

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

**COMBINED FINANCIAL STATEMENTS WITH
FEDERAL COMPLIANCE WITH UNIFORM GUIDANCE**

As of and for the Year Ended December 31, 2022

And Reports of Independent Auditor

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
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Report of Independent Auditor

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

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying combined financial statements of The Bridge Over Troubled Waters, Inc. and The Bridge Foundation, Inc. (collectively, the “Organization”), which comprise the combined statement of financial position as of December 31, 2022, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 14 to the combined financial statements, the beginning balances of the combined financial statements for the year ended December 31, 2022, have been restated to correct a misstatement. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Combined Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements to Federal Awards*, is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 November 29, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons, Virginia
November 29, 2023

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS	
Cash and cash equivalents	\$ 3,070,450
Investments	164,659
Accounts Receivable:	
Government grants	775,969
Non-governmental grants	104,032
Contributions	244,362
Other	43,343
Prepaid expenses and other current assets	<u>33,094</u>
Current Assets	4,435,909
Property and equipment, net	<u>9,684,999</u>
Total Assets	<u><u>\$ 14,120,908</u></u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	\$ 5,246
Accrued expenses	365,932
Note payable - current portion	<u>136,473</u>
Current Liabilities	507,651
Note payable - noncurrent portion	<u>4,562,010</u>
Total Liabilities	<u>5,069,661</u>
Net Assets:	
Without donor restrictions	5,078,074
With donor restrictions	<u>3,973,173</u>
Total Net Assets	<u>9,051,247</u>
Total Liabilities and Net Assets	<u><u>\$ 14,120,908</u></u>

The accompanying notes to the combined financial statements are an integral part of these statements.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Government grants	\$ 6,029,178	\$ -	\$ 6,029,178
Non-governmental grants and contributions	641,921	1,370,401	2,012,322
Contributed nonfinancial assets	351,580	-	351,580
Management fees	49,284	-	49,284
Auxiliary activities, net of direct costs	148,510	-	148,510
Interest income and investment return, net	25,163	-	25,163
Net assets released from restrictions	658,053	(658,053)	-
Total Revenues	7,903,689	712,348	8,616,037
Expenses:			
Program Expenses:			
Emergency shelter	2,261,099	-	2,261,099
Long-term housing	1,642,702	-	1,642,702
Advocacy services	3,042,984	-	3,042,984
Education services	235,776	-	235,776
Total Program Expenses	7,182,561	-	7,182,561
Support Services:			
Management and general	770,342	-	770,342
Fundraising	459,103	-	459,103
Total Support Expenses	1,229,445	-	1,229,445
Total Expenses	8,412,006	-	8,412,006
Change in net assets	(508,317)	712,348	204,031
Net assets, beginning of year, previously reported	5,586,391	2,789,473	8,375,864
Prior period restatement (Note 14)	-	471,352	471,352
Net assets, beginning of year, as restated	5,586,391	3,260,825	8,847,216
Net assets, end of year	\$ 5,078,074	\$ 3,973,173	\$ 9,051,247

The accompanying notes to the combined financial statements are an integral part of these statements.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Emergency Shelter	Long-Term Housing	Advocacy Services	Edu cation Services	Total Program Expenses	Management and General	Fundraising	Total
Salaries	\$ 1,246,368	\$ 602,765	\$ 1,195,157	\$ 163,317	\$ 3,207,607	\$ 514,065	\$ 230,726	\$ 3,952,398
Employee benefits	122,983	60,581	133,760	14,785	332,109	43,280	15,622	391,011
Payroll taxes	91,627	43,938	87,249	12,233	235,047	37,103	16,859	289,009
Assistance to individuals	217,830	560,779	1,292,219	1,004	2,071,832	2,680	311	2,074,823
Travel and transportation	19,566	13,590	12,407	5,991	51,554	29,702	11,938	93,194
Conference and continuing education	-	-	11,375	4,997	16,372	274	-	16,646
Interest, financing, and credit card fees	-	24	-	-	24	9,045	97,951	107,020
Insurance	63,990	16,177	16,642	2,559	99,368	12,457	3,120	114,945
Staff development	803	215	1,210	785	3,013	17,069	102	20,184
Telephone	16,356	4,615	41,526	4,913	67,410	12,455	2,796	82,661
Postage	70	29	44	5	148	965	348	1,461
Professional fees and contract services	117,216	80,219	112,235	11,371	321,041	49,430	26,348	396,819
Occupancy	123,134	181,317	51,133	4,496	360,080	14,491	2,698	377,269
Equipment	37,171	35,236	65,044	2,903	140,354	6,095	656	147,105
Supplies	50,060	16,569	5,927	2,890	75,446	7,184	27,183	109,813
Printing and publications	-	-	-	500	500	268	4,276	5,044
Depreciation	153,925	26,648	17,056	3,027	200,656	13,779	3,618	218,053
Bad debt expenses	-	-	-	-	-	-	14,551	14,551
	<u>\$ 2,261,099</u>	<u>\$ 1,642,702</u>	<u>\$ 3,042,984</u>	<u>\$ 235,776</u>	<u>\$ 7,182,561</u>	<u>\$ 770,342</u>	<u>\$ 459,103</u>	<u>\$ 8,412,006</u>

