

BRIDGING THE GAP, INC.
**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**
APRIL 30, 2022

BRIDGING THE GAP, INC.

April 30, 2022

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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.

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bridging the Gap, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bridging the Gap, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bridging the Gap, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bridging the Gap, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emerich + Company, P.C.

Kansas City, Missouri
February 17, 2023

BRIDGING THE GAP, INC.
STATEMENT OF FINANCIAL POSITION
APRIL 30, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$ 567,669
Receivables, including unbilled receivables of \$268,179	782,122
Prepaid expenses	1,600
Total Current Assets	<u>1,351,391</u>

Property and Equipment, net

1,341,382

Other Assets

Investments	<u>35,449</u>
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TOTAL ASSETS

\$ 2,728,222

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 81,046
Accrued expenses	15,721
Unearned income	13,669
Total Current Liabilities	<u>110,436</u>

TOTAL LIABILITIES

110,436

Net Assets

Investment in property and equipment	1,341,382
Other net assets without donor restrictions	1,223,339
Net assets without donor restrictions	<u>2,564,721</u>
Net assets with donor restrictions	<u>53,065</u>

Total Net Assets

2,617,786

TOTAL LIABILITIES AND NET ASSETS

\$ 2,728,222

See notes to financial statements

**BRIDGING THE GAP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2022**

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

Contributions:	
Corporate grants and sponsorships	\$ 147,944
Government grants	179,629
Foundations	336,069
Individuals and groups	305,891
In-kind contributions	16,424
Fees for services:	
Corporate contracts	100,352
Government contracts	1,193,635
Workshop income	10,459
Memberships	2,375
Investment loss, net	(2,296)
Other	43,038
	<u>2,333,520</u>
Net assets released from restrictions	41,416
Total Support and Revenue	<u>2,374,936</u>

EXPENSES

Program services	1,581,970
Administrative	183,137
Fundraising	111,257
Total Expenses	<u>1,876,364</u>

INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS 498,572

NET ASSETS WITH DONOR RESTRICTIONS

Contributions	32,292
Net assets released from restrictions	<u>(41,416)</u>

INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS (9,124)

INCREASE IN NET ASSETS 489,448

NET ASSETS, BEGINNING OF YEAR 2,128,338

NET ASSETS, END OF YEAR \$ 2,617,786

See notes to financial statements

BRIDGING THE GAP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2022

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 829,876	\$ 118,279	\$ 32,235	\$ 980,390
Payroll taxes	66,318	9,091	2,589	77,998
Employee benefits	153,414	19,774	5,725	178,913
Total Personnel Costs	<u>1,049,608</u>	<u>147,144</u>	<u>40,549</u>	<u>1,237,301</u>
Professional services	76,552	8,907	33,195	118,654
Travel, training and miscellaneous	28,695	3,160	1,136	32,991
Volunteer appreciation and support	3,861	825	-	4,686
Equipment and technology	33,595	6,550	5,095	45,240
Rent and utilities	44,807	6,343	17,636	68,786
Program supplies	211,056	143	8,667	219,866
Office and operating supplies	363	2,246	2,658	5,267
Postage and delivery	40	185	93	318
Advertising and promotions	682	8	-	690
Printing and visual material	2,679	56	904	3,639
Telephone	8,379	1,195	321	9,895
Insurance	29,568	1,893	1,003	32,464
Grant expense	37,000	-	-	37,000
In-kind expense	15,995	-	-	15,995
Total Expenses Before Depreciation	<u>1,542,880</u>	<u>178,655</u>	<u>111,257</u>	<u>1,832,792</u>
Depreciation	<u>39,090</u>	<u>4,482</u>	<u>-</u>	<u>43,572</u>
TOTAL EXPENSES	<u><u>\$ 1,581,970</u></u>	<u><u>\$ 183,137</u></u>	<u><u>\$ 111,257</u></u>	<u><u>\$ 1,876,364</u></u>

See notes to financial statements

BRIDGING THE GAP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 489,448
Adjustments to reconcile change in net assets to cash flows from operating activities	
Realized gain on investments	(1,851)
Unrealized loss on investments	4,121
Depreciation	43,572
Changes in operating assets and liabilities:	
Receivables	(102,106)
Accounts payable	41,635
Accrued expenses	4,785
Unearned income	(5,998)
Net cash provided by operating activities	<u>473,606</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(4,300)
Sales and purchases of investments, net	483
Net cash used in investing activities	<u>(3,817)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	469,789
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>97,880</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 567,669</u>

See notes to financial statements

BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2022

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, 2022

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. 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, 2022

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 17, 2023, 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, 2022:

Cash and cash equivalents	\$ 567,669
Receivables	782,122
Prepaid expenses	1,600
Investments	<u>35,449</u>
Total financial assets	1,386,840
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>53,065</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,333,775</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.

