BRIDGING THE GAP, INC.

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

APRIL 30, 2015

BRIDGING THE GAP, INC.

APRIL 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bridging the Gap, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Bridging the Gap, Inc. (a nonprofit organization), which comprise the statement of financial position as of April 30, 2015, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Bridging the Gap, Inc. as of April 30, 2015, 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.

Emerick & Company, P.C.

Kansas City, MO
January 26, 2016

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BRIDGING THE GAP, INC.
STATEMENT OF FINANCIAL POSITION
APRIL 30, 2015

ASSETS	
Cash and cash equivalents	$ 269,895
Receivables, including unbilled receivables of $60,719	88,595
Contributions receivable	97,228
Prepaid expenses	1,600
Property and equipment, net	1,477,648
Investments	24,614
TOTAL ASSETS	$ 1,959,580
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	$ 12,993
Accrued expenses	12,740
Unearned income	26,654
Notes payable	97,228
Total Liabilities	149,615
Net Assets	
Unrestricted	1,696,216
Less investment in property and equipment	(1,477,648)
Net unrestricted	218,568
Temporarily restricted	1,576,605
Permanently restricted	14,792
Total Net Assets	1,809,965
TOTAL LIABILITIES AND NET ASSETS	$ 1,959,580

See notes to financial statements.

BRIDGING THE GAP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2015

UNRESTRICTED NET ASSETS	
REVENUES	
Grants	$ 238,581
Fees for services	226,834
Workshop income	11,605
Memberships	4,365
Contributions	89,248
Sponsorships	73,639
In-kind donations	58,028
Investment gain	691
Interest income	865
Other	21,940
	725,795
Net assets, released from restrictions	36,375
Total Revenues	762,170
EXPENSES	
Program services	606,478
Administrative	71,504
Fundraising	94,632
Total Expenses	772,614
DECREASE IN UNRESTRICTED NET ASSETS	(10,444)
TEMPORARILY RESTRICTED NET ASSETS	
Grants	1,358
Net assets, released from restrictions	(36,375)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(35,016)
DECREASE IN NET ASSETS	(45,460)
NET ASSETS, BEGINNING OF YEAR	1,855,425
NET ASSETS, END OF YEAR	$ 1,809,965

See notes to financial statements.

BRIDGING THE GAP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2015

	Program	Administrative	Fundraising	Total
Salaries	$ 316,898	$ 41,592	$ 42,408	$ 400,898
Payroll taxes	23,270	3,958	3,124	30,352
Employee benefits	51,657	7,485	7,015	66,157
Total Personnel Costs	391,825	53,035	52,547	497,407
Professional services	37,747	1,440	12,007	51,194
Travel and training	7,752	870	1,335	9,957
Volunteer appreciation and support	1,330	110	12	1,452
Equipment and technology	14,421	1,184	5,690	21,295
Rent and utilities	21,006	2,939	3,092	27,037
Program supplies	27,156	-	119	27,275
Office and operating supplies	1,733	315	1,739	3,787
Postage and delivery	483	77	2,704	3,264
Advertising and promotions	11,156	-	8,336	19,492
Printing and visual material	2,471	-	5,274	7,745
Telephone	8,096	1,142	1,146	10,384
Insurance	8,112	3,691	629	12,432
Interest	5,605	-	-	5,605
In-kind donation of rent	44,000	-	-	44,000
Miscellaneous	106	2,452		2,558
Total Expenses Before Depreciation	582,998	67,253	94,632	744,883
Depreciation	23,480	4,251	-	27,731
TOTAL EXPENSES	$ 606,478	$ 71,504	$ 94,632	$ 772,614

See notes to financial statements.

BRIDGING THE GAP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (45,460)
Adjustments to reconcile change in net assets to cash flows from operating activities	
Depreciation	27,731
Changes in operating assets and liabilities:	
Receivables, net	(57,959)
Contributions receivable	12,894
Accounts payable	(3,989)
Accrued expenses	4,980
Unearned income	(25,444)
Net cash provided by operating activities	(87,247)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	-
Change in investments	(1,017)
Net cash used by investing activities	(1,017)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on notes payable	(12,894)
Net cash used in financing activities	(12,894)
INCREASE IN CASH	(101,158)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	371,053
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 269,895
INTEREST PAID	$ 5,605

See notes to financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Bridging the Gap, Inc. (the Organization) is a not-for-profit organization that works to make the greater Kansas City region sustainable for the future by encouraging individuals, businesses, institutions, organizations and governments to take action.

Grants, Fees for Services Contracts, and Contributions

The Organization has received certain private and public sector grants, fee for services contracts, and contributions to fund its community education and action programs.

Contract Services (CS) - consists of smaller mission based projects and service contracts, including rain barrel workshops or recycling training at area events, such as Kansas City Chiefs' home games.

EarthWalk (EW) - is an annual regional Earth Day celebration, public education and fundraising event held in partnership with area parks departments with support from area businesses, organizations and government agencies.