The accompanying notes to the combined financial statements are an integral part of these statements.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ 204,031
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	218,053
Bad debt expenses	14,551
Accrued interest on investments	(401)
Change in operating assets and liabilities:	
Accounts receivable	439,978
Prepaid expenses and other current assets	17,983
Accounts payable	(58,277)
Accrued expenses	138,079
Net cash flows from operating activities	<u>973,997</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(3,132,669)</u>
Net cash flows from investing activities	<u>(3,132,669)</u>
Cash flows from financing activities:	
Proceeds from note payable	2,975,839
Payments on note payable	<u>(1,457)</u>
Net cash flows from financing activities	<u>2,974,382</u>
Net change in cash and cash equivalents	815,710
Cash and cash equivalents, beginning of year	<u>2,254,740</u>
Cash and cash equivalents, end of year	<u>\$ 3,070,450</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u>\$ 96,876</u>
Supplemental disclosure of noncash transactions:	
Contributed nonfinancial assets	<u>\$ 351,580</u>

The accompanying notes to the combined financial statements are an integral part of these statements.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 1—Organization and nature of activities

The Bridge Over Troubled Waters, Inc. (“The Bridge”) and its affiliate, The Bridge Foundation, Inc. (the “Foundation”) (collectively, the “Organization”) 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 noncash donations and to manage contributed assets for the direct benefit of The Bridge. The Bridge receives its support from government grants, non-governmental grants, and the general public in the form of cash donations, property, goods, and services.

Program Services – The Organization operates programs under five program categories. Each category and the level of services provided during the year ended December 31, 2022, 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, 2022, 1,126 women and children were assisted for an average of 22 days. For the year ended December 31, 2022, total shelter days were 25,221.

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 2,914 adults and children during 2022.

Childcare services are offered to clients of the Emergency Shelter and Long-Term Housing programs. Such costs are allocated to the programs noted above. 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 3,391 children during 2022.

Advocacy Services – Advocacy services are provided to residential and nonresidential clients. Services include casework; a 24-hour hotline; information and referrals; safety planning; counseling; employment services; advocacy, legal, and 24-hour medical accompaniment; support groups; and life skills programs. This program served 17,140 individuals during 2022.

Education Services – 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 2,245 people in 2022.

Note 2—Summary of significant accounting policies

Basis of Accounting– The combined financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, income is recorded when earned and expenses are recognized when incurred.

Basis of Presentation– The Organization’s combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All intercompany transactions between The Bridge and the Foundation have been eliminated in consolidation.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 2—Summary of significant accounting policies (continued)

The Organization reports information regarding its financial position and activities into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization did not have any net assets held in perpetuity as of December 31, 2022.

Use of Estimates – The preparation of combined financial statements in conformity with U.S. 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Cash and Cash Equivalents – For purposes of the combined 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 three months or less.

Investments – The Organization holds certificates of deposit at two local banks which earn interest at rates between 0.25% and 1.25%. Two certificates mature within the next 12 months and are considered short term. The certificates are stated at cost, plus accrued interest, which approximates fair value.

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. Grants included in accounts receivable are individually analyzed for purposes of determining collectability at year-end and an allowance was not deemed necessary as of December 31, 2022.

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 3 to 30 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. The Organization capitalizes assets purchased at a cost greater than \$1,000.

Impairment of Long-Lived Assets – U.S. 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 Organization considers historical performance and future estimated results in their evaluation of impairment. No impairment has been recorded for the year ended December 31, 2022.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 2—Summary of significant accounting policies (continued)

Revenue Recognition

Contributions – Contributions received (including unconditional promises to give) are recorded as net assets with or without donor restrictions in the period received depending on the existence and/or nature of any donor restrictions. Conditional promises to give (pledges and grants), that are, those with a measurable performance or other barrier, and a right of return or right of release, 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.

The Organization reports contributions as net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined 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 Organization reports the support as net assets without donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions in the reporting period in which the support is recognized.