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.

BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2022

NOTE 3: ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of April 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets	\$ 15,394	\$ 14,792	\$ 30,186

Change in endowment net assets for the year ended April 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 17,690	\$ 14,792	\$ 32,482
Investment income	1,510	-	1,510
Net depreciation	<u>(3,481)</u>	<u>-</u>	<u>(3,481)</u>
	15,719	14,792	30,511
Less: administrative expenses	<u>325</u>	<u>-</u>	<u>325</u>
Endowment net assets, end of year	<u>\$ 15,394</u>	<u>\$ 14,792</u>	<u>\$ 30,186</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.

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, 2022:

Money market pool	\$ 53
Cash deposits in banks	141
Exchange traded funds	5,122
Equity pool domestic	6,284
Equity pool international	2,361
Fixed income pool - intermediate	8,512
Fixed income pool - short term	<u>12,976</u>
Total investments	<u>\$ 35,449</u>

BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2022

NOTE 4: INVESTMENTS (Continued)

The following schedule summarizes the net investment return on these investments at April 30, 2022:

Interest and dividend income	\$ 342
Realized gain	1,851
Unrealized loss	(4,121)
Investment fees	<u>(368)</u>
Total investment return, net	<u>\$ (2,296)</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.

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.

	Total	Level 1	Level 2	Level 3
Cash deposits with broker	\$ 141	\$ 141	\$ -	\$ -
Exchange traded funds with broker	5,122	5,122	-	-
Pooled investments with community foundation	<u>30,186</u>	<u>-</u>	<u>30,186</u>	<u>-</u>
Total investments	<u>\$ 35,449</u>	<u>\$ 5,263</u>	<u>\$ 30,186</u>	<u>\$ -</u>

BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2022

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at April 30, 2022:

Land	\$ 849,281
Building	915,719
Equipment	111,931
Furniture and fixtures	<u>27,508</u>
	1,904,439
Less: Accumulated depreciation	<u>563,057</u>
Net property and equipment	<u>\$ 1,341,382</u>

NOTE 7: UNEARNED INCOME

Unearned income consisted of the following at April 30, 2022:

Missouri Department of Conservation – Heartland Tree Alliance	\$ 5,000
Missouri Department of Conservation – KC Wildlands	<u>8,669</u>
Total unearned income	<u>\$ 13,669</u>

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

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

Heartland Tree Alliance – Tree Fund	\$ 5,981
Green Leadership Academy	32,292
Endowment	<u>14,792</u>
Total net assets with donor restrictions	<u>\$ 53,065</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.

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, 2022 were \$41,416 for Green Leadership Academy.

NOTE 9: OPERATING LEASES

The Organization leases office space under a lease expiring in November 2023. From December 2020 to November 2021, monthly base rent was \$3,550. From December 2021 to April 2022, monthly base rent was \$3,990. Rent expense for the year ended April 30, 2022 was \$52,743.

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, 2022 was \$3,661.

Minimum lease payments under these leases are as follows:

Years Ending April 30,	
2023	\$ 51,988
2024	32,258
2025	3,558
2026	<u>1,038</u>
Total	<u>\$ 88,842</u>

BRIDGING THE GAP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2022

NOTE 10: 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 grant expense for the contribution of below market rent to Shadowcliff and other revenue at a fair market value of \$37,000 for the year ended April 30, 2022.

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.

Subsequent to year end, the Organization and Shadowcliff entered into negotiations to transfer the property from the Organization to Shadowcliff. At the time the property is transferred, the Organization will record a contribution expense and remove the property from books.

NOTE 11: CONCENTRATIONS OF RISK

At various times during the year, cash balances held at banks may exceed the federally insured limit of \$250,000.

Approximately 47% of receivables as of April 30, 2022 are from one donor.

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.