BRIDGING THE GAP, INC.

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

APRIL 30, 2016

BRIDGING THE GAP, INC.

APRIL 30, 2016

EMERICK & COMPANY, P.C.
David Emerick
Rick Hann
CERTIFIED PUBLIC ACCOUNTANTS, AUDITING AND TAX PROFESSIONALS

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, 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

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, 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.

Emerick + Company, P.C.

Kansas City, MO
January 25, 2017

BRIDGING THE GAP, INC.
STATEMENT OF FINANCIAL POSITION
APRIL 30, 2016

ASSETS	
Cash and cash equivalents	$ 315,715
Receivables, including unbilled receivables of $69,773	87,098
Contributions receivable	102,177
Prepaid expenses	1,600
Property and equipment, net	1,453,490
Investments	126,344
TOTAL ASSETS	$ 2,086,424
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	$ 20,215
Accrued expenses	10,230
Unearned income	119,015
Notes payable	102,177
Total Liabilities	251,637
Net Assets	
Unrestricted	1,732,284
Less investment in property and equipment	(1,453,490)
Net unrestricted	278,794
Temporarily restricted	1,541,201
Permanently restricted	14,792
Total Net Assets	1,834,787
TOTAL LIABILITIES AND NET ASSETS	$ 2,086,424

See notes to financial statements.

BRIDGING THE GAP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2016

UNRESTRICTED NET ASSETS	
REVENUES	
Grants	$ 296,624
Fees for services	249,189
Workshop income	10,373
Memberships	6,225
Contributions	113,086
Sponsorships	94,695
In-kind donations	60,516
Investment income	2,438
Interest income	453
Other	16,408
	850,007
Net assets, released from restrictions	36,375
Total Revenues	886,382
EXPENSES	
Program services	659,725
Administrative	71,084
Fundraising	95,347
Total Expenses	826,156
INCREASE IN UNRESTRICTED NET ASSETS	60,226
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	971
Net assets, released from restrictions	(36,375)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(35,404)
INCREASE IN NET ASSETS	24,822
NET ASSETS, BEGINNING OF YEAR	1,809,965
NET ASSETS, END OF YEAR	$ 1,834,787

See notes to financial statements.

BRIDGING THE GAP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2016

	Program	Administrative	Fundraising	Total
Salaries	$ 354,538	$ 46,695	$ 48,361	$ 449,594
Payroll taxes	27,963	3,603	3,856	35,422
Employee benefits	59,469	6,978	7,552	73,999
Total Personnel Costs	441,970	57,276	59,769	559,015
Professional services	45,918	1,267	13,548	60,733
Travel and training	6,813	762	592	8,167
Volunteer appreciation and support	3,386	111	-	3,497
Equipment and technology	19,454	1,271	1,912	22,637
Rent and utilities	20,744	2,618	3,726	27,088
Program supplies	24,156	204	4,411	28,771
Office and operating supplies	3,475	1,303	1,303	6,081
Postage and delivery	230	93	2,312	2,635
Advertising and promotions	2,021	114	2,486	4,621
Printing and visual material	2,258	50	3,254	5,562
Telephone	7,675	991	1,063	9,729
Insurance	9,196	692	971	10,859
Interest	4,949	-	-	4,949
In-kind donation of rent	44,000	-	-	44,000
Miscellaneous	-	3,654	-	3,654
Total Expenses Before Depreciation	636,245	70,406	95,347	801,998
Depreciation	23,480	678	-	24,158
TOTAL EXPENSES	$ 659,725	$ 71,084	$ 95,347	$ 826,156

See notes to financial statements.

BRIDGING THE GAP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 24,822
Adjustments to reconcile change in net assets to cash flows from operating activities	
Depreciation	24,158
Changes in operating assets and liabilities:	
Receivables, net	1,497
Contributions receivable	(4,949)
Accounts payable	7,222
Accrued expenses	(2,510)
Unearned income	92,361
Net cash provided by operating activities	142,601
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in investments	(101,730)
Net cash used in investing activities	(101,730)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from notes payable	4,949
Net cash provided by financing activities	4,949
INCREASE IN CASH	45,820
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	269,895
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 315,715
INTEREST PAID	$ 4,949

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, such as rain barrel workshops or recycling training at area events. Also, our executive director's mission-based activity, such as her service on the City of Kansas City Missouri's Climate Protection Steering Committee or the Kansas City Native Plant Initiative, is tracked in this category.

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. In FY 2015/2016, Earthwalk was held in fall and the leading sponsor was Time Warner Cable, now Charter Communications.

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 FY 2015/2016, Bridging The Gap received funding from consulting work in partnership with REV, a California-based non- profit which engages businesses in writing sustainability plans. Bridging The Gap persuaded the local utility company, Kansas City Power & Light, to convene and fund a Sustainability Circle in Kansas City, with ten local entities involved for 18 months. Bridging The Gap also received funding from the Kansas City Industrial Council in FY 2015/2016 for managing their Sustainability Committee.

