope Lancaster and Chester Counties as of March 31, 2013 and 2012, 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.

*Simon Lever LLP*

**Simon Lever LLP**  
Lancaster, PA

June 19, 2013

## FINANCIAL STATEMENTS

**Bridge of Hope Lancaster and Chester Counties**

**STATEMENTS OF FINANCIAL POSITION**  
**March 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
<b>ASSETS</b>		
Assets		
Cash and cash equivalents	621,518	207,086
Unconditional promises to give	16,076	765,757
Prepaid expenses	7,485	10,710
Total Operating Assets	<u>645,079</u>	<u>983,553</u>
Assets Whose Use is Limited		
Restricted cash and cash equivalents	15,000	15,000
Cash and cash equivalents designated for endowments	6,000	6,000
Investments designated for endowments	100,000	0
Cash and cash equivalents temporarily restricted for program activities	1,041	30,626
Investments temporarily restricted for endowments	220,403	158,525
Cash and cash equivalents permanently restricted for endowments	52,103	37,103
Investments permanently restricted for endowments	938,310	938,310
Unconditional promise to give permanently restricted for endowments	13,950	28,950
Total Assets Whose Use is Limited	<u>1,346,807</u>	<u>1,214,514</u>
Property and Equipment		
Office building and land - Lime Street	256,000	0
Office building and land - Olive Street	183,493	183,493
Office building - Marietta Avenue	49,172	46,789
Office furniture and equipment - Olive Street	55,938	55,250
Residential rental building and land	44,504	44,504
Total	<u>589,107</u>	<u>330,036</u>
Less accumulated depreciation	133,551	116,795
Net Property and Equipment	<u>455,556</u>	<u>213,241</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>2,447,442</u></b>	<b><u>2,411,308</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	5,832	3,322
Accrued wages and benefits	32,777	31,639
Accrued expenses	675	516
Accrued payroll taxes	5,998	4,678
Security deposits	650	650
Total Liabilities	<u>45,932</u>	<u>40,805</u>
Net Assets		
Unrestricted		
Undesignated	720,057	460,522
Board designated	455,646	716,467
Total Unrestricted Net Assets	<u>1,175,703</u>	<u>1,176,989</u>
Temporarily Restricted Net Assets	221,444	189,151
Permanently Restricted Net Assets	<u>1,004,363</u>	<u>1,004,363</u>
Total Net Assets	<u>2,401,510</u>	<u>2,370,503</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>2,447,442</u></b>	<b><u>2,411,308</u></b>

See Notes to Financial Statements

**Bridge of Hope Lancaster and Chester Counties**

**STATEMENT OF ACTIVITIES**  
**Year Ended March 31, 2013**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue and Other Support				
Donations, contributions and support	496,568	0	0	496,568
Grants	143,600	36,000	0	179,600
Fundraising, net of special events expenses \$20,694	142,991	0	0	142,991
Interest income	1,030	0	0	1,030
Rental income	10,850	0	0	10,850
Investment income	0	26,928	0	26,928
Realized gain on investments	0	6,012	0	6,012
Unrealized gain on investments	0	72,820	0	72,820
Net assets released from restrictions	109,467	(109,467)	0	0
Total Revenue and Other Support	<u>904,506</u>	<u>32,293</u>	<u>0</u>	<u>936,799</u>
Functional and Other Expenses				
Program services	725,750	0	0	725,750
Support services				
General and administrative	96,022	0	0	96,022
Fundraising	78,986	0	0	78,986
Total Functional Expenses	<u>900,758</u>	<u>0</u>	<u>0</u>	<u>900,758</u>
Rental property expenses	5,034	0	0	5,034
Total Functional and Other Expenses	<u>905,792</u>	<u>0</u>	<u>0</u>	<u>905,792</u>
Change in Net Assets	(1,286)	32,293	0	31,007
Net Assets at Beginning of Year	<u>1,176,989</u>	<u>189,151</u>	<u>1,004,363</u>	<u>2,370,503</u>
Net Assets at End of Year	<u><u>1,175,703</u></u>	<u><u>221,444</u></u>	<u><u>1,004,363</u></u>	<u><u>2,401,510</u></u>

