

BRIDGING THE GAP, INC.
**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**
APRIL 30, 2021

BRIDGING THE GAP, INC.

April 30, 2021

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EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

INDEPENDENT AUDITOR'S 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, 2021, 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, 2021, 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, Missouri
February 3, 2022

BRIDGING THE GAP, INC.
STATEMENT OF FINANCIAL POSITION
APRIL 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 97,880
Receivables, including unbilled receivables of \$228,321	680,016
Prepaid expenses	1,600
Total Current Assets	<u>779,496</u>

Property and Equipment, net

1,380,654

Other Assets

Investments	<u>38,202</u>
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TOTAL ASSETS

\$ 2,198,352

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 39,411
Accrued expenses	10,936
Unearned income	19,667
Total Current Liabilities	<u>70,014</u>

TOTAL LIABILITIES

70,014

Net Assets

Investment in property and equipment	1,380,654
Other net assets without donor restrictions	685,495
Net assets without donor restrictions	<u>2,066,149</u>
Net assets with donor restrictions	<u>62,189</u>

Total Net Assets

2,128,338

TOTAL LIABILITIES AND NET ASSETS

\$ 2,198,352

See notes to financial statements

**BRIDGING THE GAP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2021**

**NET ASSETS WITHOUT DONOR RESTRICTIONS
SUPPORT AND REVENUE**

Contributions:	
Corporate grants and sponsorships	50,146
Government grants	536,314
Foundations	67,814
Individuals and groups	143,400
United Way	1,658
Fees for services:	
Corporate contracts	71,125
Government contracts	901,885
Workshop income	8,087
Memberships	8,210
Rental revenue earned (in-kind)	37,000
Investment return, net	7,921
Other	3,858
	<u>1,837,418</u>
Net assets released from restrictions	14,940
Total Support and Revenue	<u>1,852,358</u>

EXPENSES

Program services	1,507,651
Administrative	144,045
Fundraising	72,293
Total Expenses	<u>1,723,989</u>

INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS 128,369

NET ASSETS WITH DONOR RESTRICTIONS

Contributions	41,416
Net assets released from restrictions	<u>(14,940)</u>

INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS 26,476

INCREASE IN NET ASSETS 154,845

NET ASSETS, BEGINNING OF YEAR 1,973,493

NET ASSETS, END OF YEAR \$ 2,128,338

See notes to financial statements

BRIDGING THE GAP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2020

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 818,055	\$ 87,994	\$ 25,985	\$ 932,034
Payroll taxes	65,043	7,147	2,033	74,223
Employee benefits	156,377	11,373	4,932	172,682
Total Personnel Costs	<u>1,039,475</u>	<u>106,514</u>	<u>32,950</u>	<u>1,178,939</u>
Professional services	70,452	6,068	26,130	102,650
Travel and training	24,541	3,298	120	27,959
Volunteer appreciation and support	2,053	522	-	2,575
Equipment and technology	39,746	4,894	568	45,208
Rent and utilities	40,426	4,723	2,905	48,054
Program supplies	171,360	-	8,055	179,415
Office and operating supplies	147	1,565	-	1,712
Postage and delivery	72	239	165	476
Advertising and promotions	2,518	49	-	2,567
Printing and visual material	929	-	-	929
Telephone	7,758	1,729	245	9,732
Insurance	32,824	1,329	1,155	35,308
In-kind donation of rent	37,000	-	-	37,000
Miscellaneous	48	8,531	-	8,579
Total Expenses Before Depreciation	<u>1,469,349</u>	<u>139,461</u>	<u>72,293</u>	<u>1,681,103</u>
Depreciation	<u>38,302</u>	<u>4,584</u>	<u>-</u>	<u>42,886</u>
TOTAL EXPENSES	<u><u>\$ 1,507,651</u></u>	<u><u>\$ 144,045</u></u>	<u><u>\$ 72,293</u></u>	<u><u>\$ 1,723,989</u></u>

