THE BRIDGE OVER TROUBLED WATERS, INC. AND THE BRIDGE FOUNDATION, INC.

Consolidated Financial Statements
As of and for the Years Ended
December 31, 2016 and 2015
(With Independent Auditors' Report Thereon)

And Single Audit Reports
For the Year Ended December 31, 2016

PMB Helin Donovan

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
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December 31, 2016 and 2015

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Independent Auditors' Report

To: The Board of Directors of
The Bridge Over Troubled Waters, Inc.
and the Bridge Foundation, Inc.
Pasadena, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Bridge Over Troubled Waters, Inc. and The Bridge Foundation, Inc., both nonprofit organizations (the "Organizations"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PMB Helin Donovan

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Bridge Over Troubled Waters, Inc. and The Bridge Foundation, Inc. as of December 31, 2016 and 2015, and the changes in their consolidated net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the Organizations' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

Houston, Texas
June 29, 2017

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
Consolidated Statements of Financial Position
As of December 31, 2016 and 2015

Assets		**2016**		**2015**
Cash and cash equivalents	$	81,657	$	419,934
Short-term investments - certificates of deposit		156,371		153,610
Accounts receivable				
Government grants		673,674		324,961
United Way contract		69,131		69,281
Contributions		139,836		-
Other		13,761		18,133
Inventories		39,810		41,182
Prepaid expenses		87,566		102,805
Current assets		1,261,806		1,129,906
Property and equipment, net		4,805,907		4,912,116
Total assets	$	6,067,713	$	6,042,022
Liabilities and Net Assets				
Accounts payable and accrued expenses	$	274,871	$	215,388
Note payable - current potion		35,184		33,879
Current liabilities		310,055		249,267
Note payable - non current portion		665,379		700,445
Total liabilities		975,434		949,712
Net Assets				
Unrestricted net assets		5,023,148		5,023,029
Temporarily restricted net assets		69,131		69,281
Total net assets		5,092,279		5,092,310
Total liabilities and net assets	$	6,067,713	$	6,042,022

See accompanying notes to consolidated financial statements.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
Consolidated Statements of Activities
Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Government grants	$ 3,876,827	$ -	$ 3,876,827	$ 3,354,943	$ -	$ 3,354,943
Non-governmental grants and contributions	612,856	257,527	870,383	634,892	260,286	895,178
In-kind contributions	603,390	-	603,390	725,914	-	725,914
Fees	84,792	-	84,792	79,536	-	79,536
Auxiliary activities, net of direct costs	61,505	-	61,505	51,350	-	51,350
Interest and dividend income	13,624	-	13,624	12,390	-	12,390
Other income	7,706	-	7,706	71,292	-	71,292
Net assets released from restrictions	257,677	(257,677)	-	265,722	(265,722)	-
Total Revenue	5,518,377	(150)	5,518,227	5,196,039	(5,436)	5,190,603
Expenses						
Program Expenses						
Emergency shelter	1,480,320	-	1,480,320	1,356,949	-	1,356,949
Emergency shelter - childcare	608,052	-	608,052	574,483	-	574,483
Long-term housing	651,878	-	651,878	733,745	-	733,745
Long-term housing - childcare	644,380	-	644,380	615,601	-	615,601
Advocacy services	1,413,954	-	1,413,954	1,299,684	-	1,299,684
Education	151,286	-	151,286	155,647	-	155,647
Auxiliary cost of sales, indirect	30,937	-	30,937	31,861	-	31,861
Total Program Expenses	4,980,807	-	4,980,807	4,767,970	-	4,767,970
Support Services						
Management and general	352,334	-	352,334	327,732	-	327,732
Fundraising	185,117	-	185,117	164,849	-	164,849
Total Support Expenses	537,451	-	537,451	492,581	-	492,581
Total Expenses	5,518,258	-	5,518,258	5,260,551	-	5,260,551
Change in Net Assets	119	(150)	(31)	(64,512)	(5,436)	(69,948)
Net assets, beginning of year	5,023,029	69,281	5,092,310	5,087,541	74,717	5,162,258
Net assets, end of year	$ 5,023,148	$ 69,131	$ 5,092,279	$ 5,023,029	$ 69,281	$ 5,092,310

See accompanying notes to consolidated financial statements.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2016

