

BRIDGES TO LIFE
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Bridges To Life
Houston, Texas

I have audited the accompanying financial statements of Bridges To Life (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

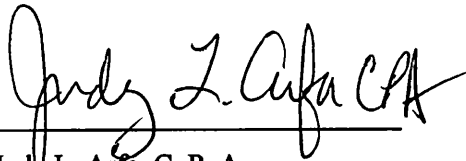
Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridges To Life as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

I have previously audited Bridges To Life's 2015 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated February 4, 2016. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Judy L. Arfa, C. P. A.
Houston, Texas
March 13, 2017

BRIDGES TO LIFE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 1,317,640	\$ 1,253,986
Grants receivable	59,300	40,000
Inventory	19,152	15,047
Prepaid expenses	15,000	0
Total assets	\$ 1,411,092	\$ 1,309,033
 Liabilities and Net Assets		
Liabilities:		
Accounts salaries	\$ 8,548	\$ 0
Accrued event fees	11,250	0
Accrued payroll taxes payable	2,002	0
Total Liabilities	21,800	0
 Net Assets:		
Unrestricted	1,280,905	1,269,033
Temporarily restricted	108,387	40,000
Total Net Assets	1,389,292	1,309,033
 Total Liabilities and Net Assets	\$ 1,411,092	\$ 1,309,033

See accompanying notes to financial statements.

BRIDGES TO LIFE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015

	Unrestricted	Temporarily Restricted	Totals 2016	Totals 2015
Revenue, Gains, and Other Support				
Contributions	\$ 2,614,858	\$ 108,387	\$ 2,723,245	\$ 2,491,167
Special events	65,400		65,400	66,749
Investment revenue	10,548		10,548	7,515
Sales of publications	6,857		6,857	2,317
Net assets released from restrictions	40,000	(40,000)	0	0
Total revenue, gains, and other support	<u>2,737,662</u>	<u>68,387</u>	<u>2,806,049</u>	<u>2,567,748</u>
Expenses				
Community Program Services	2,531,017		2,531,017	2,191,536
Supporting Services	52,094		52,094	49,871
Fundraising	142,679	0	142,679	129,913
Total Expenses	<u>2,725,790</u>	<u>0</u>	<u>2,725,790</u>	<u>2,371,320</u>
Increase (decrease) in net assets	<u>11,872</u>	<u>68,387</u>	<u>80,259</u>	<u>196,428</u>
Net assets, beginning of year	<u>1,269,033</u>	<u>40,000</u>	<u>1,309,033</u>	<u>1,112,605</u>
Net assets, end of year	<u>\$ 1,280,905</u>	<u>\$ 108,387</u>	<u>\$ 1,389,292</u>	<u>\$ 1,309,033</u>

See accompanying notes to financial statements.

BRIDGES TO LIFE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

WITH COMPARATIVE TOTALS FOR 2015

	Community Program	Supporting		2016	2015
	Services	Services	Fundraising	Totals	Totals
Personnel					
Salaries	\$ 702,293	\$ 42,297	\$ 107,881	\$ 852,471	\$ 729,373
Payroll Taxes	56,394	3,015	7,689	67,098	52,117
Total personnel	758,687	45,312	115,570	919,569	781,490
Other expenses					
Accounting		4,190		4,190	5,575
Automobile	73,898	93	143	74,134	73,393
Bank Fees	55	515	2,947	3,517	3,706
Books & Study Guides	12,921			12,921	10,472
Conferences	384		369	753	1,219
Contract Labor	900		100	1,000	2,700
Donations	600			600	550
Dues & Subscriptions	307			307	549
Fundraising Events			17,259	17,259	22,416
Graduation Expense	3,279			3,279	3,730
Insurance	3,205	173	383	3,761	4,190
Miscellaneous	543	188		731	63
Office Expense	23,995	362	1,873	26,230	17,831
Parking					590
Payroll Processing Fees	527	32	81	640	536
Postage	4,612		410	5,022	3,903
Printing	3,924		111	4,035	4,898
Rent	4,200	600	1,200	6,000	6,000
Telephone	22,387	574	687	23,648	22,299
Travel	5,346	55	1,546	6,947	6,722
Video Reproductions	665			665	466
Volunteer Expenses	1,610,582			1,610,582	1,398,022
Total other expenses	1,772,330	6,782	27,109	1,806,221	1,589,830
Total Expenses	2,531,017	52,094	142,679	2,725,790	2,371,320

See notes to financial statements.

