

**BRIDGE HOUSE CORPORATION**  
**NEW ORLEANS, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**AS OF AND FOR THE YEARS ENDED**  
**DECEMBER 31, 2019 AND 2018**



**ERICKSEN KRENTEL**<sup>LLP</sup>  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Bridge House Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bridge House Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors of  
Bridge House Corporation

### **Change in Accounting Principle**

As described in Note 1 to the financial statements, Bridge House Corporation adopted the Financial Accounting Standards Board's ASU 2014-09, "Revenue from Contracts with Customers" and ASU 2018-08, "Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" for the year ended December 31, 2019. Our opinion is not modified with respect to these matters.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridge House Corporation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 May 15, 2020, on our consideration of Bridge House Corporation'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 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* in considering Bridge House Corporation's internal control over financial reporting and compliance.

May 15, 2020  
New Orleans, Louisiana



Certified Public Accountants

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
DECEMBER 31, 2019 AND 2018

	2019	2018
<b><u>ASSETS:</u></b>		
Cash and cash equivalents	\$ 887,350	\$ 1,200,005
Grants and contracts receivable, net	136,804	263,307
Inventories	116,571	137,808
Prepaid expenses	117,680	133,870
Investments	8,259,474	7,969,351
Promises to give, net	1,101,283	1,066,058
Property and equipment, net	12,402,197	12,747,961
Beneficial interest in endowment fund	44,575	38,302
Deposits	33,462	34,870
Total assets	\$ 23,099,396	\$ 23,591,532
<b><u>LIABILITIES:</u></b>		
Accounts payable and accrued expenses	\$ 212,678	\$ 267,996
Notes payable:		
Current portion	236,338	1,467,118
Long-term portion	5,991,465	6,196,870
Total liabilities	6,440,481	7,931,984
<b><u>NET ASSETS:</u></b>		
Without donor restrictions:		
Undesignated	10,207,151	9,095,462
Designated	5,120,000	5,195,000
Total without donor restrictions	15,327,151	14,290,462
With donor restrictions	1,331,764	1,369,086
Total net assets	16,658,915	15,659,548
Total liabilities and net assets	\$ 23,099,396	\$ 23,591,532

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b><u>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</u></b>		
<b><u>Public Support:</u></b>		
Contributions	\$ 4,440,955	\$ 3,649,542
Grants and contracts:		
Prevention and treatment of substance abuse	78,324	328,375
Medicaid, net of provision for bad debt	1,909,584	2,174,947
Emergency food and shelter	8,500	4,000
In-kind donations	214,802	280,103
Food stamps	147,758	165,801
Net assets released from restrictions	582,085	235,477
Total public support without donor restrictions	7,382,008	6,838,245
<b><u>Other Revenue:</u></b>		
Client service fees	43,591	27,672
Vending	1,102	2,125
Thrift stores and auto sales	2,641,248	2,555,453
Cost of goods sold	(2,620,011)	(2,596,447)
Investment return and interest income, net	1,291,084	(443,819)
Rental income	50,000	50,000
Total other revenue without donor restrictions	1,407,014	(405,016)
Total public support and other revenue without donor restrictions	8,789,022	6,433,229
<b><u>Expenses:</u></b>		
Program services	6,226,830	5,755,593
Supporting services:		
Management and general	1,020,225	875,577
Fundraising	505,278	475,011
Total supporting services	1,525,503	1,350,588
Total expenses	7,752,333	7,106,181
Change in net assets without donor restrictions	1,036,689	(672,952)