Grants – Funding in the form of grant agreements are received from governmental and non-governmental sources. Grants awarded by government agencies are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and revenue is recognized when qualifying expenditures are incurred and conditions under the grant agreements are met. Allowable expenses incurred in excess of cumulative reimbursements are reported as government grants receivables. Cash received in excess of allowable expenditures incurred is reported as refundable advances. As of December 31, 2022, the Organization had remaining available award balances on the federal grants of \$6,880,630. These award balances are not recognized as assets and will be recognized as revenue as the project progress and conditions are met, generally as expenses are incurred.

Non-governmental grant agreements are classified as contributions as, under such agreements, the funding source receives no direct benefit from the program services provided by the Organization. Under these contracts, a contribution is recognized when the donor makes a promise to give that is, in substance, unconditional. Revenue associated with agreements that include donor conditions is recognized as the conditions are met.

Contributed Nonfinancial Assets – 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 Organization, but these services do not meet the criteria for recognition as contributed services and have not been recorded in the accompanying combined financial statements.

Functional Expenses – The expense information contained in the combined statement of activities and functional expenses is presented on a functional basis. Accordingly, certain expenses are allocated between functional categories based on management's estimates. Expenses that are specifically identifiable to a function are allocated entirely to that function. 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.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 2—Summary of significant accounting policies (continued)

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 carryover 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 combined 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 Bridge and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Both are also exempt from state and local taxes. Accordingly, there is no provision or liability for federal or state income taxes in the accompanying combined financial statements.

U.S. GAAP requires recognition and disclosure of uncertain tax positions in the combined financial statements and footnotes. Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combined financial statements. The Organization is subject to examination for their prior three years of information returns but have not received any such notice from the Internal Revenue Service.

Concentration of Credit Risk – Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, certificates of deposit, and accounts receivable. At various times during the year ended December 31, 2022, balances in these cash accounts may have exceeded Federal Deposit Insurance Corporation insured limits. As of December 31, 2022, the Organization had \$2,751,474 which exceeds these insured amounts. However, the Organization has not experienced any loss in such accounts and does not anticipate any credit losses on these deposits.

For grants and other receivables, the Organization performs ongoing credit evaluations of the donor’s financial condition. Grants receivables are typically due from state and federal governmental agencies, and the risk of loss is considered remote.

Recently Adopted Accounting Pronouncements – The Organization adopted the provisions of Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)* in fiscal year 2023. This standard requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the combined statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the combined statement of activities. The adoption had no impact on the combined financial statements.

In September 2020, FASB issued ASU No. 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires disclosure of contributed nonfinancial assets in a separate line item within the statements of activities, disclosure of the policy about monetizing rather than utilizing contributed nonfinancial assets and qualitative information about those monetized or utilized assets during the fiscal year, and a description of any donor-imposed restrictions on the contributed nonfinancial assets. This guidance must be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. The Organization adopted the guidance for the fiscal year ended December 31, 2022. The impact of this ASU is disclosed in the combined financial statements. See Note 8.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 2—Summary of significant accounting policies (continued)

Management's Review – The Organization evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2022, combined financial statements through November 29, 2023, when these combined financial statements were available to be issued.

Note 3—Liquidity and availability of resources

The Organization monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use within one year of the statement of financial position comprise the following at December 31, 2022

Financial assets at year-end:

Cash and cash equivalents	\$ 3,070,450
Investments	164,659
Accounts receivable	<u>1,167,706</u>
Total financial assets	4,402,815

Less amounts not available to be used for general expenditures within one year:

Net assets subject to restrictions	<u>3,973,173</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 429,642</u></u>

Note 4—Fair value of financial instruments

In accordance with U.S. 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). U.S. 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 which 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.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 4—Fair value of financial instruments (continued)

The investments are valued using Level 2 inputs, as follows:

Certificates of Deposit – Valued at cost plus accrued interest, which approximates market.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes the valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no change in the methodology used during the year ended December 31, 2022.

The following table presents the Organization’s fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 164,659	\$ -	\$ 164,659
Total at fair value	<u>\$ -</u>	<u>\$ 164,659</u>	<u>\$ -</u>	<u>\$ 164,659</u>

Other financial instruments that are not valued on a recurring basis are cash, receivables, and payables. Management believes the carrying amounts of these financial instruments approximate their fair values, based upon their short-term nature.

Note 5—Property and equipment

Property and equipment consisted of the following as of December 31, 2022:

Land	\$ 307,505
Buildings and improvements	5,837,406
Furnishings and fixtures	129,162
Vehicles	321,345
Computers, equipment, and software	187,495
Construction in progress	<u>6,008,374</u>
Total property and equipment	12,791,287
Less accumulated depreciation	<u>(3,106,288)</u>
Total property and equipment, net	<u>\$ 9,684,999</u>

Depreciation expense was \$218,053 for the year ended December 31, 2022.

