

# Financial Statements

**Bridging, Inc.**  
**(a Nonprofit Corporation)**  
Bloomington, Minnesota

For the Years Ended  
December 31, 2018 and 2017

BRIDGING, INC.  
(A NONPROFIT CORPORATION)  
BLOOMINGTON, MINNESOTA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017

Bridging, Inc.  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Bridging, Inc.  
Bloomington, Minnesota

We have audited the accompanying financial statements of Bridging, Inc. (the Organization), a Minnesota nonprofit corporation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
May 2, 2019

## FINANCIAL STATEMENTS

Bridging, Inc.  
Statements of Financial Position  
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,372,114	\$ 938,121
Certificates of deposit	756,996	751,073
Program service receivables, net of allowance for doubtful accounts of \$14,574 and \$0 for 2018 and 2017, respectively	145,284	95,028
Pledges receivable, current	12,000	14,500
Inventory	751,429	600,797
Prepaid expenses	71,375	67,278
Total Current Assets	3,109,198	2,466,797
Property and Equipment		
Land, building and improvements	4,813,510	4,757,073
Leasehold improvements	27,635	27,635
Office furniture and equipment	139,471	85,339
Vehicles	770,767	770,767
Warehouse equipment	274,627	261,553
Total Property and Equipment, Cost	6,026,010	5,902,367
Less Accumulated Depreciation	(1,750,168)	(1,501,967)
Total Property and Equipment, Net	4,275,842	4,400,400
Other Assets		
Pledges receivable	11,858	23,940
Website, net of amortization of \$3,732 and \$287 in 2018 and 2017, respectively	13,493	16,938
Total Other Assets	25,351	40,878
Total Assets	\$ 7,410,391	\$ 6,908,075

See Independent Auditor's Report and Notes to the Financial Statements.

Bridging, Inc.  
 Statements of Financial Position (Continued)  
 December 31, 2018 and 2017

	2018	2017
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 30,500	\$ 47,204
Other accrued expenses	28,577	28,196
Compensated absences payable	53,289	58,862
Deferred revenue - program services	14,410	8,415
Tenant security deposits, current	5,359	-
Current portion of capital lease obligations	99,788	127,906
Total Current Liabilities	231,923	270,583
Long-term Liabilities		
Tenant security deposits, long-term	4,289	9,648
Capital lease obligations	115,191	214,297
Total Long-term Liabilities	119,480	223,945
Total Liabilities	351,403	494,528
Net Assets		
Net assets without donor restrictions	6,891,870	6,337,645
Net assets with donor restrictions	167,118	75,902
Total Net Assets	7,058,988	6,413,547
Total Liabilities and Net Assets	\$ 7,410,391	\$ 6,908,075

See Independent Auditor's Report and Notes to the Financial Statements.

Bridging, Inc.  
Statements of Activities  
For the Years Ended December 31, 2018 and 2017

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues, Gains, and Other Support			
Foundation, corporation, civic and individual contributions	\$ 1,041,587	\$ 281,593	\$ 1,323,180
In-kind contributions	6,568,531	-	6,568,531
Special events revenues, net of direct expenses of \$104,259	681,200	-	681,200
Program service revenue	1,146,036	-	1,146,036
Furniture sales, net of cost of goods sold of \$184,193	35,857	-	35,857
Rental income - Roseville building, net of expenses of \$189,967	43,609	-	43,609
Interest income	10,056	-	10,056
Miscellaneous	23,254	-	23,254
Net assets released from restrictions	190,377	(190,377)	-
Total Revenues, Gains, and Other Support	<u>9,740,507</u>	<u>91,216</u>	<u>9,831,723</u>
Expenses			
Program services	8,658,257	-	8,658,257
Supporting services			
Management and general	242,279	-	242,279
Fundraising	285,746	-	285,746
Total Expenses	<u>9,186,282</u>	<u>-</u>	<u>9,186,282</u>
Change in Net Assets	554,225	91,216	645,441
Net Assets, January 1	<u>6,337,645</u>	<u>75,902</u>	<u>6,413,547</u>
Net Assets, December 31	<u>\$ 6,891,870</u>	<u>\$ 167,118</u>	<u>\$ 7,058,988</u>

See Independent Auditor's Report and Notes to the Financial Statements.