	EMERGENCY SHELTER		LONG-TERM HOUSING		ADVOCACY		AUXILIARY COST OF	TOTAL PROGRAM	MGMT AND	FUND	TOTAL SUPPORT	
	SHELTER	**CHILDCARE**	**HOUSING**	**CHILDCARE**	**SERVICES**	**EDUCATION**	**SALES**	**EXPENSES**	**GENERAL**	**RAISING**	**EXPENSES**	**TOTAL**
Salaries	$ 781,698	$ 321,294	$ 111,113	$ 425,071	$ 663,281	$ 102,566	$ 20,552	$ 2,425,575	$ 210,644	$ 93,395	$ 304,039	$ 2,729,614
Employee benefits	66,497	38,463	13,074	58,722	61,684	8,558	1,500	248,498	24,888	10,877	35,765	284,263
Payroll taxes	59,724	24,337	8,487	32,667	50,690	7,969	1,554	185,428	16,055	7,070	23,125	208,553
Assistance to individuals	182,398	137,241	465,991	66,173	111,770	3,066	-	966,639	8,332	12,364	20,696	987,335
Travel and transportation	16,231	1,442	1,387	2,753	12,968	8,422	103	43,306	2,655	1,533	4,188	47,494
Conferences and meetings	440	-	1,500	20	1,985	1,422	-	5,367	273	175	448	5,815
Interest, financing, and credit card fees	-	-	-	-	-	-	2,656	2,656	1,204	32,419	33,623	36,279
Insurance	35,659	12,376	725	11,362	6,127	867	-	67,116	8,705	3,242	11,947	79,063
Staff development	1,154	171	25	1,300	4,530	205	-	7,385	18,659	821	19,480	26,865
Telephone	3,924	2,176	1,603	3,827	15,143	2,729	4,570	33,972	6,795	2,989	9,784	43,756
Postage and delivery	98	-	-	1	154	-	2	255	1,125	872	1,997	2,252
Professional and contract services	64,085	11,349	21,106	16,605	399,234	4,674	-	517,053	11,954	9,784	21,738	538,791
Occupancy	76,026	17,288	5,995	6,951	27,042	1,477	-	134,779	7,418	1,760	9,178	143,957
Equipment and furniture costs	26,420	4,184	18,957	6,085	27,808	938	-	84,392	14,360	1,405	15,765	100,157
Supplies	19,614	3,240	1,539	5,694	14,065	5,435	-	49,587	5,525	1,551	7,076	56,663
Printing and publications	-	-	-	-	340	-	-	340	1,262	1,338	2,600	2,940
Depreciation	146,352	34,491	376	7,149	17,133	2,958	-	208,459	12,480	3,522	16,002	224,461
	$ 1,480,320	$ 608,052	$ 651,878	$ 644,380	$ 1,413,954	$ 151,286	$ 30,937	$ 4,980,807	$ 352,334	$ 185,117	$ 537,451	$ 5,518,258

See accompanying notes to consolidated financial statements.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2015

	EMERGENCY SHELTER		LONG-TERM HOUSING		ADVOCACY		AUXILIARY COST OF	TOTAL PROGRAM	MGMT AND	FUND	TOTAL SUPPORT	
	SHELTER	CHILDCARE	HOUSING	CHILDCARE	SERVICES	EDUCATION	SALES	EXPENSES	GENERAL	RAISING	EXPENSES	TOTAL
Salaries	$ 608,403	$ 272,839	$ 117,917	$ 384,487	$ 498,906	$ 111,809	$ 25,936	2,020,297	$ 168,229	$ 79,172	$ 247,401	$ 2,267,698
Employee benefits	80,281	37,433	15,573	44,995	59,737	12,896	1,523	252,438	19,034	9,813	28,847	281,285
Payroll taxes	44,713	19,997	8,682	28,403	36,437	8,287	1,941	148,460	12,471	5,819	18,290	166,750
Assistance to individuals	240,161	152,048	554,815	82,667	203,139	1,193	155	1,234,178	47,983	12,540	60,523	1,294,701
Travel and transportation	13,412	1,050	2,928	3,876	16,010	3,530	247	41,053	3,605	1,489	5,094	46,147
Conferences and meetings	440	20	-	10	2,630	456	-	3,556	1,702	80	1,782	5,338
Interest, financing, and credit card fees	-	-	-	-	-	-	1,828	1,828	2,790	34,673	37,463	39,291
Insurance	37,263	12,492	679	11,128	5,739	836	-	68,137	8,260	2,325	10,585	78,722
Staff development	660	864	204	1,180	1,089	322	-	4,319	13,023	930	13,953	18,272
Telephone	6,560	1,498	1,365	2,597	10,993	1,389	80	24,482	4,582	2,130	6,712	31,194
Postage and delivery	170	-	-	15	174	14	-	373	1,129	527	1,656	2,029
Professional and contract services	66,148	11,414	17,688	17,295	384,803	4,932	-	502,280	6,055	7,366	13,421	515,701
Occupancy	59,991	14,370	5,412	3,832	19,444	1,258	-	104,307	5,409	1,494	6,903	111,210
Equipment and furniture costs	33,758	9,931	6,661	13,592	19,391	5,053	-	88,386	15,952	2,131	18,083	106,469
Supplies	24,443	5,200	1,263	16,898	22,498	728	151	71,181	3,675	857	4,532	75,713
Printing and publications	-	-	276	-	1,995	-	-	2,271	477	-	477	2,748
Depreciation	140,546	35,327	282	4,626	16,699	2,944	-	200,424	13,356	3,503	16,859	217,283
	$ 1,356,949	$ 574,483	$ 733,745	$ 615,601	$ 1,299,684	$ 155,647	$ 31,861	$ 4,767,970	$ 327,732	$ 164,849	$ 492,581	$ 5,260,551