Note 6—Note payable

In July 2021, the Organization obtained a \$7 million construction loan with a local bank. The amount due on the note was \$4,698,483 as of December 31, 2022. The note has a variable interest rate, based on the Wall Street Journal prime lending rate. The interest rate has a floor of 3.25% and a ceiling of 7.25%. The effective rate at December 31, 2022 was 3.25%. The note requires 24-monthly payments of interest only through July 2023, followed by monthly payments of principal and interest in the amount of \$39,872, with a maturity date of July 13, 2043. The loan will re-price every five years at the Wall Street Journal prime lending rate. The note is secured by a deed of trust on both the property and improvements.

THE BRIDGE OVER TROUBLED WATERS, INC.
 AND THE BRIDGE FOUNDATION, INC.
 NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 6—Debt (continued)

Maturities of the note are as follows for the years ended December 31:

2023	\$ 136,473
2024	335,164
2025	346,220
2026	357,642
2027	369,440
Thereafter	3,153,544
	<u>\$ 4,698,483</u>

Note 7—Grant awards

Grants received are generally renewable on an annual basis and the Organization is dependent on these grants for continued activity. The grants are usually received on a reimbursement basis. As of December 31, 2022, the Organization had incurred \$775,969 in expenses under these programs that had not been reimbursed and are recorded as accounts receivable – government grants in the accompanying combined financial statements.

Concentrations – The Bridge receives a substantial portion of its support from three grantors, as listed below:

	<u>Percentage of Revenue</u>	<u>Percentage of Accounts Receivable</u>
Grantor A	35%	20%
Grantor B	30%	12%
Grantor C	27%	57%

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

Note 8—Contributed nonfinancial assets

Professional services valued at \$14,927, which met the criteria for recognition under U.S. GAAP, have been reported as contributed nonfinancial assets in the combined statement of activities. The value of donated food, supplies, personal items, and furniture and equipment, and donated services included in the combined financial statements is as follows for the year ended December 31, 2022:

Donated food	\$ 37,338
Donated supplies	33,643
Donated personal items	209,163
Donated equipment and furniture	56,509
Donated services	14,927
	<u>\$ 351,580</u>

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 8—Contributed nonfinancial assets (continued)

Donated food, supplies, personal items, and furniture and equipment, and donated services are included in assistance to individuals on the combined statement of functional expenses. Donated food, supplies, personal items, and furniture and equipment are contributed by various donors for use by clients served under the Organization's various programs. Donated professional services represent services provided to the women's program.

In valuing donated food, supplies, personal items, and furniture and equipment, and donated services, the Organization estimated the fair value or the basis of estimates of the retail value that would be required if purchased. In valuing donated services, the Organization estimated the fair value of such services at market value if performed by its personnel.

Note 9—Management agreement

The Bridge has a management agreement with the Women's Affordable Housing Limited Partnership ("WAHLP"), in which it receives management and administrative fees for managing the operations of a permanent housing 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, 2022, total management fees charged during the year were \$49,284. At December 31, 2022, WAHLP owed \$25,182 for management fees to The Bridge under this agreement, and is included in accounts receivable – other in the accompanying combined statement of financial position.

Note 10—Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2022:

Capital campaign	\$ 3,593,163
Sensory equipment for children's program	30,000
Therapist salaries	50,000
Family services	105,648
Time restrictions	194,362
Net assets with donor restriction	<u>\$ 3,973,173</u>

For the year ended December 31, 2022, the Organization released \$106,239 related to capital campaign and \$551,814 for the purpose and time restrictions being fulfilled. The total amounts released from restrictions for the year ended December 31, 2022, were \$658,053, as reported on the combined statement of activities.

Note 11—Retirement plan

The Organization maintains an IRC Section 403(b) retirement plan. Under this plan employees can make contributions from their salary. The Organization matches 50% of employee salary deferrals up to 3% of the employee's compensation. Matching contributions were \$38,551 for 2022, which are included in employee benefits expense.

Note 12—Related party

Certain members of the Board of Directors of the Organization contributed \$117,470 to the Organization during the year ended December 31, 2022.

THE BRIDGE OVER TROUBLED WATERS, INC.
 AND THE BRIDGE FOUNDATION, INC.
 NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 13—Commitments and contingencies

Litigation – The Organization is 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 combined financial position or results of operations of the Organization.

Construction Commitments – In September 2020, The Bridge entered into a contract for the construction of a children’s center. The amounts expensed under the contract as of December 31, 2022 have exceeded the original construction cost.

Regulatory – Federal grants are subject to audit by relevant Federal agencies. Management believes that adjustments, if any, from these audits would not have a material effect on the Organization’s combined financial position or change in net assets.