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b><u>CHANGE IN NET ASSETS WITH</u></b>		
<b><u>DONOR RESTRICTIONS:</u></b>		
Contributions	538,490	983,336
Investment return, net	6,273	(1,817)
Net assets released from restrictions	<u>(582,085)</u>	<u>(235,477)</u>
Change in net assets with donor restrictions	<u>(37,322)</u>	<u>746,042</u>
Change in net assets	999,367	73,090
Net assets, beginning of year	<u>15,659,548</u>	<u>15,586,458</u>
Net assets, end of year	<u><u>\$ 16,658,915</u></u>	<u><u>\$ 15,659,548</u></u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 3,033,713	\$ 278,399	\$ 227,762	\$ 3,539,874
Payroll taxes	257,416	22,234	18,452	298,102
Health insurance	92,619	44,981	36,415	174,015
Total salaries and related expenses	<u>3,383,748</u>	<u>345,614</u>	<u>282,629</u>	<u>4,011,991</u>
Auto expenses	56,126	14,411	-	70,537
Computer expenses	15,849	16,180	24,780	56,809
Food	348,057	9,056	-	357,113
Household supplies	24,109	1,591	-	25,700
Insurance	264,422	21,973	6,561	292,956
Interest	-	206,759	-	206,759
Licenses and taxes	94,609	1,591	-	96,200
Maintenance and repairs	412,696	15,075	-	427,771
Office	94,329	34,389	8,322	137,040
Professional services	174,345	72,179	4,958	251,482
Program supplies and services	174,893	10,673	2,463	188,029
Rent	253,638	9,490	-	263,128
Telephone	78,849	34,940	3,456	117,245
Travel and education	4,521	18,062	-	22,583
Utilities	284,107	25,410	-	309,517
Bad debt expense	14,375	-	-	14,375
Depreciation and amortization	366,945	182,675	-	549,620
Fundraising expenses:				
Event expenses	-	-	169,139	169,139
Other fundraising expenses	37,135	157	2,970	40,262
Thrift stores and used car expenses:				
Cost of goods sold	2,620,011			2,620,011
Advertising and promotions	144,077	-	-	144,077
Total expenses	<u>8,846,841</u>	<u>1,020,225</u>	<u>505,278</u>	<u>10,372,344</u>
Less expenses included with revenues on the statement of activities:				
Cost of good sold	<u>(2,620,011)</u>	<u>-</u>	<u>-</u>	<u>(2,620,011)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 6,226,830</u>	<u>\$ 1,020,225</u>	<u>\$ 505,278</u>	<u>\$ 7,752,333</u>