Heartland Tree Alliance (HTA) – is a program to develop a volunteer-based organization to educate and involve citizens, businesses and governments in community forestry. HTA plants 1,000 to 4,000 trees annually in greater Kansas City, with funding from grants and donations.

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. This is a long-standing fee for service contract with the Solid Waste department of the City of Kansas City, MO.

Kansas City WildLands (KCWL) - is a partnership with over 29 organizations to involve citizens in restoring and maintaining remnant ecosystems in the metropolitan region. KCWL engages volunteers to restore and maintain approximately 450 acres of remnant (never ploughed) lands in greater Kansas City, with a diverse funding base including grants, fee for service and private donations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. In 2014 a large city contract for litter abatement was cancelled, but Bridging The Gap continued a smaller scope of work on litter abatement and beautification with private funding, and maintained a relationship with Keep America Beautiful. Additional funding was received from Johnson County Stormwater department to do education and stream clean-ups, and is accounted for under the KKCB program column.

Monarch Butterfly Gardens – this activity was funded for three months in FY 2015/2016 with a subcontract with Burroughs Audubon, a partner non-profit in Kansas City, which successfully sought grant funding from the National Fish & Wildlife Foundation. Bridging The Gap hired a biologist and led the planting of 175 monarch gardens and 5 workshops. The program continued into 2016/17.

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, sometimes led by BTG's founder, Bob Mann, who lives in nearby Ft. Collins. Shadowcliff's income and expenses are maintained separately from Bridging The Gap's books, as it is a 509 (a) organization. However, the land and buildings are assets of Bridging The Gap and the value and depreciation of the property are reflected on their financials.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $184,000.

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 grants in advance of program expenditures, the revenues from which are deferred until the corresponding expenditures are incurred. The grant revenue is recognized based on the amount of actual expenditures.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 25, 2017, which is the date the financial statements were available to be issued.

NOTE 2: CONTRIBUTIONS RECEIVABLE

Contributions receivable at April 30, 2016 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%	17,823
Net contributions receivable	$ 102,177

NOTE 3: INVESTMENTS

Investments are held with a community foundation and a brokerage firm and are presented at fair value based on market quotes or the stated fair value obtained from the community foundation. They consist of the following at April 30, 2016:

Money market	$ 4,447
Mutual funds	97,385
Equity pool	7,410
Intermediate fixed Income pool	6,878
Short term fixed income pool	10,224
Total investments	$ 126,344

The following schedule summarizes the investment income on these investments at April 30, 2016:

Interest and dividend income	$ 585
Realized gain	67
Unrealized gain	1,786
Total investment income	$ 2,438

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.

NOTE 4: FAIR VALUE MEASUREMENTS (continued)

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 broker: The value that is reported by the brokerage firm is based on the market value of publicly traded mutual funds.

Investments with community foundation: The value that is reported by the community foundation 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, 2016 were as follows:

	Level 1
Investments with broker	$ 101,791

Investments measured at fair value on a recurring basis at April 30, 2016 were as follows:

	Level 2
Investments with community foundation	$ 24,553

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	60,516
Less: amounts expensed	60,516
Balance, end of year	$ -

NOTE 5: 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, 2016:

	Unrestricted	Permanently Restricted	Total
Endowment net assets	$ 9,761	$ 14,792	$ 24,553

Change in endowment net assets for the year ended April 30, 2016:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 9,822	$ 14,792	$24,614
Investment income	502	-	502
Less: net depreciation	313	-	313
Less: administrative expenses	250	-	250
Endowment net assets, end of year	$ 9,761	$ 14,792	$ 24,553

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 6: 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	413,921
Net property and equipment	$ 1,453,490

NOTE 7: UNEARNED INCOME

MDC - HTA	$ 11,503
Dunn - HTA	17,600
KCWL – MDC	13,500
Welland	59,369
Other	17,044
Total unearned income	$ 119,015

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.

Future debt maturities are as follows:

Years Ending April 30,	
2017	$ 13,551
2018	14,741
2019	15,491
2020	16,241
Thereafter	42,153
Total	$ 102,177

NOTE 9: TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

HTA – Tree Fund	$ 5,981
Depreciated value of property and equipment at Shadowcliff, see Note 12	1,450,887
Time restriction related to unconditional promise to give	84,333
Total temporarily restricted net assets	$ 1,541,201

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 office space beginning in April 2012 for a term of two years with an option to renew at the end of the lease for two additional one year periods. The lease was amended in April 2016 to extend it another year. The base monthly rent is $1,748.

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 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 2016:

Miscellaneous payments	$ 38
In-kind donation made to Shadowcliff	44,000
In-kind donation from Shadowcliff for interest earned on debt held by the Organization	4,948
Total	$ 48,986

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.