Note 14—Restatement

During the year ended December 31, 2022, management identified an error related to it previously presented with donor restricted net assets. The error resulted from incorrect revenue recognition of non-governmental grants and contributions revenue. The impact of the restatement is presented below:

	Accounts Receivable - Contributions	Without Donor Restrictions	With Donor Restrictions	Net Assets Total
Balance December 31, 2021, as previously stated	\$ 1,150,883	\$ 5,586,391	\$ 2,789,473	\$ 8,375,864
Restatement	471,352	-	471,352	471,352
Balance December 31, 2021, as restated	<u>\$ 1,622,235</u>	<u>\$ 5,586,391</u>	<u>\$ 3,260,825</u>	<u>\$ 8,847,216</u>

COMPLIANCE SECTION

Report of Independent Auditor 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 the 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 combined financial statements of The Bridge Over Troubled Waters, Inc. and the Bridge Foundation, Inc. (collectively, the "Organization"), which comprise the combined statement of financial position as of December 31, 2022, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and we have issued our report thereon dated November 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 a 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 the 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the combined financial statements. 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*.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the combined financial statements and, accordingly, we express no opinion on the response.

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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons, Virginia
November 29, 2023

Report of Independent Auditor on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance

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

Opinion on Each Major Federal Program

We have audited The Bridge over Troubled Waters, Inc. and the Bridge Foundation, Inc.'s (collectively, the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is *sufficient* and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to *above*.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to *above* and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's *federal* programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to *above* occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to *above* is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Cherry Bekaert LLP

Tysons, Virginia
November 29, 2023

THE BRIDGE OVER TROUBLED WATERS, INC.
 AND THE BRIDGE FOUNDATION, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	ALN	Grant/Contract Award Number	Amounts Paid to Subrecipients	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass-through programs from:				
Texas Department of Agriculture - Food and Nutritional Division				
Child and Adult Care Food Program	10.558	2022-03369	\$ -	\$ 52,818
Child and Adult Care Food Program	10.558	2023-03369	-	15,695
Total U.S. Department of Agriculture			-	68,513
<u>U.S. Department of Housing & Urban Development</u>				
Continuum of Care Program - Permanent Housing	14.267	TX0200L6E002013	57,222	1,184,268
Continuum of Care Program - Permanent Housing	14.267	TX0200L6E002114	18,051	398,907
Pass-through programs from:				
Harris County Domestic Violence Coordinating Council				
Continuum of Care Program - Rapid Re-Housing Grant	14.267	TX0429L6E002005	-	92,194
Continuum of Care Program - Rapid Re-Housing Grant	14.267	TX0429L6E002106	-	51,148
Pass-through programs from:			75,273	1,726,517
Harris County, Texas				
Emergency Solutions Grants	14.231	C2021-0031h	-	5,392
Texas Department of Housing and Community Affairs				
Emergency Solutions Grants	14.231	43207000049	-	43,677
Emergency Solutions Grants	14.231	42217000044	-	55,850
Emergency Solutions Grants	14.231	42227000046	-	30,742
Child Care Council of Greater Houston, Inc.				
Emergency Solutions Grant	14.231	460-001-3805	-	61,681
Emergency Solutions Grant	14.231	460-001-3805	-	100,320
City of Pasadena				
Emergency Solutions Grant	14.231	2021-182	-	83,083
Emergency Solutions Grant: Rapid Re-Housing	14.231	2021-181	-	47,101
			-	427,846
CDBG - Entitlement Grants Cluster				
City of Pasadena				
Community Development Block Grant	14.218	2020-079	-	47,795
Community Development Block Grant	14.218	2021-026	-	63,158
Total CDBG - Entitlement Grants Cluster			-	110,953
Total U.S. Department of Housing & Urban Development			75,273	2,265,316
<u>U.S. Department of Justice</u>				
Pass-through programs from:				
State of Texas Office of the Governor - Criminal Justice				
Victims of Crime Acts (VOCA)	16.575	1755815	-	1,153,650
			-	1,153,650
Office of Violence Against Women				
Transitional Housing for Victims of Domestic Violence, Dating Violence, Stalking or Sexual Assault				
	16.736	2016-WH-AX-0072	-	75,534
Total U.S. Department of Justice			-	1,229,184