See Notes to Financial Statements

Bridge of Hope Lancaster and Chester Counties

STATEMENT OF ACTIVITIES  
Year Ended March 31, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue and Other Support				
Donations, contributions and support	1,136,971	0	3,566	1,140,537
Grants	189,500	43,305	0	232,805
Fundraising, net of special events expenses \$20,709	115,649	15,875	0	131,524
Interest income	374	0	0	374
Rental income	4,050	0	0	4,050
Investment income	0	29,465	0	29,465
Realized gain on investments	0	26,266	0	26,266
Unrealized loss on investments	0	(24,385)	0	(24,385)
Net assets released from restrictions	130,599	(115,599)	(15,000)	0
Total Revenue and Other Support	<u>1,577,143</u>	<u>(25,073)</u>	<u>(11,434)</u>	<u>1,540,636</u>
Functional and Other Expenses				
Program services	635,466	0	0	635,466
Support services				
General and administrative	96,372	0	0	96,372
Fundraising	67,019	0	0	67,019
Total Functional Expenses	<u>798,857</u>	<u>0</u>	<u>0</u>	<u>798,857</u>
Rental property expenses	6,610	0	0	6,610
Total Functional and Other Expenses	<u>805,467</u>	<u>0</u>	<u>0</u>	<u>805,467</u>
Change in Net Assets	771,676	(25,073)	(11,434)	735,169
Net Assets at Beginning of Year	<u>405,313</u>	<u>214,224</u>	<u>1,015,797</u>	<u>1,635,334</u>
Net Assets at End of Year	<u><u>1,176,989</u></u>	<u><u>189,151</u></u>	<u><u>1,004,363</u></u>	<u><u>2,370,503</u></u>

See Notes to Financial Statements



Bridge of Hope Lancaster and Chester Counties

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended March 31, 2013

	FUNCTIONAL EXPENSES				
	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUNDRAISING	RENTAL EXPENSES	TOTAL
	\$	\$	\$	\$	\$
Staffing and Related Expenses					
Salaries	357,001	54,923	45,769	0	457,693
Employee benefits	42,804	6,585	5,488	0	54,877
Payroll taxes	30,756	4,732	3,943	0	39,431
Staff training and travel	10,756	2,774	2,930	0	16,460
Total Staffing and Related Expenses	441,317	69,014	58,130	0	568,461
Building and Facility Expenses					
Real estate taxes	1,977	0	0	2,706	4,683
Condo association fees	6,725	0	0	0	6,725
Depreciation	11,933	1,836	1,530	1,454	16,753
Maintenance and repairs	2,181	0	0	0	2,181
Telephone	5,501	846	705	0	7,052
Utilities and other	9,916	0	0	874	10,790
Total Building and Facility Expenses	38,233	2,682	2,235	5,034	48,184
Client and Mentoring Expenses					
Rental assistance	91,576	0	0	0	91,576
In-kind support	50,001	0	0	0	50,001
Alumni program	5,251	0	0	0	5,251
Direct needs	62,513	0	0	0	62,513
Family building	1,934	0	0	0	1,934
Mentor training	4,688	0	0	0	4,688
Total Client and Mentoring Expenses	215,963	0	0	0	215,963
Other Expenses					
Newsletter and printed materials	2,164	0	0	0	2,164
Fundraising appeals	0	0	8,707	0	8,707
Insurance	9,000	1,385	1,154	0	11,539
Legal and accounting	0	12,974	0	0	12,974
Miscellaneous	3,854	581	2,759	0	7,194
Consulting	0	0	4,050	0	4,050
Investment expenses	0	7,044	0	0	7,044
Office supplies and postage	15,219	2,342	1,951	0	19,512
Total Other Expenses	30,237	24,326	18,621	0	73,184
<u>Total Functional Expenses</u>	<u>725,750</u>	<u>96,022</u>	<u>78,986</u>	<u>5,034</u>	<u>905,792</u>