Green Business Network (GBN – formerly Environmental Excellence Business Network Project) – is a program coordinating networking among business policy-makers and environmental personnel at area businesses and governments. This project is supported by corporate sponsorships, membership dues and event fees. In 2015, Bridging the Gap received funding from consulting work in partnership with REV, a California based non- profit which engages businesses in writing sustainability plans.

Green Pocketbook (GP) - is an educational program targeted toward lower income women. A workshop teaches women to save money and help the environment by eating lower on the food chain, avoiding spending on unnecessary products such as bottled water, and becoming more energy efficient at home.

Heartland Tree Alliance (HTA) – is a program to develop a volunteer-based organization to educate and involve citizens, businesses and governments in community forestry.

Kansas City Community Recycling Centers (KCDO) – Bridging the Gap, Inc. has contracted to coordinate three recycling drop-off centers in KCMO, providing staff, volunteer supervision and broad-based community education on sustainability.

Kansas City WildLands (KCWL) - is a partnership with over 29 organizations to involve citizens in restoring and maintaining remnant ecosystems in the metropolitan region.

Keep Kansas City Beautiful (KKCB) - is a program to involve businesses, government and citizens in creating a clean and beautiful community through public education, litter abatement and beautification projects. This project is affiliated with the nation-wide Keep America Beautiful project. This affiliation is being discontinued in 2015 due to the cancellation of a large city contract in 2014, but Bridging the Gap will continue to work on litter abatement and beautification with private funding. Additional funding was received from the Johnson County Stormwater department to do education and stream clean-ups, and is accounted for under the KKCB program.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants, Fees for Services Contracts, and Contributions (continued)

> **Solid Waste Management District Grant (SWMD)** – funding from Missouri's Solid Waste Management District, housed at Mid America Regional Council, for work to encourage businesses to increase their recycling. More than 60 Missouri businesses are now involved in the program.
>
> **Shadowcliff (SC)** - is a retreat center bordering Rocky Mountain National Park above Grand Lake, Colorado. A chalet style mountain lodge built by volunteer labor hosts individuals and groups in a setting that facilitates sustainability leadership training, community building and connecting with nature.

Basis of Presentation

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

Revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers all investments with maturity dates of three months or less to be cash equivalents.

Contributed Services

A portion of the Organization's functions and programs are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition. Management estimates the fair value of these services to be approximately $192,000.

Equipment

Expenditures for equipment over $1,500 are recorded at cost on the date of acquisition or fair market value on the date of donation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

Unearned income

The Organization receives matching grants, the revenues from which are deferred until the corresponding expenditures are incurred. The grant revenue is recognized based on the amount of actual expenditures.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with GAAP 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 Organization allocates its expenses on a functional basis between its various program and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated based on management's estimate of usage.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and state law, and contributions to the Organization are tax deductible within the limitations prescribed by the IRC. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the IRC. Among other things, the Organization is exempt from income, Federal Unemployment Tax Act, and state and local real estate taxes.

Receivables

The Organization considers all receivables to be fully collectible. There is no history of any material bad debts nor any past due amounts. Accordingly, no allowance for credit losses is required. If amounts become uncollectible as determined by management review, they will be charged to operations when that determination is made. All receivables are contractually due in less than one year.

Revenue Recognition

The Organization recognizes revenue from fee for services contracts as the services are provided. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. All other revenues are recognized as revenue in the period earned. The Organization has elected to show contributions whose restrictions are met in the same period in which they are received as unrestricted.

Subsequent Events

Subsequent events have been evaluated through January 26, 2016, which is the date the financial statements were available to be issued.

NOTE 2: CONTRIBUTIONS RECEIVABLE

Contributions receivable at April 30, 2015 were as follows:

Receivable in less than one year	$ 15,000
Receivable in one to five years	75,000
Receivable in more than five years	30,000
Total contributions receivable	120,000
Less: discounts to net present value at 5.09%	22,772
Net contributions receivable	$ 97,228

NOTE 3: PROPERTY AND EQUIPMENT

Land	$ 849,281
Building	915,719
Equipment	54,249
Furniture and fixtures	4,748
Website costs	43,414
	1,867,411
Less: Accumulated depreciation	389,763
Net property and equipment	$ 1,477,648

NOTE 4: FAIR VALUE MEASUREMENTS

GAAP defines fair value and establishes a consistent framework for measuring fair value for certain assets and liabilities. These provisions establish 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). An asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. 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.

Investments with community foundation: The value is that reported by the community foundation which is based on the underlying investments of the fund which are invested in publicly traded securities.

In-kind donations: The value is that provided by the donor based on similar goods and services provided to their customers.

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.