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

THE BRIDGE OVER TROUBLED WATERS, INC.
 AND THE BRIDGE FOUNDATION, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	ALN	Grant/Contract Award Number	Amounts Paid to Subrecipients	Federal Expenditures
<u>U.S. Department of the Treasury</u>				
Pass-through programs from:				
Harris County Domestic Violence Coordinating Council				
Texas Department of Housing and Community Affairs - Emergency Rental Assistance	21.023	20210000029	\$ -	\$ 112,101
Texas Department of Housing and Community Affairs - Emergency Rental Assistance	21.023	2022-495-8085-01	-	50,338
			-	162,439
State of Texas Office of the Governor - Criminal Justice				
Victims of Crime - SB-8: Coronavirus State Fiscal Recovery Fund	21.027	1755816	-	385,743
Total U.S. Department of the Treasury			-	548,182
<u>U.S. Department of Health & Human Services</u>				
Pass-through programs from:				
Texas Office of Attorney General:				
Injury Prevention and Control Research and State and Community Based Programs	93.136	2112878	-	6,778
Injury Prevention and Control Research and State and Community Based Programs	93.136	2221406	-	77,683
			-	84,461
Texas Office of Attorney General:				
COVID-19 - American Rescue Plan COVID-19 Mitigation	93.497	HHS00038000069	-	50,174
			-	50,174
Temporary Assistance of Needy Families Cluster				
Texas Health and Human Services Commission:				
Temporary Assistance of Needy Families	93.558	HHS00038000069	-	218,261
Temporary Assistance of Needy Families	93.558	HHS00038000069	-	359,661
Total Temporary Assistance of Needy Families Cluster			-	577,922
Texas Health and Human Services Commission:				
Social Security Block Grant	93.667	HHS00038000069	-	20,960
Social Security Block Grant	93.667	HHS00038000069	-	11,255
Temporary Assistance of Needy Families	93.667	HHS00038000069	-	117,199
			-	149,414
Texas Health and Human Services Commission:				
Family Violence Prevention Services	93.671	HHS00038000069	-	104,747
COVID-19 - American Rescue Plan Supplemental Amendment	93.671	HHS00038000069	-	29,446
Family Violence Prevention Services	93.671	HHS00038000069	-	56,245
COVID-19 - American Rescue Plan Supplemental Amendment	93.671	HHS00038000069	-	16,358
COVID-19 - American Rescue Plan COVID-19 Mitigation	93.671	HHS000679900011	-	46,003
Family Violence Prevention and Services - Special Nonresidential Project Services	93.671	HHS000365700011	-	73,789
			-	326,588
Texas Office of Attorney General:				
Preventive Health and Human Services Block Grant	93.991	2220424	-	22,798
Preventive Health and Human Services Block Grant	93.991	C-00548	-	14,568
			-	37,366
Total Department of Health & Human Services			-	1,225,925
<u>U.S. Department of Homeland Security</u>				
Pass-through programs from:				
United Way				
Emergency Food and Shelter Program (Phase 39)	97.024		-	65,189
Emergency Food and Shelter Program (ARPA-R)	97.024		-	57,200
Total Department of Homeland Security			-	122,389
Total Expenditures			\$ 75,273	\$ 5,459,509

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

Note 1—Summary of significant accounting policies

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 “Organization”). The Organization’s activities are defined in Note 1 of their basic combined financial statements.

Basis of Presentation – The Schedule presents total federal awards expended for each individual program in accordance with *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 Award* (“Uniform Guidance”). Federal award program titles are presented as entitled in the Assistance Listing Number (ALN). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

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 Organization’s basic combined financial statements.

Note 2—Subrecipients

The Organization provided \$75,273 of federal awards to sub recipients for the year ended December 31, 2022.

Note 3—Noncash assistance

No federal awards were expended in the form of noncash assistance during the year ended December 31, 2022.

Note 4—Outstanding loans

There were no outstanding loans in relation to federal awards as of December 31, 2022.

Note 5—Insurance

Insurance costs totaling \$36,924 were expended through federal awards during the year ended December 31, 2022.

Note 6—Relationship to federal financial reports

The amounts reported in the combined financial statements agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 2 of the combined financial statements.

Note 7—Indirect cost rate

The Organization is subject to negotiated indirect costs rates and, therefore, is not eligible to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance, Section 414.

Note 8—Subsequent events

The Organization’s management has evaluated and disclosed subsequent events through November 29, 2023, the date the combined financial statements and the Schedule were available to be issued.

THE BRIDGE OVER TROUBLED WATERS, INC.
 AND THE BRIDGE FOUNDATION, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2022

Section I—Summary of Auditor’s Results

A. Financial Statements Section

Type of auditor’s report issued on whether the combined financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to combined financial statements noted? No

B. Federal Awards Section

Internal control over compliance:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

Assistance Listing Number (s)	Name of Federal Program or Cluster
14.267	U.S. Department of Housing and Urban Development – Continuum of Care Program
16.575	U.S. Department of Justice – Victims of Crime Acts
21.027	U.S. Department of Treasury – Victims of Crime Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

Section II—Financial Statement Findings

Finding 2022-001: Safeguarding of Assets

Criteria : Organizations must maintain financial management systems that provide effective controls over accountability for all funds, assets, and liabilities. These controls should be in compliance with the internal controls integrated framework.