See Notes to Financial Statements

Bridge of Hope Lancaster and Chester Counties

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended March 31, 2012

	FUNCTIONAL EXPENSES				TOTAL
	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUNDRAISING	RENTAL EXPENSES	
	\$	\$	\$	\$	
Staffing and Related Expenses					
Salaries	315,127	58,050	41,464	0	414,641
Employee benefits	28,689	5,411	3,865	0	37,965
Payroll taxes	28,730	5,292	3,780	0	37,802
Staff training and travel	13,616	1,855	2,045	0	17,516
Total Staffing and Related Expenses	386,162	70,608	51,154	0	507,924
Building and Facility Expenses					
Real estate taxes	0	0	0	1,827	1,827
Condo association fees	6,536	0	0	0	6,536
Depreciation	11,907	2,194	1,567	1,454	17,122
Maintenance and repairs	1,459	0	0	0	1,459
Telephone	4,746	874	624	0	6,244
Utilities and other	6,825	0	0	3,329	10,154
Total Building and Facility Expenses	31,473	3,068	2,191	6,610	43,342
Client and Mentoring Expenses					
Rental assistance	80,492	0	0	0	80,492
In-kind support	39,346	0	0	0	39,346
Alumni program	6,999	0	0	0	6,999
Direct needs	56,729	0	0	0	56,729
Family building	2,573	0	0	0	2,573
Mentor training	4,207	0	0	0	4,207
Total Client and Mentoring Expenses	190,346	0	0	0	190,346
Other Expenses					
Newsletter and printed materials	2,634	0	0	0	2,634
Fund raising appeals	0	0	2,788	0	2,788
Insurance	7,417	1,367	976	0	9,760
Legal and accounting	0	12,305	0	0	12,305
Miscellaneous	5,716	196	3,009	0	8,921
Consulting	0	0	5,359	0	5,359
Investment Expenses	0	6,670	0	0	6,670
Office supplies and postage	11,718	2,158	1,542	0	15,418
Total Other Expenses	27,485	22,696	13,674	0	63,855
<b>Total Functional Expenses</b>	<b>635,466</b>	<b>96,372</b>	<b>67,019</b>	<b>6,610</b>	<b>805,467</b>

See Notes to Financial Statements

**Bridge of Hope Lancaster and Chester Counties**

**STATEMENTS OF CASH FLOWS**  
**Years Ended March 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	31,007	735,169
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	16,753	17,122
Investment income	(26,928)	(29,465)
Realized gain on investments	(6,012)	(26,266)
Unrealized (gain) loss on investments	(72,820)	24,385
Donations, contributions and support restricted for long-term purposes	0	(3,566)
Release of permanently restricted net assets	0	15,000
Changes in assets and liabilities:		
(Increase) decrease in unconditional promises to give	749,681	(748,992)
(Increase) decrease in prepaid expenses	3,225	(4,459)
Increase (decrease) in accounts payable	2,510	(2,093)
Increase in accrued wages and benefits	1,138	5,813
Increase (decrease) in accrued expenses	159	(274)
Increase (decrease) in accrued payroll taxes	1,320	(364)
Net Cash Provided by (Used in) Operating Activities	<u>700,033</u>	<u>(17,990)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(259,071)	(3,843)
Decrease in cash restricted or designated for future purposes	14,585	12,914
Purchase of investments restricted or designated for future purposes	(92,952)	(43,990)
Distribution from investments restricted or designated for future purposes	36,837	36,837
Net Cash Provided by (Used in) Investing Activities	<u>(300,601)</u>	<u>1,918</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in unconditional promise to give permanently restricted for endowments	15,000	50,658
Net Cash Provided by Financing Activities	<u>15,000</u>	<u>50,658</u>
Net Cash Flows Provided by Operating, Investing and Financing Activities	414,432	34,586
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>207,086</u>	<u>172,500</u>
Ending	<u><u>621,518</u></u>	<u><u>207,086</u></u>

See Notes to Financial Statements

## Bridge of Hope Lancaster and Chester Counties

### Notes To Financial Statements March 31, 2013 and 2012

#### **Note 1 – Summary of Significant Accounting Policies**

Nature of Operations – Bridge of Hope Lancaster and Chester Counties is a nonprofit organization with offices located in Coatesville and Lancaster, Pennsylvania. The mission of the Organization is to end and prevent homelessness for women and children with the help of trained mentoring groups within congregations. Single mothers achieve permanent housing and financial self-sufficiency through employment and attain stability and enhanced self-esteem through ongoing mentoring friendships. The Organization's goal is to exemplify Christ's love and to promote physical, emotional, social, and spiritual wholeness.