BRIDGES TO LIFE

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015

	2016	2015
	<u> </u>	<u> </u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 80,259	\$ 196,428
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) Decrease in grants receivable	(19,300)	25,000
(Increase) Decrease in prepaid expenses	(15,000)	
(Increase) Decrease in inventory	(4,105)	(2,218)
Increase (Decrease) in accrued salaries	8,548	
Increase (Decrease) in accrued event fees	11,250	
Increase (Decrease) in payroll taxes payable	2,002	0
Net Cash Provided (Used) by Operating Activities	<u>63,654</u>	<u>219,210</u>
 Net Change in Cash and Cash Equivalents	 63,654	 219,210
 Cash and cash equivalents, beginning of year	 <u>1,253,986</u>	 <u>1,034,776</u>
Cash and cash equivalents, end of year	<u>\$ 1,317,640</u>	<u>\$ 1,253,986</u>
 Cash and cash equivalents, unrestricted	 \$ 1,268,553	 \$ 1,253,986
Cash and cash equivalents, restricted	<u>49,087</u>	
Total cash and cash equivalents	<u>\$ 1,317,640</u>	<u>\$ 1,253,986</u>

See accompanying notes to financial statements.

BRIDGES TO LIFE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 - ORGANIZATION

Bridges To Life (the Organization) is a not-for-profit organization incorporated in the State of Texas in 1998 and is exempt from federal income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code. The Organization is governed by a Board of Directors selected pursuant to the bylaws of the Organization, and they significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Organization.

The mission of Bridges To Life is to connect communities to prisons to reduce the recidivism rate (particularly that resulting from violent crimes), reduce the number of crime victims, and enhance public safety. The spiritual mission of Bridges To Life is to minister to victims and offenders in an effort to show them the transforming power of God's love and forgiveness.

In 2016, with the assistance of the Texas Department of Criminal Justice (Chaplaincy Department) and other partners, Bridges To Life completed 139 projects in 79 prisons, plus alternative facilities, graduating 5,103 offenders. The Bridges To Life program is a ministry of presence. The Bridges To Life curriculum has been used in 12 states and 5 foreign countries. Each Bridges To Life volunteer gives approximately 60 hours of his/her time per project, and many volunteers participate in multiple projects each year. Volunteers may be victims of crime or others who have been affected by crime, or may be lay facilitators giving of their time. Since its inception, more than 2,000 volunteers have participated in a Bridges To Life project. In 2016, 676 volunteers contributed 63,569 volunteer hours worth \$1,596,218 in kind!

Outcomes:

The latest three-year recidivism study of Bridges To Life graduates is very encouraging. This group represents all Bridges To Life graduates incarcerated in ID (Institutional Division) prisons and released from prison in 2012. The large and diversified sample group includes 1,174 inmates who participated in Bridges To Life in 33 different prisons. The recidivism rate for this group is 13%, including only 2.4% of offenders returning to prison for committing a violent crime. Nationwide, recidivism rates are reported to have remained "largely stable since the mid-1990s, varying between 38% and 40%" (Pew Center State of Recidivism Study, 2011). The most recent Texas report shows a recidivism rate of 21.4% (Texas Legislative Board Report, 2015). The Texas recidivism rate has reduced from 33% for inmates released in 1999 to 21.4% for inmates released in 2011. Bridges To Life is one of the programs that has contributed to an overall decrease in recidivism in Texas, and the 13% BTL graduate recidivism rate is significantly lower than the average for the nation and for Texas.

Another group of Bridges To Life graduates is the state jail participants. These inmates are incarcerated for less than two years. State jail recidivism rates are much higher than the Prison ID rates. A recent study of 367 Bridges To Life graduates released from 2007-2009 from state jails, shows a recidivism rate of 21.3%. The reports published by the Texas Legislative Board show that the average state jail recidivism for that same time period is 32%. The Bridges To Life graduates recidivate at about one third less than the average state jail population (34% below the Texas average).

The cost of incarcerating an offender in Texas is approximately \$90,000 over the course of the average sentence. The average cost of the Bridges To Life program in 2016 was only \$219 per offender graduate.