See accompanying notes to consolidated financial statements.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (31)	$ (69,948)
Adjustments to reconcile change in net assets to net cash used in operations:		
Depreciation and amortization	224,461	217,283
(Increase) decrease in operating assets:		
Accounts receivable	(484,027)	(51,647)
Inventories	1,372	(24,027)
Prepaid expenses and other	15,239	(77,587)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	59,483	(24,067)
Net cash used in operating activities	(183,503)	(29,993)
Cash flows from investing activities:		
Purchase of fixed assets	(118,252)	(10,446)
Net deposits to short-term investments	(2,761)	(507)
Net cash used in investing activities	(121,013)	(10,953)
Cash flows from financing activities:		
Note repayments	(33,761)	(36,874)
Net cash used in financing activities	(33,761)	(36,874)
Net decrease in cash and cash equivalents	(338,277)	(77,820)
Cash and cash equivalents at beginning of year	419,934	497,754
Cash and cash equivalents at end of year	$ 81,657	$ 419,934
Supplemental Disclosure:		
Cash paid for interest	$ 32,240	$ 34,626
Cash paid for income taxes	$ -	$ -

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATIONS AND NATURE OF ACTIVITIES

The Bridge Over Troubled Waters, Inc. ("The Bridge") and its affiliate, The Bridge Foundation, Inc. ("The Foundation") (collectively, "the Organizations") are tax exempt, non-profit corporations incorporated under the State of Texas Non-Profit Corporations Act. The Bridge was organized in 1978 for the purpose of providing safe housing for victims of domestic violence and sexual assault in Harris County. The Foundation was organized to receive cash and non-cash donations and to manage contributed assets for the direct benefit of The Bridge. The Bridge receives its support from government grants, the United Way and the general public in the form of cash donations, property, goods and services.

Program Services

The Bridge operates programs under six program categories. Each category and the level of services provided during the years ended December 31, 2016 and 2015, are summarized as follows:

Emergency Shelter – Emergency Shelter services increase the health, safety and stability of any victims of domestic violence, sexual assault or homelessness. This is accomplished by providing safe shelter; on-site childcare; nutrition; crisis intervention; and access to all Advocacy and Educational Services (described below), including legal advocacy and case management. During the year ended December 31, 2016 and 2015, 1,667 and 648 women and children, respectively, were assisted for an average of 22 and 55 days respectively. For the years ended December 31, 2016 and 2015 total shelter days were 36,006 and 35,562, respectively.

Long-Term Housing – The Transitional and Permanent Housing programs assist individuals and families in achieving self-sufficiency by subsidizing rent; subsidizing childcare; providing assistance in developing a long-term plan; and providing access to all Advocacy and Educational Services (described below). The Long-Term Housing program served 1,522 and 153 adults and children during 2016 and 2015, respectively.

Childcare Services – Childcare services are offered to clients of the Emergency Shelter and Long- Term Housing programs. Individualized, age-appropriate services help children to heal from crisis and overcome developmental gaps. Services include support groups; counseling; enrichment trips; tutoring; mentoring; and public school advocacy. This program served 712 and 458 children during 2016 and 2015, respectively.

Advocacy Services – Advocacy services are provided to residential and nonresidential clients. Services include casework; a twenty-four hour hotline; information and referrals; safety planning; counseling; employment services; advocacy, legal and twenty-four hour medical accompaniment; support groups; and life skills programs. This program served 13,558 and 9,497 individuals during 2016 and 2015, respectively.

Education and Prevention – The goals of this program are to prevent abuse by educating the community, including youth and children, about the myths, realities, and root causes of family violence and sexual assault; train professionals to identify and effectively serve victims of abuse; provide a safe atmosphere for victims of abuse to seek help; and provide awareness of agency services. This program was attended by 4,943 and 7,203 people in 2016 and 2015, respectively.

Auxiliary Activities – The operation of other activities is to generate revenues for program services, and to provide clothing and other necessities for women and children in need.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Organizations' consolidated 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"). All intercompany transactions between The Bridge and The Foundation have been eliminated in consolidation. For consolidated financial statement purposes, the Organizations distinguish between contributions of unrestricted assets, temporarily restricted assets, and permanently restricted assets as follows:

> *Unrestricted* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be used for any purpose or designated for specific purposes by action of the Board of Directors.
>
> *Temporarily Restricted* **-** Net assets that are subject to donor-imposed stipulations that can be fulfilled by actions of the Organizations pursuant to those stipulations or that expire by the passage of time.
>
> *Permanently Restricted* **-** Net assets subject to donor-imposed stipulations that they be maintained permanently by Organizations. There were no permanently restricted net assets as of December 31, 2016 and 2015.