See accompanying NOTES TO FINANCIAL STATEMENTS



**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 2,786,709	\$ 272,285	\$ 226,486	\$ 3,285,480
Payroll taxes	241,015	23,580	18,733	283,328
Health insurance	92,139	24,009	28,810	144,958
Total salaries and related expenses	<u>3,119,863</u>	<u>319,874</u>	<u>274,029</u>	<u>3,713,766</u>
Auto expenses	48,378	16,126	-	64,504
Computer expenses	29,579	55,079	17,340	101,998
Food	396,770	11,041	-	407,811
Household supplies	26,333	1,901	-	28,234
Insurance	216,642	25,760	5,700	248,102
Interest	-	170,745	-	170,745
Licenses and taxes	40,479	125	-	40,604
Maintenance and repairs	258,893	26,916	-	285,809
Office	76,274	19,371	25,425	121,070
Professional services	203,020	29,876	1,968	234,864
Program supplies and services	158,459	17,988	596	177,043
Rent	293,695	21,500	-	315,195
Telephone	91,855	38,071	3,836	133,762
Travel and education	3,523	25,715	78	29,316
Utilities	289,691	33,462	-	323,153
Bad debt (recovery)	(61,051)	-	-	(61,051)
Depreciation and amortization	378,798	61,665	-	440,463
Fundraising expenses:				
Event expenses	-	-	142,674	142,674
Other fundraising expenses	30,320	362	3,365	34,047
Thrift stores and used car expenses:				
Cost of goods sold	2,596,447	-	-	2,596,447
Advertising and promotions	154,072	-	-	154,072
Total expenses	<u>8,352,040</u>	<u>875,577</u>	<u>475,011</u>	<u>9,702,628</u>
Less expenses included with revenues on the statement of activities:				
Cost of good sold	<u>(2,596,447)</u>	<u>-</u>	<u>-</u>	<u>(2,596,447)</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 5,755,593</u>	<u>\$ 875,577</u>	<u>\$ 475,011</u>	<u>\$ 7,106,181</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS PROVIDED BY (USED BY)</u></b>		
<b><u>OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 999,367	\$ 73,090
Adjustments to reconcile change in net assets to cash provided by (used by) operating activities:		
Depreciation and amortization	549,620	440,463
Provision for bad debts	14,375	(61,051)
Change in discount on promises to give	(33,558)	195,609
Net unrealized (gain) loss on investments	(1,182,693)	972,645
Net realized (gain) loss on sale of investments	41,347	(319,230)
Investment (income) loss on restricted funds	(6,273)	1,817
Donated assets/investments included in public support	(5,724)	(4,935)
(Increase) decrease in:		
Grants and contracts receivable	173,128	131,985
Inventories	21,237	(40,994)
Prepaid expenses	16,190	(30,293)
Promises to give	(62,667)	(840,397)
Deposits	1,408	(4,980)
Increase (decrease) in:		
Accounts payable and accrued expenses	(55,318)	(17,706)
Net cash provided by operating activities	<u>470,439</u>	<u>496,023</u>
<b><u>CASH FLOWS PROVIDED BY (USED BY)</u></b>		
<b><u>INVESTING ACTIVITIES:</u></b>		
Capital expenditures	(203,856)	(2,052,107)
Proceeds from sale of investments	3,278,294	4,497,923
Purchase of investments	(2,421,347)	(2,701,102)
Net cash provided by (used by) investing activities	<u>653,091</u>	<u>(255,286)</u>
<b><u>CASH FLOWS PROVIDED BY (USED BY)</u></b>		
<b><u>FINANCING ACTIVITIES:</u></b>		
Principal payments on notes payable	(1,436,185)	(221,012)
Net cash (used by) financing activities	<u>(1,436,185)</u>	<u>(221,012)</u>
Net increase (decrease) in cash and cash equivalents	(312,655)	19,725
Cash and cash equivalents at beginning of year	<u>1,200,005</u>	<u>1,180,280</u>
Cash and cash equivalents at end of year	<u>\$ 887,350</u>	<u>\$ 1,200,005</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Bridge House Corporation (Bridge House) is a non-profit corporation organized to provide treatment and long-term residential care for individuals with drug and alcohol addictions in the Greater New Orleans area. Bridge House is supported primarily through donor contributions, thrift store and donated auto sales, and governmental grants and contracts.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**Basis of Presentation**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, Bridge House is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets With Donor Restrictions - The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets Without Donor Restrictions - The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, except for assets held in its investment portfolio, Bridge House considers all certificates of deposits and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**BRIDGE HOUSE CORPORATION**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019 AND 2018

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants and Contracts Receivable**

Bridge House receives funding from federal, state, and local agencies for administering various grants and contracts. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. Bridge House records an allowance for uncollectible accounts based on an assessment of the receivables, taking into consideration the nature of the account and aging of the balance. For the years ended December 31, 2019 and 2018, management has determined that all amounts were collectible and no allowance was necessary.

Bridge House also receives payment for services rendered from Medicaid programs. Bridge House manages the receivables by regularly reviewing its accounts and contracts and by providing appropriate allowances for uncollectible amounts. Bridge House records an allowance for uncollectible accounts based on an assessment of the receivables, taking into consideration the nature of the account and aging of the balance. For the years ended December 31, 2019 and 2018, Bridge House provided \$55,924 and \$102,549, respectively, for the allowance for uncollectible amounts.

**Inventories**

Inventories are stated at the lower of cost, fair value at date of donation plus the cost of repairs, or net realizable value.

**Investments**

Investments in marketable securities and mutual funds with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities as increases or decreases in net assets without donor restrictions unless their use is with restrictions by explicit donor stipulations or law. Dividend, interest, and other investment income are recorded as increases in net assets without donor restriction unless the use is restricted by the donor.

FASB ASC topic 820, *Fair Value Measurements and Disclosures* emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy. Inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data is adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and require the entity to develop its own assumptions.