See notes to financial statements

BRIDGING THE GAP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 154,845
Adjustments to reconcile change in net assets to cash flows from operating activities	
Forgiveness of PPP loan	(238,265)
Realized gain on investments	(7,082)
Unrealized loss on investments	52
Depreciation	42,886
Changes in operating assets and liabilities:	
Receivables	(178,385)
Prepaid expenses	9,625
Accounts payable	(15,954)
Accrued expenses	(3,167)
Unearned income	5,999
Net cash used by operating activities	<u>(229,446)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sales and purchases of investments, net	<u>44,345</u>
Net cash provided by investing activities	<u>44,345</u>

DECREASE IN CASH (185,101)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 282,981

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 97,880

**BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Bridging the Gap, Inc. (the Organization or “BTG”) is a not-for-profit organization that works to make the Kansas City region sustainable by “connecting environment, economy and community,” and is the premier organization in the area providing environmental education and volunteer action through more than 1,800 volunteers annually.

BTG programming in action includes:

- Managing and educating at three Kansas City, Missouri Community Recycling Centers
- Organizing litter clean-ups
- Planting and pruning trees through Heartland Tree Alliance
- Conserving ecosystems on 400 acres of Kansas City WildLands
- Assisting in maintenance of the City’s green infrastructure
- Reducing energy use and cost by installing water and energy conservation devices in peoples’ homes
- Educating people about using native plants in their landscapes
- Educating business-people on “green” practices through the Green Business Network
- Engaging volunteers at more than 100 events, doing the hard, physical work it takes to restore our environment.

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, 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:

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

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions on their use that may be met by actions of the Organization or the passage of time, and 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. The Organization has elected to record contributions whose restrictions are met in the same period in which they are received as net assets without donor restrictions.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of the Organization’s revenue is derived from cost-reimbursable local government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as unearned income in the statement of financial position.

BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Receivables

The Organization considers all receivables 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.

Property and Equipment

Expenditures for property and 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.

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. Costs that can be directly attributable to a specific program or supporting service are charged to that program or service. Expenses that relate to more than one program or service are allocated among the program and service benefitted. Expenses are allocated as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Rent and utilities	Full time equivalent
Insurance	Full time equivalent
Telephone	Full time equivalent
Equipment and technology	Full time equivalent
Postage and delivery	Full time equivalent
Office supplies	Full time equivalent

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. 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 tax returns remain open for examination for a period of three years after the filing deadlines.

BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Unpaid volunteers have donated significant amounts of time to the Organization's programs and supporting services, although these services did not meet the criteria for recognition in the financial statements. Donated supplies received from individuals are recorded at fair value.

Subsequent Events

Subsequent events have been evaluated through February 3, 2022, which is the date the financial statements were available to be issued.

NOTE 2: LIQUIDITY AND AVAILABILITY

The following table shows the financial assets that could be made readily available over the next twelve months at April 30, 2021:

Cash and cash equivalents	\$ 97,880
Receivables	680,016
Prepaid expenses	1,600
Investments	<u>38,202</u>
Total financial assets	817,698
Less amounts not available to be used within twelve months:	
Net assets with donor restrictions that are expected to be released in greater than twelve months	<u>62,189</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>755,509</u>

NOTE 3: 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.

BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2021

NOTE 3: ENDOWMENT (Continued)

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 net assets with donor restrictions: (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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets	\$ 17,690	\$ 14,792	\$ 32,482

Change in endowment net assets for the year ended April 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 13,786	\$ 14,792	\$ 28,578
Investment income	1,845	-	1,845
Net appreciation	<u>2,369</u>	-	<u>2,369</u>
	18,000	14,792	32,792
Less: administrative expenses	<u>310</u>	-	<u>310</u>
Endowment net assets, end of year	<u>\$ 17,690</u>	<u>\$ 14,792</u>	<u>\$ 32,482</u>

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

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

BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2021

NOTE 4: 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, 2021:

Money market pool	\$ 53
Cash deposits in banks	85
Exchange traded funds	5,635
Equity pool domestic	7,396
Equity pool international	2,630
Fixed income pool - intermediate	9,023
Fixed income pool - short term	<u>13,380</u>
Total investments	<u>\$ 38,202</u>

The following schedule summarizes the net investment return on these investments at April 30, 2021:

Interest and dividend income	\$ 1,396
Realized gain	7,082
Unrealized loss	(48)
Investment fees	<u>(509)</u>
Total investment return, net	<u>\$ 7,921</u>

NOTE 5: 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 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.

BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2021

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

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.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash deposits with broker	\$ 85	\$ 85	\$ -	\$ -
Exchange traded funds with broker	5,635	5,635	-	-
Pooled investments with community foundation	<u>32,482</u>	<u>-</u>	<u>32,482</u>	<u>-</u>
Total investments	<u>\$ 38,202</u>	<u>\$ 5,720</u>	<u>\$ 32,482</u>	<u>\$ -</u>

NOTE 6: PROPERTY AND EQUIPMENT

Land	\$ 849,281
Building	915,719
Equipment	107,631
Furniture and fixtures	<u>27,508</u>
	1,900,139
Less: Accumulated depreciation	<u>519,485</u>
Net property and equipment	<u>\$ 1,380,654</u>

NOTE 7: PAYCHECK PROTECTION PROGRAM CONTRIBUTION INCOME

In April 2020, the Organization qualified for a loan program under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and entered into a debt agreement for \$238,265. The proceeds were utilized to fund payroll and other operating expenses. The Organization received notification in March 2021 that the loan balance was forgiven in full and it was recognized as income for the year ended April 30, 2021 and presented as contribution income on the statement of activities.

NOTE 8: UNEARNED INCOME

Missouri Department of Conservation – Heartland Tree Alliance	\$ 5,000
Missouri Department of Conservation – KC Wildlands	<u>14,667</u>
Total unearned income	<u>\$ 19,667</u>

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods:

Heartland True Alliance – Tree Fund	\$ 5,981
Green Leadership Academy	41,416
Endowment	<u>14,792</u>
Total net assets with donor restrictions	<u>\$ 62,189</u>

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.

BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2021

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by donors or by time for the year ended April 30, 2021:

Green Leadership Academy	\$ 12,440
Kansas Sierra Club	<u>2,500</u>
Total net assets released from restrictions	<u>\$ 14,940</u>

NOTE 10: OPERATING LEASES

The Organization leases office space under a lease expiring in November 2023. From May 2020 to November 2020 the monthly base rent was \$3,200. From December 2020 to April 2021, monthly base rent was \$3,550. Rent expense for the year ended April 30, 2021 was \$46,389.

The Organization leases a copier under a lease expiring in August 2025. The monthly base rent is \$297. Rent expense for the year ended April 30, 2021 was \$3,662.

Minimum lease payments under these leases are as follows:

Years Ending April 30,	
2022	\$ 48,358
2023	51,988
2024	32,258
2025	3,558
2026	<u>1,038</u>
Total	<u>\$ 137,200</u>

NOTE 11: RELATED ENTITIES

The Organization has an economic interest in Shadowcliff, a retreat center in Colorado, but it does not have control. Therefore, the Organization does not include the financial results of Shadowcliff in its financial statements. The two organizations share a common focus on fostering sustainability for the future.

The Organization owns the property and equipment at the retreat center and Shadowcliff leases that property from the Organization for \$1 annually.

The financial statements include imputed rent revenue and an in-kind donation expense at a rental fair market value of \$37,000 for the year ended April 30, 2021.

If the relationship between Shadowcliff and the Organization is severed, the Organization is obligated to deed the property and equipment at the retreat center to Shadowcliff.

NOTE 12: UNCERTAINTIES

In March 2020, the World Health Organization declared COVID-19 a global pandemic. The COVID-19 outbreak in the United States and the related work restrictions have impacted the Organization and its operations. The extent to which these events will affect the future financial position and the related changes in net assets and cash flows is unknown.

NOTE 13: CONCENTRATIONS OF RISK

Approximately 17% of total revenue was provided by one donor for the year ended April 30, 2021. One donor makes up approximately 40% of receivables as of April 30, 2021.