Bridging, Inc.  
Statements of Activities (Continued)  
For the Years Ended December 31, 2018 and 2017

	2017		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues, Gains, and Other Support			
Foundation, corporation, civic and individual contributions	\$ 1,211,990	\$ 155,461	\$ 1,367,451
In-kind contributions	6,238,160	-	6,238,160
Special events revenues, net of direct expenses of \$88,628	557,604	2,500	560,104
Program service revenue	1,188,593	-	1,188,593
Furniture sales, net of cost of goods sold of \$194,117	25,812	-	25,812
Rental income - Roseville building, net of expenses of \$229,633	48,994	-	48,994
Interest income	1,090	-	1,090
Miscellaneous	16,874	-	16,874
Net assets released from restrictions	311,377	(311,377)	-
Total Revenues, Gains, and Other Support	<u>9,600,494</u>	<u>(153,416)</u>	<u>9,447,078</u>
Expenses			
Program services	8,287,632	-	8,287,632
Supporting services			
Management and general	227,114	-	227,114
Fundraising	265,349	-	265,349
Total Expenses	<u>8,780,095</u>	<u>-</u>	<u>8,780,095</u>
Change in Net Assets	820,399	(153,416)	666,983
Net Assets, January 1	<u>5,517,246</u>	<u>229,318</u>	<u>5,746,564</u>
Net Assets, December 31	<u>\$ 6,337,645</u>	<u>\$ 75,902</u>	<u>\$ 6,413,547</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**Bridging, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2018 and 2017**

	2018			Total Expenses
	Program Services	Supporting Services		
		Management and General	Fundraising	
<b>Salaries and Related Expenses</b>				
Staff salaries	\$ 1,193,372	\$ 159,095	\$ 166,281	\$ 1,518,748
Employee benefits	156,006	25,537	27,608	209,151
Payroll taxes	75,908	12,426	13,433	101,767
<b>Total Salaries and Related Expenses</b>	<b>1,425,286</b>	<b>197,058</b>	<b>207,322</b>	<b>1,829,666</b>
<b>Expenses</b>				
Donations to clients	6,410,307	-	-	6,410,307
In-kind expense	16,323	826	16,328	33,477
Product	130,217	-	-	130,217
Truck expense	63,601	-	-	63,601
Insurance	52,825	5,031	5,030	62,886
Rent	720	-	-	720
Postage	-	1,362	5,446	6,808
Printing	2,488	415	1,243	4,146
Office supplies	1,096	137	137	1,370
Warehouse supplies	31,088	-	-	31,088
Equipment leases	10,262	977	977	12,216
Computer support	39,020	6,081	5,575	50,676
Telephone	15,565	2,426	2,223	20,214
Bank/credit card fees	30,732	1,707	14,125	46,564
Dues and subscriptions	5,153	491	491	6,135
Marketing	24,892	2,371	5,617	32,880
Education	9,187	875	875	10,937
Professional fees	49,570	4,721	4,720	59,011
Maintenance	28,265	2,692	2,691	33,648
Rubbish removal	18,703	813	814	20,330
Utilities	38,922	3,707	3,707	46,336
Employee expense reimbursement	18,683	1,779	1,779	22,241
Volunteer recognition	13,207	-	-	13,207
Interest	19,131	-	-	19,131
Miscellaneous	1,737	153	154	2,044
<b>Total Expenses Before Depreciation</b>	<b>8,456,980</b>	<b>233,622</b>	<b>279,254</b>	<b>8,969,856</b>
Amortization	3,204	138	103	3,445
Depreciation	198,073	8,519	6,389	212,981
<b>Total Expenses</b>	<b>\$ 8,658,257</b>	<b>\$ 242,279</b>	<b>\$ 285,746</b>	<b>\$ 9,186,282</b>

See Independent Auditor's Report and Notes to the Financial Statements.

Bridging, Inc.  
 Statements of Functional Expenses (Continued)  
 For the Years Ended December 31, 2018 and 2017