Use of Estimates **-** The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates for the Organizations include the depreciable life of property and equipment, potential impairment of long-lived assets, the fair value of donated materials or services and the allocation of expenses by function. Actual results could differ from those estimated.

Fair Value of Financial Instruments **-** In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date (exit price). GAAP characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

> Level 1 - Quoted prices in active markets for identical investments as of the reporting date.
>
> Level 2 - Pricing inputs other-than-quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.
>
> Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents **-** For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash held in bank deposit accounts and short-term, highly liquid investments with purchased maturities of 90 days or less.

Short Term Investments **-** The Organizations hold three, 365 day, certificates of deposit at two local banks which earn interest at rates between .20%. and .60%. Two certificates mature in July 2017, and the third matures in November 2017. The certificates are stated at cost, plus accrued interest, which approximates fair value. Under the fair value hierarchy, the certificates of deposit are valued using Level 2 inputs.

Accounts Receivable and Allowance for Doubtful Accounts – Accounts receivable are stated at cost, less an allowance for doubtful accounts, established when management determines that receivables exceed net realizable value. At December 31, 2016 and 2015 there was no allowance for doubtful accounts since management considers all receivables to be fully collectible.

Inventories **-** Inventories of food, commodities and supplies are valued at the lower of cost or market, determined by the first-in, first-out method. Inventory items which are donated are recorded at fair value at the date of receipt.

Property and Equipment –Purchased property and equipment is recorded at cost while contributed property is recorded at fair value at the date of contribution. Property and equipment are depreciated using the straight-line method over the useful lives of the assets which range from three to thirty years. Absent donor stipulations, donated property and equipment is recorded as unrestricted support when placed in service.

Expenditures for maintenance and repairs of fixed assets are charged to operations as incurred. Additions, improvements and major renewals are capitalized. The cost of assets retired or sold, together with the related accumulated depreciation, are removed from the accounts, and any profit or loss on disposition is credited or charged to operations.

Impairment of Long-lived Assets – GAAP requires an entity to review long-lived tangible and intangible assets with definite lives for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of its carrying amount to future undiscounted cash flows the assets are expected to generate. The Organizations consider historical performance and future estimated results in their evaluation of impairment. No impairment has been recorded for the years ended December 31, 2016 and 2015.

Contributions – Contributions received (including unconditional promises to give) are recorded as unrestricted, temporarily restricted, or permanently restricted support in the period received depending on the existence and/or nature of any donor restrictions. Conditional promises to give (pledges and grants) are recognized as the conditions upon which they depend are substantially met. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions(Continued) –The Organizations report contributions as restricted support if the support is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organizations report the support as unrestricted. Support that is not restricted by the donor is reported as an increase in unrestricted net assets in the reporting period in which the support is recognized.

***In-Kind Contributions* -** Donated assets or contributed services are recorded at their estimated fair values at the date of receipt or occurrence. The value of contributed services meeting the requirements for recognition is based upon the comparative cost of acquiring such services. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organizations, but these services do not meet the criteria for recognition as contributed services, and have not been recorded in the accompanying consolidated financial statements.

Functional Expenses – The expense information contained in the consolidated statements of activities and functional expenses is presented on a functional basis. Accordingly, certain expenses are allocated between functional categories based on management’s estimates. Indirect costs, such as office space, utilities, and certain payroll costs are allocated to the programs by management based on factors such as square footage of space used and time devoted to each program, as considered appropriate.

Fundraising Expenses – Fundraising costs include direct costs of carrying out the fundraising activities, an allocation of payroll costs for staff members involved in the fundraising activities, and an allocation of indirect overhead costs. Costs of products or services that directly benefit the donors are recorded as an offset to fundraising revenues.

Compensated Absences – Employees are allowed to carry-over one-half of the current year vacation accrual to the following year. Sick leave is accrued up to 30 days, but is not payable in cash to the employee. Therefore, unused vacation time is accrued as an expense in the financial statements based on amounts accumulated within the past year. Unused sick time is not recorded as an expense until such time it is used.

Income Taxes – The Organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organizations are also exempt from state and local taxes. Accordingly, there is no provision or liability for federal or state income taxes in the accompanying consolidated financial statements.