Public Support and Revenue – All contributions are considered available for unrestricted use unless specifically restricted by the donor. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if the contribution is designated for use in a future period. When a donor 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 statement of activities as net assets released from restrictions. For gifts of long-lived assets with no explicit donor stipulations that specify how long the assets must be maintained, the Organization reports the expiration of donor restrictions when the donated or acquired long-lived assets are placed in service. As of March 31, 2012, the Organization received \$15,875, related to the Lancaster County Garden Luncheon which was held in April 2013. There were no funds received as of March 31, 2013 for events held after year-end.

Unconditional promises to give are recorded as received. Unconditional promises to give, which are due in the next year, are recorded at their net realizable value. Unconditional promises to give which are due in subsequent years are recorded at the present value of their net realizable value unless immaterial, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end. Conditional promises to give are not included as support until such time as the condition is substantially met.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All funds invested in money markets are recorded as investments.

Investments – The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Unrealized gains totaled \$72,820 for the year ended March 31, 2013. Unrealized losses totaled \$24,385 for the year ended March 31, 2012. Investment income amounted to \$32,940 and \$55,731 for the years ended March 31, 2013 and 2012, respectively.

## Bridge of Hope Lancaster and Chester Counties

### Notes To Financial Statements March 31, 2013 and 2012

#### **Note 1 – Summary of Significant Accounting Policies – Continued**

Long-Lived Assets – Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset, and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Property and Equipment – Property and equipment are recorded at cost. Expenditures that significantly add to productive capacity or useful life of an asset are capitalized. Maintenance and repairs are charged to expense as incurred. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation is eliminated from the accounts and the resultant gain or loss is reflected in income. Depreciation is computed by the straight-line method at rates based on estimated service lives.

Donated Services and Materials – Donated materials, services, and other noncash assets are reflected as contributions in the accompanying statements of activities at their estimated fair market value on the date received. Total donated materials amounted to \$51,703 and \$40,059 for the years ended March 31, 2013 and 2012, respectively.

Donated services are reflected in the financial statements at the fair value of the services received. Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization receives a significant amount of donated services from unpaid volunteers who assist in program activities. No amounts for these services have been recognized in the statements of activities for the value of these donated services, because the criteria for recognition under generally accepted accounting principles have not been satisfied. There were no donated services received during the years ending March 31, 2013 and 2012.

Net Assets – The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

Under these provisions, 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 as follows:

Unrestricted Net Assets – net assets that are not subject to donor-imposed stipulations.

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

Permanently Restricted Net Assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

## Bridge of Hope Lancaster and Chester Counties

### Notes To Financial Statements March 31, 2013 and 2012

#### **Note 1 – Summary of Significant Accounting Policies – Continued**

Federal Income Tax – The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code as a member of the group exemption letter of the national organization, Bridge of Hope, Inc. The Organization is not a private foundation as defined in Sections 170 and 509 of the Internal Revenue Code. The Organization files a separate Federal Form 990.

Accrued Interest and Penalties Related to Unrecognized Tax Benefits – The Organization reports accrued interest and penalties related to unrecognized tax benefits as interest expense and penalties expense, respectively. There were no interest or penalties related to unrecognized tax benefits for the years ended March 31, 2013 and 2012.

The Organization is no longer subject to examination by the Internal Revenue Service for years prior to March 31, 2010.

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

Endowment Fund – The Organization has established an endowment fund to support ongoing operations. The principal received under the endowment fund is permanently restricted with the income available for specific purposes. Permanently restricted net assets include the cash received, investments, and unconditional promises to give which has been restricted by the donor for the endowment fund.