	2017			Total Expenses
	Program Services	Supporting Services		
		Management and General	Fundraising	
<b>Salaries and Related Expenses</b>				
Staff salaries	\$ 1,050,893	\$ 147,285	\$ 154,949	\$ 1,353,127
Employee benefits	139,664	22,862	24,716	187,242
Payroll taxes	94,002	15,388	16,636	126,026
Total Salaries and Related Expenses	<u>1,284,559</u>	<u>185,535</u>	<u>196,301</u>	<u>1,666,395</u>
<b>Expenses</b>				
Donations to clients	6,217,091	-	-	6,217,091
In-kind expense	17,997	1,245	14,643	33,885
Product	110,465	-	-	110,465
Truck expense	55,061	-	-	55,061
Insurance	59,053	5,624	5,624	70,301
Rent	18,280	-	-	18,280
Postage	-	1,316	5,265	6,581
Printing	5,043	841	2,522	8,406
Office supplies	1,701	213	212	2,126
Warehouse supplies	39,023	-	-	39,023
Equipment leases	9,489	904	903	11,296
Computer support	29,713	4,631	4,244	38,588
Telephone	13,875	2,162	1,983	18,020
Bank/credit card fees	39,071	2,171	12,052	53,294
Dues and subscriptions	3,900	371	372	4,643
Marketing	23,770	2,264	3,377	29,411
Education	5,575	531	530	6,636
Professional fees	36,191	3,447	3,447	43,085
Maintenance	18,874	1,798	1,798	22,470
Rubbish removal	22,302	970	969	24,241
Utilities	37,932	3,613	3,612	45,157
Employee expense reimbursement	14,792	1,409	1,408	17,609
Volunteer recognition	10,790	-	-	10,790
Interest	27,199	-	-	27,199
Miscellaneous	1,415	135	136	1,686
Total Expenses Before Depreciation	<u>8,103,161</u>	<u>219,180</u>	<u>259,398</u>	<u>8,581,739</u>
Amortization	267	11	9	287
Depreciation	184,204	7,923	5,942	198,069
Total Expenses	<u>\$ 8,287,632</u>	<u>\$ 227,114</u>	<u>\$ 265,349</u>	<u>\$ 8,780,095</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Bridging, Inc.  
Statements of Cash Flows  
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 645,441	\$ 666,983
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	248,201	233,293
Amortization	3,445	287
Deferred financing costs expensed	-	11,097
Bad debts	-	134
Noncash donations to clients	6,410,307	6,217,091
Noncash contributions of furniture	(6,533,011)	(6,199,125)
Noncash contributions of property and equipment	(2,043)	(5,150)
Change in assets and liabilities:		
Restricted cash	-	18,619
Program service receivables	(50,256)	82,776
Pledges receivable	14,582	99,541
Inventory	(27,928)	4,939
Prepaid expenses	(4,097)	8,457
Security deposits, asset	-	-
Accounts payable	(16,704)	9,817
Other accrued expenses	381	472
Compensated absences payable	(5,573)	3,826
Deferred revenue - program services	5,995	(4,273)
Security deposits, liability	-	(3,744)
Net Cash Provided by Operating Activities	688,740	1,145,040
Cash Flows from Investing Activities		
Cash outlay for property and equipment	(121,600)	(72,433)
Cash outlay for intangible assets	-	(17,225)
Proceeds from investments	500,675	-
Purchase of investments	(506,598)	(751,073)
Net Cash Used by Investing Activities	(127,523)	(840,731)
Cash Flows from Financing Activities		
Payments on notes payable - mortgage	-	(532,792)
Payments on capital lease obligations	(127,224)	(118,130)
Net Cash Used by Financing Activities	(127,224)	(650,922)
Change in Cash and Cash Equivalents	433,993	(346,613)
Beginning Cash and Cash Equivalents	938,121	1,284,734
Ending Cash and Cash Equivalents	\$ 1,372,114	\$ 938,121

See Independent Auditor's Report and Notes to the Financial Statements.

Bridging, Inc.  
Statements of Cash Flows (Continued)  
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	<u>\$ 19,131</u>	<u>\$ 17,244</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Supplemental Schedule of		
Noncash Investing and Financing Activities		
Disposal of loan origination fees	<u>\$ 16,240</u>	<u>\$ -</u>

See Independent Auditor's Report and Notes to the Financial Statements.

Bridging, Inc.  
Notes to the Financial Statements  
December 31, 2018 and 2017

## **Note 1: Summary of Significant Accounting Policies**

### **A. Nature of Activities**

Bridging, Inc. (the Organization) was organized in 1992 as a nonprofit corporation and is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and Minnesota state law. The Organization works to provide families and individuals transitioning out of homelessness and poverty with a gift of quality furniture and household goods to stabilize and improve lives while effectively using community resources.

### **B. Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in support without donor restrictions or with donor restrictions, depending on the existence and nature of donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Without Donor Restrictions* - Resources over which the Organization has discretionary control. Designated amounts represent revenue, which the Board of Directors has set aside for a particular purpose.