GAAP requires recognition and disclosure of uncertain tax positions in the consolidated financial statements and footnotes. Management of the Organizations believes it has no material uncertain tax positions as of December 31, 2016 and 2015. The Organizations are subject to examination for their prior three years of information returns, but have not received any such notice from the Internal Revenue Service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk **-** Financial instruments which potentially subject the Organizations to concentrations of credit risk consist principally of cash and cash equivalents, certificates of deposit (CDs) and accounts receivable. At December 31 2016 and 2015, the Organizations had $0 and $109,964 in cash deposits and CDs in excess of the FDIC insurance limit. The Organizations have not experienced any losses on such accounts, nor does it anticipate any losses. For grants and other receivables, the Organizations perform ongoing credit evaluations of the donor's financial condition. Grants receivable are typically due from state and federal governmental agencies, and the risk of loss is considered remote.

Recently Issued Accounting Principles –

Not-for-Profit Financial Statement Presentation –

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This ASU decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The standard also:

- Requires reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhances disclosures about underwater endowments.
- Continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, eliminating the requirement for those who use the direct method to perform reconciliation with the indirect method.
- Requires a not-for-profit to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes.
- Requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature.

The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the standard is permitted. The Organizations have elected not to early adopt this ASU as of December 31, 2016, but are currently assessing the impact of the new standard on financial reporting.

Leases –

In February, 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For private companies, the ASU is effective for years beginning after December 15, 2019. Early adoption is permitted. The Organizations have elected not to early adopt this ASU as of December 31, 2016, but are currently assessing the impact of the new standard on financial reporting.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2016 and 2015:

Description	2016	2015
Land	$ 307,505	$ 307,505
Buildings and improvements	5,814,023	5,744,316
Furnishings and fixtures	115,008	108,176
Vehicles	197,906	197,906
Computers, equipment, and software	156,671	114,958
Total property and equipment	6,591,113	6,472,861
Less: accumulated depreciation	(1,785,206)	(1,560,745)
Total property and equipment, net	$ 4,805,907	$ 4,912,116

Depreciation expense was $224,461 and $217,283 for the years ended December 31, 2016 and 2015, respectively.

NOTE 4 – BANK LINE OF CREDIT

The Bridge has a $50,000 unsecured business line of credit with a local bank. The line of credit has a fixed interest rate of 3.5%, matures on November 10, 2017, and is collateralized by one of the certificates of deposit which had a balance of $50,686 and $50,382 at December 31, 2016 and 2015, respectively. No balance was due on this line of credit at December 31, 2016 and 2015, respectively. No interest expense was paid on this credit line during both years.

NOTE 5 – NOTE PAYABLE

On November 13, 2009, The Bridge secured a real estate loan from a local bank in the amount of $3 million to finance the construction of its new housing facility and administrative offices. The amount due on this note was $700,563 and $734,324 at December 31, 2016 and 2015, respectively. The note has a variable interest rate, based on the Wall Street Journal Prime Rate, plus 1%. The interest rate has a floor of 4.25% and a ceiling of 7.25%. The effective rate at December 31, 2016 was at 4.75% and December 31, 2015 was 4.50%. The terms are twenty-four (24) monthly payments of interest only through October, 2011, followed by monthly payments of principal and interest in the amount of $5,500, with a maturity date of November 13, 2031. The note is secured by a deed of trust on both the property and improvements and a guarantee by The Foundation. Total interest paid on this note in 2016 and 2015 was $32,240 and $34,626, respectively. The portion of the note payable maturing in the next five years consists of:

Year Ending December 31,	Amount
2018	36,801
2019	38,491
2020	40,260
2021	42,109
Thereafter	507,718
Total balance	700,563
Less: current portion	35,184
Long-term portion	$ 665,379

NOTE 6 – GRANT AWARDS

Grants received are generally renewable on an annual basis and the Organizations are dependent on these grants for continued activity. For the years ended December 31, 2016 and 2015, all grants are included in unrestricted and temporarily restricted revenues. The grants are usually received on a reimbursement of cost basis. As of December 31, 2016 and 2015, the Organizations had incurred $673,674 and $324,961, respectively, in expenses under these programs that had not been reimbursed and are recorded as accounts receivable – government grants in the accompanying consolidated financial statements.

The Bridge was granted a collaborative grant from Texas Department of Housing and Community Affairs in October, 2014 and 2015. The grant was shared with two other Texas shelters, Bay Area Turning Point, Inc. and Houston Area Women's Centers, Inc. with the Bridge as the leading agency. During the years ended December 31, 2016 and 2015, $243,846 and $303,771, respectively, was distributed from the Bridge to Bay Area Turning Point, Inc., and $82,407 and $0, respectively, was distributed from the Bridge to Houston Area Women's Centers, Inc., under these collaborative grants. This amount is reflected in Advocacy Services in the accompanying statements of activities.