The Organization has interpreted relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Board of Directors has approved this interpretation in the endowment fund policy. As a result, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the revenue stream and the overall endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that seek competitive investment performance versus appropriate or relative benchmarks. To meet the stated objectives a portion of the endowment's portfolio is dedicated to mutual funds in order to produce long-term appreciation of principal. Another portion is committed to fixed income investments in order to provide a consistent level of income and to reduce overall portfolio volatility.

## Bridge of Hope Lancaster and Chester Counties

### Notes To Financial Statements March 31, 2013 and 2012

#### **Note 1 – Summary of Significant Accounting Policies – Continued**

The spending policy (as determined by a resolution of the Board of Directors) for the Organization's endowment is calculated annually at the last scheduled meeting of the Finance Committee or Investment Committee of the year. No distributions for spending other than for expenses associated with the investment of funds were to be made before the earlier of the date the combined total contributions equaled or exceeded \$1 million dollars, or April 1, 2011. The distribution percentages are five percent (5.0%) of the average of the market value of the fund for the previous 36 months. For the years ended March 31, 2013 and 2012, the Organization distributed from the endowment fund \$36,837.

Subsequent Events - The date to which events occurring after March 31, 2013, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is June 19, 2013 which is the date on which the financial statements were available to be issued.

#### **Note 2 – New Accounting Standards**

*Accounting standards recently adopted:*

In May 2011, the Financial Accounting Standards Board (FASB) issued new guidance to achieve common fair value measurement and disclosure requirements between accounting principles generally accepted in the United States of America and International Financial Reporting Standards. This new guidance, which was adopted by the Organization on April 1, 2012, amends current United States generally accepted accounting principles on fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The adoption of these changes had no material impact on the Organization's financial statements.

#### **Note 3 – Cash and Cash Equivalents**

The Organization maintains several accounts with various banks. FDIC insurance is limited to \$250,000 per account holder at each bank. At March 31, 2013, there were no amounts in excess of FDIC insurance. In the normal course of operations, the Organization may have deposits in excess of FDIC insurance at times. Based on the historical realization of these deposits, the Organization believes it bears minimal credit risk.

## Bridge of Hope Lancaster and Chester Counties

### Notes To Financial Statements March 31, 2013 and 2012

#### **Note 4 – Unconditional Promises to Give**

As of March 31, 2013 and 2012, various contributors pledged funds towards the endowment campaign or for general purposes. As of March 31, 2013 and 2012, unconditional promises to give consist of the following:

	<u>2013</u>	<u>2012</u>
	\$	\$
General operating funds	16,076	55,290
Endowment for Independence Campaign	15,000	30,000
Board designated funds	0	710,467
Less: Allowance for uncollectible promises to give	1,050	1,050
Total Unconditional Promises to Give	<u>30,026</u>	<u>794,707</u>
Amounts due in one year	30,026	780,457
Amounts due in two to five years	0	14,250
Total	<u>30,026</u>	<u>794,707</u>

#### **Note 5 – Fair Value Measurements**

Generally accepted accounting principles establish a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.



**Bridge of Hope Lancaster and Chester Counties**

**Notes To Financial Statements  
March 31, 2013 and 2012**

**Note 5 – Fair Value Measurements - Continued**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at March 31, 2013 and 2012.

*Money market funds:* Valued at cost, which is equivalent to fair value.

*Fixed income securities:* Valued at quoted prices in markets that are not active, broker dealer quotations, or other methods by which all significant inputs are observable, either directly or indirectly.

*Mutual funds:* Valued at the net asset value ("NAV") of shares held by the Organization at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of March 31, 2013 and 2012:

Assets at Fair Value as of March 31, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Money Market Funds	15,500	0	0	15,500
Fixed Income Securities				
Intermediate Term	0	371,901	0	371,901
Short Term	0	123,947	0	123,947
Mutual Funds				
Large Cap Core	225,335	0	0	225,335
Large Cap Growth	62,505	0	0	62,505
Large Cap Value	62,611	0	0	62,611
Small Cap Core	123,915	0	0	123,915
International	272,999	0	0	272,999
<u>Total Assets at</u>				
<u>Fair Value</u>	<u>762,865</u>	<u>495,848</u>	<u>0</u>	<u>1,258,713</u>