*With Donor Restrictions* - Resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or passage of time. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to support with donor restrictions at the time of receipt and as net assets released from restrictions. Some resources are subject to the donor imposed restriction that they be maintained permanently by the Organization.

### **C. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

### **D. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### **E. Restricted Cash**

In accordance with the provisions of the mortgage payable obtained during 2015, the Organization is required to maintain a real estate tax escrow and a deposit account for all capital campaign funds received. The Organization must make monthly deposits into the real estate escrow sufficient to make timely real estate tax payments. The capital campaign account is restricted for loan payments and expenses related to the Project. The mortgage was paid in full during 2017, and cash is no longer required to be restricted for that purpose. See note 4 for further details on mortgage payoff.

### **F. Program Service Receivable and Allowance for Doubtful Accounts**

Program service receivables are uncollateralized. The Organization reduces such receivables by a valuation allowance that reflects management's estimate of the amounts that will not be collected because of the inability, failure or refusal of its donor or agency to make payments. The Organization determines its allowance for doubtful accounts based on an analysis of the receivables detail, historical write-off experience and current economic conditions, recoveries and trends. Allowance for doubtful accounts as of December 31, 2018 and 2017 was \$14,574 and \$0, respectively.

### **G. Pledges Receivable**

Pledges receivable represent amounts committed by donors that have not been received by the Organization. Pledges are recorded at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance. The Organization reduces such receivables by a valuation allowance that reflects management's estimate of the amounts that will not be collected because of the inability, failure or refusal of its donor to make payments. The Organization determines its allowance for doubtful accounts based on an analysis of the receivables detail, historical write-off experience and current economic conditions, recoveries and trends. There was no allowance for doubtful accounts as of December 31, 2018 and 2017.

### **H. Inventory**

The Organization maintains multiple warehouses of donated furniture and household inventory to be distributed to clients as soon as practicable after they have been received. The Organization values its inventory using estimates from published valuation guides in addition to management's evaluation of the condition of the inventory. Based on management's evaluation, each inventory item is assigned a value which is applied consistently to each inventory item.

### **I. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Bridging, Inc.  
Notes to the Financial Statements  
December 31, 2018 and 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

**J. Property and Equipment**

Property and equipment are recorded at cost or estimated value on the date of contribution. Assets acquired through capital lease agreements are capitalized at their fair market value as of the date of the lease inception. The Organization capitalizes all property and equipment acquisitions with a value of \$500 or greater and an estimated useful life greater than one year. Property and equipment is being depreciated using the straight-line method based on estimated useful lives as follows:

<u>Assets</u>	<u>Useful Lives in Years</u>
Land improvements, building and building improvements	39
Leasehold improvements	7 - 39
Office furniture and equipment	3 - 7
Vehicles	5
Warehouse equipment	3 - 7

Upon retirement or other disposition, the cost and related accumulated depreciation of disposed assets are removed from the accounts and any resultant gain or loss is recognized in operations.

Repairs and maintenance are charged to expense as incurred. Renewals and improvements, which extend the useful life of assets, are capitalized and depreciated over future periods.

**K. Deferred Financing Costs**

Issuance costs of obtaining financing are deferred and amortized to interest expense over the related debt term using the straight-line method. Notes payable have been presented net of deferred financing costs.

**L. Impairment of Long-lived Assets**

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amounts of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

**M. Deferred Revenue - Program Services**

Deferred revenue consists of payments received in advance that relate to services to be rendered in a future period and are deferred and recognized as revenue in the period earned. All deferred revenue is classified as current and will be recognized over the next year.

**N. Support and Revenue Recognition**

Support is recognized when the donor makes a promise to give to the Organization and there is sufficient evidence in the form of verifiable documentation that a promise was made and received.

Revenue is recognized when services have been performed. Deferred revenue represents amounts received in advance of services being performed.



Bridging, Inc.  
Notes to the Financial Statements  
December 31, 2018 and 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

**O. In-kind Goods and Services**

Contributions of donated services that create or enhance non-financial 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, are recorded at their values in the period received.

Several individuals volunteer their time and perform a variety of tasks that assist the Organization, but do not meet the criteria for recognition as contributed services and have not been reported in these financial statements.

**P. Income Taxes**

The Organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to the Organization are tax deductible as the Organization qualifies under Section 170(c) of the Internal Revenue Code.

Management believes that it is not reasonably possible for any tax position benefits to increase or decrease significantly over the next 12 months. Tax expense as of December 31, 2018 and 2017 was \$0 and \$0, respectively.