The Organization is supported primarily through private and corporate contributions.

BRIDGES TO LIFE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bridges To Life have been prepared on the accrual basis. Significant accounting policies are summarized below:

Contributions and Net Asset Classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted net assets include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.

Temporarily restricted net assets include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Permanently restricted net assets include contributions that donors have restricted in perpetuity. The income from such gifts may be used to support the specified purpose.

Revenues are reported as increases in unrestricted net assets, and expenses are reported as decreases in unrestricted net assets. Amounts are transferred from temporarily restricted net assets to unrestricted net assets as soon as the donor imposed restrictions are removed.

Cash and Cash Equivalents – For purposes of the statement of cash flows, Bridges To Life considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash is held in both interest bearing and non-interest bearing demand accounts. Accounts are insured by the Federal Deposit Insurance Corporation.

Pledges Receivable – Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment - Property and equipment purchased by Bridges To Life are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All purchases and donations in excess of \$2,000 are capitalized. Depreciation is provided on the straight-line method based upon estimated useful lives of 39 years for buildings and leasehold improvements and on the declining balance method based upon estimated useful lives of 5 – 7 years for equipment and furniture. Gains or losses on retired or sold property and equipment are reflected in income for the period. The proceeds from such sales which are not legally required or expected to be reinvested in property and equipment are transferred to unrestricted net assets.

BRIDGES TO LIFE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Public Support and Revenue - Financial ASC 958-605-25-2 and 958-605-30-2 (formerly SFAS No. 116) generally requires measuring contributions received at the fair value of the assets or services received or promised, or the fair value of the liabilities satisfied. Contributions are recognized as revenues or gains in the period they are received, even if the donor has restricted their use and the restriction will be met in a future reporting period; that is, none are deferred. As a result, contributions are recorded immediately either as an increase in unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets, depending on the nature of the donor restrictions, if any.

Restricted Support - After determining that support should be recorded in the financial statements, the organization must determine whether the donor has restricted its use in some manner or to some time period. For example, a donor may specify that a gift be used for the operation of a particular program, the acquisition of property or equipment, or an endowment, whereby only income generated by the gift may be used for operating purposes. Restrictions may be explicit (such as a letter specifying that the contribution be used for hiring of additional employees) or implicit (such as gifts received in a capital improvements drive or in an appeal for a particular program).

Temporary and Permanent Restrictions - Generally, a restriction is temporary if the organization is authorized to deplete what was donated, such as contributions restricted to purchase assets or to fund program costs; otherwise, it is permanent. Permanent restrictions are those that permanently restrict the organization's use of contributed assets (such as an endowment under which the principal must remain intact). Sometimes an endowment instrument temporarily restricts the use of the income from the principal, such as an endowment to the Organization requiring the income to be used to fund the compensation of a new employee. Another example of a permanent restriction is land donated for the organization's permanent use.

A temporarily restricted contribution generally is recognized when received and is reclassified from temporarily restricted net assets to unrestricted net assets when the donor's restriction is satisfied or when the stipulated time has elapsed. Cash received to support the activities of a particular program would be reported as contribution revenue, increasing temporarily restricted net assets. When expenditures for the program are incurred, the financial statements would report a reduction in temporarily restricted net assets and an increase in unrestricted net assets.

Unrestricted support contributions not restricted by time or manner of use are recognized as unrestricted support in the period in which they are received (or the promise is made). However, if a donor has stipulated that funds are to be used in a subsequent period, the contribution is considered restricted. Unconditional promises to give contributions to be received in future periods are assumed to be temporarily restricted unless the donor explicitly states that the contribution is to support the current period.

BRIDGES TO LIFE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Contributions Whose Restrictions Are Met in the Same Year - Restricted contributions may be reported as unrestricted support if (a) the restrictions are met in the same reporting period, (b) that policy is followed consistently, (c) the policy is disclosed, and (d) the organization has a similar policy for accounting for restricted investment income and gains. For example, an organization may receive a \$50,000 contribution to fund the cost of a one-week educational seminar. If the \$50,000 is received in the same year the seminar is held, the donation can be reflected as an unrestricted contribution in the statement of activities provided the organization meets the criteria in this paragraph. If the educational seminar straddled the organization's year end and restrictions on only \$25,000 of the donation were met, the statement of activities could reflect unrestricted contributions of \$25,000 and temporarily restricted contributions of \$25,000.