NOTE 7 – IN-KIND CONTRIBUTIONS

For the years ended December 31, 2016 and 2015, professional services valued at $125,314 and $273,281, respectively, which met the criteria for recognition under GAAP, have been reported as in-kind contributions in the consolidated statement of activities. Donated food, supplies, personal items, and furniture and equipment in the amount of $478,076 and $452,633 have been included as in-kind contributions in the consolidated statements of activities for the years ended December 31, 2016 and 2015, respectively.

In addition, the Organizations receive contributed services through volunteering activities which do not meet the criteria for recognition as contributed services in the consolidated financial statements. For the years ended December 31, 2016 and 2015, estimated volunteer hours not reflected in the consolidated financial statements were 10,311 and 10,119.

NOTE 8 – MANAGEMENT AGREEMENT

The Bridge has a management agreement with Women's Affordable Housing Limited Partnership (WAHLP), in which it receives management and administrative fees of $3,010 per month for managing the operations of a transitional facility owned by WAHLP, known as Destiny Village. The Bridge also provides counseling and social services to clients at Destiny Village as part of the management services. For the years ended December 31, 2016 and 2015, total management fees charged during the year were $32,624 and $35,920, respectively. At December 31, 2016 and 2015, WAHLP owed $6,951 and $14,617, respectively, for management fees to The Bridge under this agreement.

NOTE 9 – AUXILIARY ACTIVITIES

The Organizations sponsored three special fundraising events during the years ended December 31, 2016 and 2015. Special events revenues are reported in the Consolidated Statement of Activities as auxiliary activities, net of direct costs. Indirect costs of fundraising activities are reported as auxiliary cost of sales in the Consolidated Statement of Activities.

NOTE 9 – AUXILIARY ACTIVITIES (CONTINUED)

The following schedule includes the auxiliary activities sponsored during 2016:

Event	Revenue	Direct Cost	Net
Fashion Show	$ 55,809	$ 23,399	$ 32,410
Women of Distinction Annual Luncheon	27,864	11,697	16,167
Poinsettias	25,924	12,996	12,928
Total	$ 109,597	$ 48,092	$ 61,505

The following schedule includes the auxiliary activities sponsored during 2015:

Event	Revenue	Direct Cost	Net
Fashion Show	$ 35,399	$ 13,761	$ 21,638
Women of Distinction Annual Luncheon	28,332	10,834	17,498
Poinsettias	28,627	16,413	12,214
Total	$ 92,358	$ 41,008	$ 51,350

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

For the years ended December 31, 2016 and 2015, the Organizations received time restricted funds from donors in the amount of $257,527 and $260,286, respectively. Amounts released from restriction during 2016 and 2015 were $257,677 and $265,722, respectively. There was $69,131 and $69,281 remaining in temporarily restricted net assets as of December 31, 2016 and 2015, respectively, which was related to unexpended United Way grant funds.

NOTE 11 – COMMITMENTS

Effective May 1998, WAHLP obtained a loan from a local bank in the amount of $825,000 maturing in June 2018, for which the Bridge was contingently liable for repayment, as a guarantor of the debt. The loan was secured by a first lien on WAHLP’s assets. The loan was paid in full by WAHLP during 2016. The outstanding balance on this loan at December 31, 2016 and 2015 was $0 and $104,183, respectively.

The Organizations are occasionally subject to claims from employees and other third parties regarding various matters. Management has assessed the potential for loss from current and possible claims and has concluded that no losses are anticipated which would have a materially adverse effect on the consolidated financial position or results of operations of the Organizations.

NOTE 12 – KEY PERSON LIFE INSURANCE POLICY

A $2,000,000 key person term life insurance policy was purchased, effective January 14, 2010, on the life of the Executive Director. The policy had a ten year level term period, during which annual premiums were set at $5,315. This life insurance policy was replaced by a $500,000 term life policy, effective June 5, 2015. The policy was renewed June 30, 2016. The new policy has a ten year level term period, during which annual premiums are set at $2,250.

NOTE 13 – RETIREMENT PLAN

The Organizations maintain an Internal Revenue Code Section 403(b) retirement plan. Under this plan employees can make contributions from their salary. The Organizations match 50% of employee salary deferrals up to 3% of the employee's compensation. Matching contributions were $12,431 and $9,052 for 2016 and 2015, respectively, which are included in employee benefits expense.

NOTE 14 – CONCENTRATIONS

The Bridge receives as substantial portion of its support from four grantors, as listed below:

	Percentage of Revenue 2016	**Percentage of Revenue 2015**	**Percentage of Accounts Receivable 2016**	**Percentage of Accounts Receivable 2015**
Grantor A	14%	14%	9%	15%
Grantor B	17%	20%	5%	15%
Grantor C	22%	11%	39%	20%
Grantor D	12%	14%	16%	21%

The Organizations also receives substantial support from the United Way and receive funding from the general public in the form of cash donations, property, goods and services. Due to the funding from various grants, the Organizations operate in a heavily regulated environment and are dependent on grants and contributions to fund operations. Therefore, the operations of the Organizations could be adversely affected by any regulatory changes imposed by granting agents or by reductions in public support.