During the years ended December 31, 2018 and 2017, the Organization had not incurred any interest or penalties on its tax returns. The Organization's tax returns are subject to possible examination by the taxing authorities. For federal tax purposes the tax returns essentially remain open for possible examination for a period of three years after the date on which those returns are filed.

**Q. Functional Allocation of Expenses**

The costs of providing the various programs and supporting activities of the Organization have been allocated between program or supporting services based upon the best estimates of management.

**R. Subsequent Events**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 2, 2019, the date the financial statements were available to be issued.

**Note 2: Certificates of Deposit**

The Organization has invested in three certificates of deposit during the year ended 2018 and three certificates of deposit during the year ended 2017. Currently, one is invested in Great Western Bank, bears interest of 1.80 percent, and automatically renews annually. The two other certificates of deposit are invested in TCF and Western Bank. Previously in 2017, the Organization invested in Great Western Bank, Home Federal Bank and Premier Bank Rochester. The value of the certificates of deposit at December 31, 2018 and 2017 is \$756,996 and \$751,073, respectively.

**Note 3: Prepaid Expenses**

Prepaid expenses consist of the following at December 31, 2018 and 2017:

	2018	2017
Prepaid insurance	\$ 63,361	\$ 44,308
Prepaid software support	8,014	7,864
Building improvements	-	8,911
Other prepaid expenses	-	6,195
	\$ 71,375	\$ 67,278
Total		

Bridging, Inc.  
Notes to the Financial Statements  
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**Note 4: Line of Credit**

On June 4, 2015, the Organization obtained a revolving line of credit from Western Bank. The revolving line of credit allows borrowing up to \$100,000 with an interest rate at 1 percent over the prime rate. The line of credit expired on December 1, 2017 and was not renewed. As of December 31, 2018 and 2017, the Organization had no outstanding balance on this revolving line of credit.

**Note 5: Long-term Debt**

In August 2017, the Organization paid off the remaining balance of the mortgage, and the deferred financing costs were fully amortized. The Organization has no other outstanding loans.

**Note 6: Lease Income**

The Company leases its property to various businesses. The leases commenced prior to their purchase of the building and through amendments will expire on various dates through 2020. The lease payments include monthly fees to cover payment of the real estate taxes and mortgage insurance premiums. The total net lease income for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Rental income - Roseville	\$ 233,576	\$ 278,627
Less:		
Direct management fees	103,763	114,100
Property tax	33,910	66,326
Depreciation	35,220	35,224
Bad debt	17,074	134
Mortgage interest	-	2,752
Loan fee interest	-	11,097
	\$ 43,609	\$ 48,994

Bridging, Inc.  
Notes to the Financial Statements  
December 31, 2018 and 2017

**Note 6: Lease Income**

As of December 31, 2018, future minimum lease payments to be received over the remaining term of the lease are as follows:

Year Ended	Amount
2019	\$ 71,837
2020	10,840
Total	\$ 82,677

**Note 7: Leases – Capital**

The Company has acquired certain vehicles under three long-term leasing agreements classified as capital leases, with various expiration dates ranging from 2019 to 2021. The cost of the vehicles under the capital leases totaled \$770,767 and \$770,767 at December 31, 2018 and 2017, respectively. The capital lease obligations are payable in monthly installments ranging from \$1,270 to \$6,105 including interest ranging from 3.69 percent to 10.32 percent.

Future minimum capital lease payments under capital leases are as follows:

Year	Gross Lease Payments	Less Amount Representing Interest	Principal Portion
2019	\$ 110,183	\$ 10,395	\$ 99,788
2020	90,943	4,594	86,349
2021	29,009	167	28,842
Total	\$ 230,135	\$ 15,156	\$ 214,979

The following is a summary of property and equipment held under capital leases as of December 31:

	2018	2017
Vehicles	\$ 770,767	\$ 770,767
Less accumulated depreciation	(562,236)	(441,762)
	\$ 208,531	\$ 329,005

Depreciation expense on assets recorded under the capital lease for the years ended December 31, 2018 and 2017 was \$120,474 and \$120,474, respectively, and is included in total depreciation expense. Interest expense on the capital lease was \$19,131 and \$27,198 for the years ended December 31, 2018 and 2017, respectively.