Investments measured at fair value on a recurring basis at April 30, 2015 were as follows:

	Level 2
Investments with community foundation	$ 24,614

NOTE 4: FAIR VALUE MEASUREMENTS (continued)

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Level 3 assets (in-kind donations):

	Level 3
Balance, beginning of year	$ -
Revenues recognized	58,028
Less: amounts expensed	58,028
Balance, end of year	$ -

NOTE 5: INVESTMENTS

Investments are presented at fair value based on market quotes or the stated fair value obtained from the community foundation, and consist of the following at April 30, 2015:

Money market	$ 40
Equity pool	7,466
Intermediate fixed Income pool	6,862
Short term fixed income pool	10,246
Total investments	$ 24,614

The following schedule summarizes the investment income on these investments at April 30, 2015:

Interest and dividend income	$ 250
Realized gain	77
Unrealized gain	691
Total investment income	$ 1,018

NOTE 6: ENDOWMENT

The Organization's endowment consists of one fund established for general operating purposes. The endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Missouri enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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 to maintain its purchasing power.

Endowment net asset composition by type of fund as of April 30, 2015:

	Unrestricted	Permanently Restricted	Total
Endowment net assets	$ 9,822	$ 14,792	$ 24,614

NOTE 6: ENDOWMENT (continued)

Change in endowment net assets for the year ended April 30, 2015:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 8,805	$ 14,792	$23,597
Investment income	500	-	500
Net appreciation	767	-	767
Less: administrative expenses	250	-	250
Endowment net assets, end of year	$ 9,822	$ 14,792	$ 24,614

Return Objectives and Risk Parameters

The Organization has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that the purchasing power of the endowment assets do not decline over time.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions. Actual returns in any given year may vary.

Investment risk is measured in terms of the total endowment funds; investment asset and allocation between net asset classes and strategies are managed to not expose the funds to unacceptable levels of risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's spending policy is established based on the donor agreement.

NOTE 7: UNEARNED INCOME

Skillbuilders	$ 1,479
Dunn - HTA	15,500
Dunn - KKCB	4,100
Other	5,575
Total unearned income	$ 26,654

NOTE 8: NOTES PAYABLE

The Organization owns property at the Shadowcliff that was purchased for an amount less than fair market value, the difference being an in-kind donation. In conjunction with this transaction, the Organization agreed to pay the purchase price of $171,133 in the form of a note payable. A related party has agreed to pay the Organization an amount equal to the payments on the note which is included as a receivable on the Statement of Financial Position. The note was executed in December 2007, bears interest at 5.09%, is payable in annual installments that began in November 2008 and matures in November 2020.

NOTE 8: NOTES PAYABLE (continued)

Future debt maturities are as follows:

Years Ending April 30,	
2016	$ 13,551
2017	14,741
2018	15,491
2019	16,241
Thereafter	37,204
Total	$ 97,228

NOTE 9: TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

HTA – Tree Fund	$ 5,010
Depreciated value of property and equipment at Shadowcliff, see Note 12	1,474,367
Time restriction related to unconditional promise to give	97,228
Total temporarily restricted net assets	$ 1,576,605

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Organization's general activities.

NOTE 10: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and are categorized as follows:

Depreciation of property and equipment at Shadowcliff	$ 23,480
Time restriction	12,895
Net assets released from restrictions	$ 36,375

NOTE 11: OPERATING LEASES

The Organization leased new office space beginning in April 2012 for a term of two years. The base monthly rent is $1,600. Additional rent may be assessed based on the terms of the lease if certain costs as detailed in the lease are exceeded. The Organization has an option to renew at the end of the lease for two additional one year periods. The base rent will be adjusted by the same percentage as the percentage increase in the CPI-U index for the preceding one-year period ended December 31, but not less than 3.0%.

NOTE 12: RELATED ENTITIES

While the Organization has an economic interest in the Shadowcliff, it does not have control. Therefore, its operations are not consolidated in the financial statements of the Organization. The two organizations share a common focus on fostering sustainability for the future. The Organization owns the retreat center (see Note 1) and Shadowcliff leases that property from the Organization for $1 annually. In the event that the relationship between Shadowcliff and the Organization is severed, the Organization is obligated

NOTE 12: RELATED ENTITIES (continued)

to deed the Shadowcliff real estate to Shadowcliff. Thus, the net book value of the property is recorded as a temporarily restricted net asset.

The financial statements include imputed rent revenue and an in-kind donation expense at a rental fair market value of $44,000. See also Note 8 for a description of the note payable.

The following is a summary of transactions between Shadowcliff and the Organization for 2015:

Miscellaneous payments	$ 295
In-kind donation made to Shadowcliff	$ 44,000
Money paid by Shadowcliff on debt held by the Organization	$ 18,500
Contribution receivable from Shadowcliff for payments on note payable (see Note 8)	$97,228

NOTE 13: TAX POSITIONS

As a tax-exempt organization under IRC Section 501(a), the Organization is required to file Form 990, Return of Organization Exempt from Income Tax, yearly. The information in these returns is used by the Internal Revenue Service (IRS) to substantiate the Organization’s continuing tax exempt status. The last three years of these returns are open to IRS examination. In addition, if the Organization has unrelated business income, it is required to file a Form 990-T, Exempt Organization Business Income Tax Return and pay tax on any taxable income. It is the determination of management that this is not required for the year included in these financial statements.