Condition: During February 2023, the Organization initiated a wire transfer payment of approximately \$151,000 to a fraudulent bank account upon acting on a phishing email request from a fraudster who posed as the Organization vendor. The fraudster requested a change in the vendor's banking information and requested payment for an outstanding invoice from the vendor. Without adequate and appropriate direct verification from the vendor, the Organization initiated the wire transfer payment to the fraudster's bank account. As of the report date, approximately \$2,600 has been recovered and returned to the Organization's bank accounts.

Cause: The Organization did not have adequate and appropriate internal controls over direct verification of requests for changes to vendor banking information.

Effect : This condition could result in a potential significant loss to the Organization.

Recommendation: We recommend the Organization establish additional policies and procedures to ensure adequate and appropriate internal controls over change in vendor payment request and require direct verification with the vendor in order to prevent this incident from happening again in the future. In addition, the Organization should conduct periodic training for all employees regarding identifying and handling phishing emails and other social engineering schemes.

Views of Responsible Officials: The Organization agrees with the finding and recommendations set forth within. The Organization plans to update and strengthen its policies and procedures to prevent or detect fraud and further improve controls. Refer to the Organization's corrective action plan for further details.

Finding 2022-002: Revenue Recognition

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls to ensure the preparation and fair presentation of financial statements in accordance with the accrual basis of accounting that are free from material misstatement, whether due to fraud or error.

Condition: Under U.S. GAAP, unconditional contributions received shall be recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Further, the contributed nonfinancial assets (Gifts-in-kind) should be measure at fair value and supported appropriately.

During the testing of non-government grants and contributions revenue, we noted,

- Several instances where the unconditional contribution revenue was recorded when the cash was received and not when the promise was made. As a result, significant audit adjustments were made to correct the timing of revenue recognition.
- Several instances where contributed nonfinancial assets were not adequately supported or the revenue was not recorded at fair value when received.

Cause: Adequate review and understanding of the appropriate accounting treatment for contributions revenue did not occur.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

Section II—Financial Statement Findings (continued)

Effect: Due to improper revenue recognition the following adjustments were noted:

- A restatement of beginning net assets by \$471,352.
- Current year contribution revenues and receivables were understated by \$325,780.
- Gifts-in-kind revenues and expenses were overstated by \$91,980.
- Current year contribution revenues were overstated by \$52,915.

Recommendation: We recommend that the Organization review all grant agreements and promises to give for proper revenue recognition. We also recommend additional training on contributions revenue recognition for members of the finance team and strengthen the Organization's policies and procedures surrounding revenue recognition.

Views of Responsible Officials: The Organization agrees with the finding and recommendations set forth within. Refer to the Organization's corrective action plan for further details.

Section III—Federal Award Findings and Questioned Costs

Finding 2022-003

Compliance Requirement: Data Collection Form and Single Audit Reporting Package

Prior Year Finding Number: N/A

Program:

ALN 14.267 U.S. Department of Housing and Urban Development – Continuum of Care Program

ALN 16.575 U.S. Department of Justice – Victims of Crime Acts Program

ALN 21.027 U.S. Department of Treasury – Victims of Crime Acts Program

Criteria – 2 CFR 200.512, Report Submission, establishes that the audit shall be completed and the data collection form and reporting package shall be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 days after receipt of the auditor's report or nine (9) months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition – The Organization did not comply with the required submission date of the data collection form and reporting package to the FAC for the fiscal year ended December 31, 2022.

Cause – The Organization did not have administrative and internal control oversight in place to ensure that the reporting package was submitted to the FAC within the required timeframe.

Effect – The Organization was not in compliance with the reporting requirements and could be exposed to a reduction or elimination of funds by the federal awarding agencies.

Questioned Costs – None.

Context –This is a condition identified per review of the Organization's compliance with specified requirements.

Recommendation – We recommend that the Organization enhance its procedures and internal controls to ensure the reporting package is submitted to the FAC annually within the required timeframe.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

Section III—Federal Award Findings and Questioned Costs (continued)

Views of Responsible Officials – The Organization concurs with the auditor’s findings and recommendations. Refer to the Organization’s corrective action plan for further details.

Finding 2022-004

Compliance Requirement: Internal Control over Compliance and Compliance with Reporting
(Preparation of Schedule of Expenditures of Federal Awards)

Prior Year Finding Number: N/A

Program:

ALN 14.267 U.S. Department of Housing and Urban Development – Continuum of Care Program

ALN 16.575 U.S. Department of Justice – Victims of Crime Acts Program

ALN 21.027 U.S. Department of Treasury – Victims of Crime Acts Program

Criteria - The Code of Federal Regulation (CFR) Section 200.510(b) states in part: “The auditee must also prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with CFR Section 200.502 Basis for determining Federal awards expended.” The SEFA must provide total federal awards expended for each individual Federal program.