NOTE 15 – SUBSEQUENT EVENTS

The Organizations' management has evaluated and disclosed subsequent events through June 29, 2017, the date the consolidated financial statements were available to be issued.

During 2017, funding for some federal grants increased while funding for other federal grants decreased and some grants were not renewed. These changes occurred within the normal course of business and do not appear to have a significant impact on the Organizations' operations.

Effective January 13, 2017, WAHLP obtained a loan from a local bank in the amount of $989,824 maturing in January 2037, for which the Bridge is contingently liable for repayment, as a guarantor of the debt. The Bridge's assets are used as collateral. The outstanding balance on this loan at June 29, 2017 was $967,838.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
The Bridge Over Troubled Waters, Inc.
and The Bridge Foundation, Inc.
Pasadena, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The Bridge Over Troubled Waters, Inc. and The Bridge Foundation, Inc. (the "Organizations"), which comprise the statement of financial position as of December 31, 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, and have issued our report thereon June 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organizations' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PMB Helin Donovan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organizations' financial statements are free from material misstatement, we performed tests of the Organizations' compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

Houston, Texas

June 29, 2017

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By *The Uniform Guidance Audit Requirements*

To the Board of Directors
The Bridge Over Troubled Waters, Inc.
and The Bridge Foundation, Inc.
Pasadena, Texas

Report on Compliance for Each Major Federal Program

We have audited compliance of The Bridge Over Troubled Waters, Inc. and The Bridge Foundation, Inc. (the "Organizations") with the types of compliance requirements described in the U.S. Office of Management & Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the Organizations' major federal programs for the year ended December 31, 2016. The Organizations' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organizations' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") . Those standards and *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organizations' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of BATP's compliance.

Opinion on Each Major Federal Program

In our opinion, The Bridge Over Troubled Waters, Inc. and The Bridge Foundation, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of their major federal programs for the year ended December 31, 2016.

Internal Control Over Compliance

Management of the Organizations is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Organizations' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies* and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, that we consider to be a material weakness.

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the response and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

June 29, 2017
Houston, Texas

The Bridge Over Troubled Waters, Inc.
And The Bridge Foundation, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA	Grant/Contract Award Number	Amount Paid To Subrecipients	Federal Expenditures
U.S. Department of Housing & Urban Development				
Supportive Housing - Permanent	14.235	TX0200L6E001407, TX0200L6E001508	$ 336,023	$ 912,345
Supportive Housing - Transitional	14.235	TX0339L6E001403, TX0339L6E001504	-	51,863
Pass-through programs from:				
Harris County, Texas				
Emergency Shelter Grant	14.231	2015-0032f, 2016-0033f	-	63,736
Texas Department of Housing and Community Affairs				
Emergency Shelter Grant	14.231	42150002296, 42160002537	-	424,092
City of Houston				
Emergency Shelter Grant	14.231	460-001-3220, 460-001-3805	15,423	105,338
Community Development Block Grant	14.218	460-001-3220, 460-001-3805	-	15,137
City of Pasadena				
Emergency Shelter Grant	14.231	2015-1592-D, 2016-1772-D	-	54,681
Total U.S. Department of Housing & Urban Development			351,446	1,627,192
U.S. Department of Justice				
Transitional Housing Assistance	16.736	2016-WH-AX-0072	8,348	13,824
Pass-through programs from:				
Governor's Office - State of Texas				
Victims of Crime Acts (VOCA)	16.575	1755811, 1755812	-	1,224,350
Total U.S. Department of Justice			8,348	1,238,174
Department of Health & Human Services				
Pass-through programs from:				
Texas Health and Human Services Commission				
Family Violence and Preventative Services	93.671	529-15-0032-00036C, 529-15-0032-0036D, 529-15-0006-00024A, 529-15-0006-00024B	-	155,445
Social Services Block Grant	93.667	529-15-0032-00036C, 529-15-0032-0036D,	-	298,402
Texas Office of Attorney General				
Sexual Assault Prevention and Crisis Services Program	93.991	1558782, 1666163, 1667609	-	64,797
Total Department of Health & Human Services			-	518,644
Department of Homeland Security				
Pass-through programs from:				
United Way				
Food and Shelter Program	97.024	782800-064	-	13,500
Total Department of Homeland Security			-	13,500
U.S. Department of Agriculture				
Pass-through programs from:				
Texas Department of Agriculture - Food and Nutritional Division				
Child and Adult Care Food Program	10.558	03369	-	84,187
Total U.S. Department of Agriculture			-	84,187
TOTAL EXPENDITURES			$ 359,794	$ 3,481,697

See accompanying notes to the schedule of expenditures of federal awards.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the activity of all federal grant programs administered by the Bridge Over Troubled Waters, Inc. and the Bridge Foundation, Inc. (the "Organizations"). The Organizations' activities are defined in Note 1 of their basic financial statements.