**Bridge of Hope Lancaster and Chester Counties**

**Notes To Financial Statements  
March 31, 2013 and 2012**

**Note 5 – Fair Value Measurements – Continued**

Assets at Fair Value as of March 31, 2012

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Money Market Funds	15,994	0	0	15,994
Fixed Income Securities				
Intermediate Term	0	324,294	0	324,294
Short Term	0	107,502	0	107,502
Mutual Funds				
Large Cap Core	195,243	0	0	195,243
Large Cap Growth	54,544	0	0	54,544
Large Cap Value	43,343	0	0	43,343
Small Cap Core	108,180	0	0	108,180
International	247,735	0	0	247,735
<u>Total Assets at Fair Value</u>	<u>665,039</u>	<u>431,796</u>	<u>0</u>	<u>1,096,835</u>

**Note 6 – Rental Income**

The Organization rents a portion of the Coatesville office building on a month-to-month basis to an unaffiliated individual. Total rental income for the years ended March 31, 2013 and 2012 was \$10,850 and \$4,050, respectively.

**Note 7 – Retirement Plan**

The Organization offers a Simple IRA plan for employees. The plan provides a matching benefit of up to 3%. For the years ended March 31, 2013 and 2012, the retirement plan benefit included in employee benefits expense was \$10,773 and \$9,018, respectively.

**Note 8 – Unrestricted Net Assets**

Unrestricted net assets include the following amounts designated by board action and thus are not available for current operations.

	2013	2012
	\$	\$
Purchase and renovate new office	50,000	300,000
Renovations and improvements to current offices	177,000	177,000
Endowment	106,000	106,000
Scholarship Fund	50,000	50,000
Alumnae Emergency Assistance Fund	10,000	10,000
25th Anniversary Celebration	25,000	25,000
New Program Development	25,000	25,000
Other	12,646	23,467
<u>Total Board Designated Net Assets</u>	<u>455,646</u>	<u>716,467</u>

**Bridge of Hope Lancaster and Chester Counties**

**Notes To Financial Statements  
March 31, 2013 and 2012**

**Note 9 – Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
	\$	\$
Time Restrictions:		
Program activities	0	6,000
Garden Luncheon - Lancaster County	0	15,875
Endowment for Independence	220,403	158,525
Purpose Restrictions:		
Scholarship program	0	50
Mental health program	0	7,660
Other	1,041	1,041
<b><u>Total Temporarily Restricted Net Assets</u></b>	<b><u>221,444</u></b>	<b><u>189,151</u></b>

Net assets released from temporary restrictions were as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Released from time restrictions:		
Program activities	6,000	6,000
Garden Luncheon - Lancaster County	15,875	16,985
Endowment for Independence	43,882	47,222
Released from purpose restrictions:		
Rental assistance	23,000	16,840
Scholarship program	50	1,005
Family Building program	0	14,500
Vehicle repairs	3,000	2,750
Laptop program	0	8,192
Mental health program	7,660	2,085
Chester County program service	10,000	0
Other	0	20
<b><u>Total Temporarily Restricted Net Assets Released</u></b>	<b><u>109,467</u></b>	<b><u>115,599</u></b>

**Note 10 – Permanently Restricted and Board Designated Net Assets**

A description of the two endowment programs follows:

Independence Endowment – The fund is designed to provide for professional program support. This includes but is not limited to a comfortable, functional environment where mothers meet and work with the Organization’s professional staff, business tools and technology to ensure a highly functioning workplace and ongoing program development to address the emerging needs of the Organization’s family participants.

**Bridge of Hope Lancaster and Chester Counties**

**Notes To Financial Statements  
March 31, 2013 and 2012**

**Note 10 – Permanently Restricted and Board Designated Net Assets – Continued**

Olive Street Property Endowment – The fund is designed to support the long-term renovation needs of the office located in Coatesville. In addition to the endowment funds invested above, the board has designated \$6,000 of unrestricted net assets towards supporting the Olive Street property.