**BRIDGE HOUSE CORPORATION**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019 AND 2018

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (continued)**

No Level 2 or Level 3 inputs were used by the Organization.

Certificates of deposit (CDs) represent CDs with initial maturities of greater than three months but less than one year, the use of which is restricted for specific purposes by the Board of Directors. They are recorded at the face value plus accrued interest, which approximates fair value.

**Property and Equipment**

Bridge House follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$5,000. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	30	Years
Furniture, fixtures, and equipment	5 - 15	Years
Building improvements	7 - 30	Years
Leasehold improvements	5	Years
Vehicles	5 - 7	Years

Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the remaining lease term. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Bridge House reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Bridge House reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**Revenue Recognition**

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**BRIDGE HOUSE CORPORATION**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019 AND 2018

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (continued)**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. There were no conditional promises to give as of December 31, 2019 and 2018.

Contributions of donated noncash assets are recorded at their fair values in the period received. Bridge House receives a substantial amount of services donated by its clients and supporters in carrying out Bridge House's activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 958-605-50-1, *Accounting for Contributions Received and Contributions Made*.

Bridge House receives Medicaid revenue arising from contracts with the State of Louisiana – Department of Health and Hospitals. Generally, Bridge House is reimbursed on a fee-for-service basis based on predetermined reimbursement rate schedules. Bridge House determines the transaction price based on established billing rates reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients and implicit price concessions. Contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. Implicit price concessions are based on historical collection experience.

Thrift Store and Used Car sales are recognized at the point of sale when the exchange transaction occurs, as one performance obligation.

**Functional Expenses**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Bridge House.

**Income Tax Status**

Bridge House is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to Bridge House's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, Bridge House qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

**BRIDGE HOUSE CORPORATION**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019 AND 2018

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Tax Status (continued)**

As of December 31, 2019, Bridge House had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The 2016 through 2018 tax years remain subject to examination by the IRS. Bridge House does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

**Advertising**

All non-direct response advertising costs are expensed as incurred and included in advertising and promotions expenses. Advertising expense amounted to \$144,077 and \$154,072 for the years ended December 31, 2019 and 2018, respectively.

**New Accounting Pronouncements**

The FASB has issued Update No. 2014-09, “*Revenue from Contracts with Customers*.” The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. This adoption had no material impact on Bridge House’s financial statements.

The FASB has issued Update No. 2018-08, “*Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.” The amendments in this Update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments in this Update require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. This adoption had no material impact on Bridge House’s financial statements.

**Date of Management’s Review**

Subsequent events have been evaluated through May 15, 2020 which is the date the financial statements were available to be issued.

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2019 AND 2018

**(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects Bridge House's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for future required funding of debt. However, amounts already appropriated for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

	<u>2019</u>	<u>2018</u>
Financial assets, at year end	\$ 10,384,911	\$ 10,498,721
Less those unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Beneficial interest in endowment fund	(44,575)	(38,302)
Restricted by donor with time or purpose restrictions	(1,287,189)	(1,330,784)
Board designated for future required funding of debt	<u>(5,120,000)</u>	<u>(5,195,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,933,147</u>	<u>\$ 3,934,635</u>

Bridge House is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Bridge House must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Bridge House's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**(3) STATEMENT OF CASH FLOWS SUPPLEMENTARY DISCLOSURES**

Cash paid during the year for:

	<u>2019</u>	<u>2018</u>
Interest	<u>\$ 206,759</u>	<u>\$ 168,408</u>

**Non-Cash Investing and Financing Activities**

Noncash investing and financing activity for the year ended December 31, 2018 consist of financing the acquisition of land and buildings through a short-term note of \$1,250,000.