(b) Basis of Presentation

The Schedule presents total federal awards expended for each individual program in accordance with the Uniform Guidance.

(c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 2 of the Organizations' basic financial statements.

(2) Subrecipients

Federal awards in the amount of $359,794 were provided to subrecipients for subsidized rents and emergency shelter through the Supportive Housing program, Transitional Housing Program and Rapid Rehousing programs during the year ended December 31, 2016.

(3) Non-cash assistance

No federal awards were expended in the form of non-cash assistance for the year ended December 31, 2016.

(4) Insurance

$79,063 insurance costs were expended through federal awards during the year ended December 31, 2016.

(5) Outstanding Loans

There were no loans outstanding as of December 31, 2016.

(6) Relationship to Federal Financial Reports

The amounts reported in the financial statements agree with the amounts reported in the accompanying Schedule of Expenditures of Federal Awards which is prepared on the basis explained in Note 2 of the financial statements. The reconciliation of the amounts reported on the Schedule to the financial statements is as follows:

Total federal awards per Schedule of Federal Awards	$ 3,481,697
Plus non-federal funding sources	395,130
Total government grants per statement of activities	$ 3,876,827

(7) Indirect Cost Rate

The Bridge Over Troubled Waters is subject to negotiated indirect cost rates and, therefore, is not eligible to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section I - Summary of Auditors' Results

A Financial Statements

Type of auditors' report issued:	**Unqualified opinion**
Internal control over financial reporting:	
• Material weakness(es) identified?	**No**
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	**None reported**
Noncompliance material to financial statements noted?	**No**

B. Federal Awards

Internal control over compliance:	
• Material weakness(es) identified?	**Yes**
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	**None reported**
Type of auditors' report issued on compliance for major programs:	**Unqualified opinion**
Any audit findings disclosed that are required to be reported in accordance with Subpart A §200.5 of the Uniform Guidance?	**No**

Identification of major federal programs:

CFDA Number	Name of Federal or State Program or Cluster
16.575	U.S. Department of Justice – Victims of Crime Acts (VOCA) – Crime Victim Assistance

Dollar threshold used to distinguish programs:	**$750,000**
Auditee qualified as low-risk auditee:	**Yes**

Section II - Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

See Finding 2016-001 on the following page.

Section IV– Summary Schedule of Prior Audit Findings

None reported.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Findings

Finding Reference Number:	2016-001
Major Federal Program:	U.S Department of Justice; Victim of Crimes Act; CFDA 16,575 Pass-through: State of Texas - Governor's Office
Criteria:	Under the provisions of Uniform Guidance and the terms of the grant agreement, the amount of personnel related costs is limited to reasonable compensation for the time actually spent on the grant related activity, which is further limited to the amount budgeted for specific personnel per the grant agreement. Such costs should be allocated based upon time actually spent and supported by adequate records of such time spent on the activities.
Statement of Condition:	In relation to our testing of allowable costs related to the major program for the year ended December 31, 2016, we selected 40 employees and compared the time allocation for one pay period for each employee (selected different time periods throughout the year), and compared the percentage of time allocated per the organzation's distribution sheet to the percentage of time for the program included on the employee's approved time sheet. Of the 40 employees tested, we noted 5 instances in which the allocation percentage from the time sheet did not agree with the percentage allocated per the distribution sheet.
Amount of Questioned Costs:	$ 0
Context:	N/A
Effect or Potential Effect:	The net difference between the distribution sheet and the time sheets for the sample was $2,220. However, the total costs were in excess of the budgeted amount and therefore did not affect the amounts charged to the grants. Potentially, the internal control issues could allow excess funds to be requested. However, this did not occur in this instance.
Cause:	Insufficient controls to ensure that the percentage of actual time is being reflected on the time sheets and is being used to properly allocate personnel costs to each federal program.
Repeat Finding:	NA
Recommendation:	Management should modify its procedures over internal controls to ensure that the distribution sheets and time sheets agree.
Responsible Official's Response and Correective Action Plan:	We will modify our timesheets, to capture time worked only and an additional form to capture hours worked on a grant will accompany the timesheet. In addition, we will update our policy and procedures to include better internal controls regarding the review and corrections of all employee timesheets. For timesheets turned in prior to the implementation date the finance department will review all previous timesheets to insure accuracy.
Planned Implementation Date:	9/1/2017
Person Responsible for Corrective	Deborah Moseley, Executive Director