Permanently restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
Independence Endowment	977,572	977,572
Olive Street Property	26,791	26,791
Total Permanently Restricted Net Assets	<u>1,004,363</u>	<u>1,004,363</u>

**Note 11 – Client Rental Assistance**

In order for clients to obtain living quarters, the Organization will provide a statement of rental assistance to the lessor or, in some instances, will cosign the rental lease with the client. The lease agreements are for a period of one year. The security deposits are paid for and expensed by the Organization in the year the lease is obtained. Upon completion of the Organization's program the client is eligible to receive the security deposit from the landlord. The monthly rental assistance payments are made by both the Organization and client on a sliding scale with the client assuming full rental payment at a point in time usually between the 9<sup>th</sup> and 18<sup>th</sup> month of the lease.

The rental assistance payments are at the discretion of the Organization and can be terminated at any time without affecting the rental relationship between the client and the landlord. No leases were cosigned as of March 31, 2013 and 2012.

**Note 12 – Endowment**

Endowment net asset composition by type of fund as of March 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Donor-restricted endowment funds	0	0	1,004,363	1,004,363
Time-restricted endowment funds	0	220,403	0	220,403
Board-designated endowment funds	106,000	0	0	106,000
Total funds	<u>106,000</u>	<u>220,403</u>	<u>1,004,363</u>	<u>1,330,766</u>

**Bridge of Hope Lancaster and Chester Counties**

**Notes To Financial Statements  
March 31, 2013 and 2012**

**Note 12 – Endowment – Continued**

Changes in endowment net assets for the fiscal year ended March 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Endowment net assets, Beginning of year	106,000	158,525	1,004,363	1,268,888
Investment return:				
Dividends	0	26,928	0	26,928
Realized gain	0	6,012	0	6,012
Unrealized gain	0	72,820	0	72,820
Release of restriction	<u>0</u>	<u>(43,882)</u>	<u>0</u>	<u>(43,882)</u>
Endowment net assets, End of year	<u>106,000</u>	<u>220,403</u>	<u>1,004,363</u>	<u>1,330,766</u>

Endowment net asset composition by type of fund as of March 31, 2012:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Donor-restricted endowment funds	0	0	1,004,363	1,004,363
Time-restricted endowment funds	0	158,525	0	158,525
Board-designated endowment funds	<u>106,000</u>	<u>0</u>	<u>0</u>	<u>106,000</u>
Total funds	<u>106,000</u>	<u>158,525</u>	<u>1,004,363</u>	<u>1,268,888</u>

## Bridge of Hope Lancaster and Chester Counties

### Notes To Financial Statements March 31, 2013 and 2012

#### **Note 12 – Endowment – Continued**

Changes in endowment net assets for the fiscal year ended March 31, 2012:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Endowment net assets, Beginning of year	12,478	174,400	1,015,797	1,202,675
Investment return:				
Interest	120	0	0	120
Dividends	0	29,465	0	29,465
Realized gain	0	26,266	0	26,266
Unrealized loss	0	(24,385)	0	(24,385)
Designation of funds	93,402	-	0	93,402
Contributions	0	0	3,566	3,566
Release of restriction		(47,221)	(15,000)	(62,221)
Endowment net assets, End of year	<u>106,000</u>	<u>158,525</u>	<u>1,004,363</u>	<u>1,268,888</u>

Net assets released from permanent restriction consisted of a donor redirecting \$15,000 of their contribution from the endowment to be used for general operating funds.

#### **Note 13 – Line Of Credit**

The Organization has a \$30,000 line of credit financing agreement with Everence Federal Credit Union, which expires in February 2014. Interest is calculated at the Wall Street Journal's Prime Rate and is payable monthly. The Organization is required to maintain a deposit account with Everence Federal Credit Union equal to 50% of the credit limit. The Organization has restricted \$15,000 of cash as of March 31, 2013 and 2012. There were no borrowings on the line of credit at March 31, 2013 and 2012.

#### **Note 14 – Major Contributor**

For the year ended March 31, 2012, the Organization received contribution revenue from one donor of \$749,431, which totaled more than 10% of its total contribution revenue. There were no major contributors for the year ended March 31, 2013.