In accordance with Section 200.302 Financial Management, a non-federal entity’s financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

The financial management system of each non-Federal entity must provide for the following:

- (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received.
- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in Section 200.328 Financial Reporting and Section 200.329 Monitoring and Reporting Program Performance.
- (3) Records that identify adequately the source and application of funds for federally funded activities.
- (4) Effective control over, and accountability for, all funds, property, and other assets.

Condition – The SEFA as prepared by management did not originally include one federal grant with federal expenditures during the year and one grant for which the Assistance Listing Number (ALN) did not match the grant documents.

Cause - The internal controls established for the review and approval of the SEFA to ensure its completeness and accuracy did not operate as designed due to new funding received in the current year.

Effect – The original SEFA was incomplete.

Questioned Costs : None.

THE BRIDGE OVER TROUBLED WATERS, INC.
AND THE BRIDGE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

Section III—Federal Award Findings and Questioned Costs (continued)

Context : The conditions outlined above are based on our testing of the Organization's major program and our overall testing of the accuracy of the SEFA. The nature of this findings is detailed in the condition section above.

Recommendation- We recommend management attend federal award trainings and information to ensure the documented policies and procedures can be performed as described. This will ensure the federal funds are reported accurately on the SEFA and that programs are reported under the correct ALN.

Views of Responsible Officials – The Organization concurs with the auditor's findings and recommendations. The Organization will continue to review federal award guidance and requirements to ensure compliance with current and future federal awards. Refer to the Organization's corrective action plan for further details.

Section IV—Summary Schedule of Prior Audit Findings

None reported.



Management Corrective Action Plan

Finding 2022-001: Safeguarding of Assets

Finding: During February 2023, the Organization initiated a wire transfer payment of approximately \$151,000 to a fraudulent bank account upon acting on a phishing email request from a fraudster who posed as the Organization vendor. The fraudster requested a change in the vendor's banking information and requested payment for an outstanding invoice from the vendor. Without adequate and appropriate direct verification from the vendor, the Organization initiated the wire transfer payment to the fraudster's bank account. As of the report date, approximately \$2,600 has been recovered and returned to the Organization's bank accounts.

Corrective Action: Update the Fiscal and Financial Management regarding ACH and Wire Transfers to include verbal confirmation of payment and/or account change.

Contact: Carmen Stevens, Finance Director

Expected Completion Date: 1/31/2024

If you have any questions, please contact Carmen Stevens at 713-472-0753 or by email at cstevens@tbotw.org.

Finding 2022-002: Revenue Recognition

Finding: Under U.S. GAAP, unconditional contributions received shall be recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Further, the contributed nonfinancial assets (Gifts-in-kind) should be measure at fair value and supported appropriately.

During the testing of non-government grants and contributions revenue, we noted,

- Several instances where the unconditional contribution revenue was recorded when the cash was received and not when the promise was made. As a result, significant audit adjustments were made to correct the timing of revenue recognition.
- Several instances where contributed nonfinancial assets were not adequately supported or the revenue was not recorded at fair value when received.

Corrective Action: Revising agency donation slips to include more detailed information recorded as well as developing a system to apply a researched Fair Mark Value to each in-kind donation. Update the Fiscal and Financial Management regarding Contribution Recognition of pledges to follow GAAP.

Contact: Carmen Stevens, Finance Director

Expected Completion Date: 1/31/2024

If you have any questions, please contact Carmen Stevens at 713-472-0753 or by email at cstevens@tbotw.org.

Finding 2022-003: Data Collection Form and Single Audit Reporting Package

Finding: The Organization did not comply with the required submission date of the data collection form and reporting package to the FAC for the fiscal year ended December 31, 2022.

Corrective Action: Prepare reports prior to due dates in case there is a computer issue. If a report is late, request an exception/extension in writing to file with report.

Contact: Evelyn Vargas, Grants Compliance Manager

Expected Completion Date: 11/30/2023

If you have any questions, please contact Evelyn Vargas at 713-472-0753 or by email at evargas@tbotw.org.

Finding 2022-004: Internal Control over Compliance and Compliance with Reporting (Preparation of Schedule of Expenditures of Federal Awards)

Finding: The SEFA as prepared by management did not originally include one federal grant with federal expenditures during the year and one grant for which the Assistance Listing Number (ALN) did not match the grant documents.

Corrective Action: Compare all contract or award letters for accurate information reported on the SEFA prior to submission.

Contact: Carmen Stevens, Finance Director

Expected Completion Date: 11/30/2023

If you have any questions, please contact Carmen Stevens at 713-472-0753 or by email at cstevens@tbotw.org.