Bridging, Inc.  
Notes to the Financial Statements  
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**Note 8: Leases – Operating**

The Organization leased office and warehouse space in Roseville, Minnesota. The lease commenced on June 6, 2006 and expired on January 31, 2016. The lease had been extended to a month-to-month basis contract after January 31, 2016 until the new Roseville warehouse was ready for occupancy. Terms of the lease agreement were monthly lease payments of \$7,942 through December 31, 2011, \$8,393 through January 31, 2013, \$8,123 through January 31, 2014, \$8,303 through January 31, 2015, and \$8,484 through April 2016 when they vacated, with a security deposit of \$12,000. The Organization leased certain office equipment. The lease commenced on July 1, 2013 and expired on June 30, 2018. The terms of the lease agreement were monthly lease payments of \$215.

The Organization continues to lease certain office equipment. One lease commenced on April 1, 2015 and will expire on March 31, 2020. The terms of the lease agreement are monthly lease payments of \$421. The second lease commenced on April 1, 2016 and will expire on March 31, 2021. The terms of the lease agreement are monthly lease payments of \$334.

Future minimum lease payments are as follows:

Year Ended	Amount
2019	\$ 9,052
2020	5,265
2021	1,001
Total	\$ 15,318

The Organization's total rent expense during 2018 and 2017 was \$16,038 and \$43,938 respectively.

**Note 9: Net Assets with Donor Restrictions**

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

	2018	2017
Net assets with donor restrictions, January 1	\$ 75,902	\$ 229,318
Additions to assets restricted for purpose	281,593	157,961
Expenses incurred to satisfy donor restrictions	(190,377)	(311,377)
Net assets with donor restrictions, December 31	\$ 167,118	\$ 75,902

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**Note 10: In-kind Contributions**

The Organization received the following in-kind contributions during the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Donated furniture and household items	\$ 6,533,011	\$ 6,199,125
Public relations supplies	13,159	7,562
Warehouse supplies	11,248	1,200
Printing	4,446	8,236
Public relations services	2,950	4,489
Equipment	2,043	6,000
Professional fees	1,174	3,899
Office supplies	500	7,649
	<u>500</u>	<u>7,649</u>
 Total	 <u>\$ 6,568,531</u>	 <u>\$ 6,238,160</u>

The Organization also received estimated volunteer services of 75,698 hours from 4,376 volunteers and 78,680 hours from 6,225 volunteers in 2018 and 2017, respectively. These hours are not recorded as they do not meet the definition of recorded services.

**Note 11: In-kind Expenses**

In-kind expenses during the years ended December 31, 2018 and 2017 are associated with the following natural expense categories:

	<u>2018</u>	<u>2017</u>
Advertising	\$ 16,109	\$ 12,051
Warehouse supplies	11,248	1,200
Printing	4,446	8,236
Professional fees	1,174	3,899
Office supplies	500	7,649
Equipment	-	850
	<u>-</u>	<u>850</u>
 Total	 <u>\$ 33,477</u>	 <u>\$ 33,885</u>

In-kind expenses have been included as a separate line item on the statements of functional expenses. The in-kind amount for equipment noted in in-kind contributions is excluded from in-kind expenses because it is being capitalized.

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**Note 12: Depreciation Expense**

For the years ended December 31, 2018 and 2017, depreciation expense is shown on the statements of activities in the following categories:

	2018	2017
Program services expense	\$ 198,073	\$ 184,204
Rental income - Roseville building	35,220	35,224
Management and general expense	8,519	7,923
Fundraising expense	6,389	5,942
Total	\$ 248,201	\$ 233,293

**Note 13: Defined Contribution Plan**

The Organization provides a defined contribution plan for its employees whereby employees can make elective deferral contributions up to amounts as defined in the plan document. The Organization may make discretionary matching contributions for employee deferral contributions. Plan eligibility included working at least 1,000 hours annually and having a month of service. On December 1, 2012 the Plan was amended. Plan eligibility now includes working at least 1,000 hours annually with no eligibility service requirement. The matching contribution was \$48,814 and \$44,602 for the years ended December 31, 2018 and 2017, respectively.

**Note 14: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,372,114
Certificates of deposit	756,996
Program service receivable	145,284
Pledges receivable	23,858
Total financial assets	2,298,252
Less assets unavailable for use in the next year:	
Capital campaign	(23,858)
Special events	(1,226)
Client services/product	(37,034)
Building improvements	(105,000)
Total assets unavailable	(167,118)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,131,134

As of December 31, 2018, \$23,858 are pledges receivable for the capital campaign. The balance of \$143,260 in restricted cash are donations given with specific restrictions.

As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments and money market funds as outlined in its Cash Investment Policy.