Designations Imposed Internally - Sometimes, the Board of directors may designate a portion of unrestricted net assets for a specific purpose as a management planning tool. For example, the board of directors may designate a certain amount of current year contributions to be used to fund future technology improvements. Those board designations are not restrictions because the designations may be reversed by the board, and they do not alter the nature of unrestricted contributions.

Federal Income Taxes – Bridges To Life is exempt from federal income tax under Internal Revenue Code Section 501 (c) (3) and is classified as a public charity under 509(a)(1) and 170(b)(1)(A)(vi).

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

Functional Expense Allocation – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The majority of expenses can generally be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications on the basis of square footage of office space occupied, salaries, time sheets, and other methods determined by management.

BRIDGES TO LIFE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2016 and December 31, 2015 consisted of the following:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Checking	\$ 122,265	\$ 122,265	\$ 246,309	\$246,309
Money market funds	<u>1,195,375</u>	<u>1,195,375</u>	<u>1,007,677</u>	<u>1,007,677</u>
Total	<u>\$1,317,640</u>	<u>\$1,317,640</u>	<u>\$1,253,986</u>	<u>\$1,253,986</u>

NOTE 4 – INVENTORY

Inventory based at cost as of December 31, 2016 and December 31, 2015 was estimated as follows:

	<u>2016</u>	<u>2015</u>
Books and Study Guides	<u>\$ 19,152</u>	<u>\$15,047</u>
Total	<u>\$ 19,152</u>	<u>\$15,047</u>

NOTE 5 – DONATED SERVICES AND NONCASH GIFTS

Contributions of services are recognized when services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs for which an amount has been recorded in the financial statements because the services did meet the criteria for recognition under generally accepted accounting principles.

Noncash gifts, including donated services, supplies, and equipment, are reported on the financial statements. They are recorded based on their fair market value on the date of the gift. The estimated fair market value of donated services, supplies, and equipment for the year ended December 31, 2016 and December 31, 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Rental of office space	\$ 6,000	\$ 6,000
Volunteers	<u>1,596,218</u>	<u>1,382,415</u>
Total	<u>\$1,602,218</u>	<u>\$1,388,415</u>

BRIDGES TO LIFE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2016 and December 31, 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	<u>\$59,300</u>	<u>\$40,000</u>
Total pledges receivable	<u>\$59,300</u>	<u>\$40,000</u>

NOTE 7 – PREPAID EXPENSES

Prepaid expenses at December 31, 2016 and December 31, 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Deposits for events in 2017	<u>\$15,000</u>	<u>\$ -0-</u>
Total prepaid expenses	<u>\$15,000</u>	<u>\$ -0-</u>

NOTE 8 – ACCRUED LIABILITIES

Accrued liabilities at December 31, 2016 and December 31, 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Accrued salaries	\$ 8,548	\$ -0-
Accrued event fees	11,250	-0-
Accrued payroll taxes	<u>2,002</u>	<u>-0-</u>
Total	<u>\$ 21,800</u>	<u>\$ -0-</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

The current Director of Development is a family member. There appears to be no conflict of interest as a result of these family members working for the Organization.

BRIDGES TO LIFE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – TEMPORARILY RESTRICTED ASSETS

Temporarily Restricted Net Assets:

Temporarily restricted net assets at December 31, 2016, are available for the following periods:

Periods after December 31, 2016	<u>\$ 108,387</u>
Total temporarily restricted funds	<u>\$ 108,387</u>

Net assets will be released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

NOTE 11 – PRIOR YEARS SUMMARIZED DATA

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

NOTE 12 – CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to credit risk include bank deposits. The Organization manages credit risk by maintaining these balances with high-quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to currently enacted limits of \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE 13 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 13, 2017, the date the financial statements were available to be issued. There were no additional subsequent events.

NOTE 14 – CONDITIONAL PROMISES TO GIVE

During 2016, the Organization received restricted grants totaling \$40,000 that contained donor conditions (primarily matching funds requirements). Since these grants are promises, conditioned on future uncertain events, they are not recorded as contribution revenue until donor conditions are met. There were no funds received from the donor in advance of the conditions being met. When donor conditions are met, these funds will be recognized as contribution revenue.