**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2019 AND 2018

**(4) INVENTORIES**

Inventories at December 31, 2019 and 2018 consist of:

	<u>2019</u>	<u>2018</u>
Donated thrift store items	\$ 63,463	\$ 63,386
Donated used cars	<u>53,108</u>	<u>74,422</u>
	<u>\$ 116,571</u>	<u>\$ 137,808</u>

**(5) INVESTMENTS**

The fair value of investments are determined by reference to quoted prices in active markets for identical assets (Level 1) and are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Certificates of deposit and money market funds	\$ 434,861	\$ 1,592,295
Stocks, bonds, and mutual funds	<u>7,824,613</u>	<u>6,377,056</u>
	<u>\$ 8,259,474</u>	<u>\$ 7,969,351</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 196,136	\$ 269,158
Net realized gains (losses)	(41,347)	319,230
Management fees	(46,398)	(59,562)
Net unrealized gains (losses)	<u>1,182,693</u>	<u>(972,645)</u>
Total return on investments	<u>\$ 1,291,084</u>	<u>\$ (443,819)</u>

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2019 AND 2018

**(6) PROMISES TO GIVE**

Unconditional promises to give consist of the following at December 31<sup>st</sup>:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 338,334	\$ 268,333
Receivable in one to five years	525,000	478,334
Receivable in more than five years	<u>400,000</u>	<u>515,000</u>
Promises to give, gross	\$ 1,263,334	\$ 1,261,667
Less: discounts	<u>(162,051)</u>	<u>(195,609)</u>
Promises to give, net	<u>\$ 1,101,283</u>	<u>\$ 1,066,058</u>

Unconditional promises to give in more than one year are discounted at 4%.

Uncollectible promises are expected to be insignificant; therefore, no allowance has been recorded for the years ended December 31, 2019 and 2018.

**(7) PROPERTY AND EQUIPMENT AND DEPRECIATION**

The cost of such property and equipment at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Land and buildings	\$ 15,506,576	\$ 15,506,576
Furniture, fixtures, and equipment	449,533	396,217
Building improvements	539,711	539,711
Leasehold improvements	342,578	342,578
Vehicles	<u>588,802</u>	<u>442,364</u>
	17,427,200	17,227,446
Less: accumulated depreciation	<u>(5,025,003)</u>	<u>(4,479,485)</u>
	<u>\$ 12,402,197</u>	<u>\$ 12,747,961</u>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$549,620 and \$440,463, respectively.

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2019 AND 2018

**(8) BENEFICIAL INTEREST IN ENDOWMENT FUND**

Bridge House is the beneficiary of an endowment fund created by donors, the assets of which are not in the possession of Bridge House. The fund is held by the Greater New Orleans Foundation. Bridge House has legally enforceable rights and claims to such assets, including the sole right to income there from. The principal portion of the endowment fund is a net asset with donor restrictions. Income earned by the fund is distributed to Bridge House at the discretion of the Greater New Orleans Foundation. At December 31, 2019 and 2018, the beneficial interest in The Greater New Orleans Foundation's Bridge House Fund was a fair value of \$44,575 and \$38,302, respectively.

During the year ended December 31, 2019 and 2018, Bridge House incurred \$6,273 and \$(1,817), respectively, of investment income (loss) from the fund. Bridge House reinvested these amounts back into the endowment fund.

Changes in endowment net assets for the years ended December 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 38,302	\$ 40,119
Interest and dividend income	412	274
Administrative fees	(263)	(334)
Net realized gains	1,427	1,634
Net unrealized gains (losses)	<u>4,697</u>	<u>(3,391)</u>
Endowment net assets, end of year	<u>\$ 44,575</u>	<u>\$ 38,302</u>

**(9) ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

At December 31, 2019 and 2018, accounts payable and accrued expenses consisted of the following items:

	<u>2019</u>	<u>2018</u>
Accounts payable	\$ 59,603	\$ 97,170
Accrued salaries and wages	33,582	40,387
Accrued payroll taxes	45,479	14,857
Accrued sales taxes	-	10,963
Other accrued expenses	<u>74,014</u>	<u>104,619</u>
	<u>\$ 212,678</u>	<u>\$ 267,996</u>

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2019 AND 2018

**(10) NOTES PAYABLE**

Notes payable at December 31, 2019 and 2018 consisted of the following:

	2019		2018	
	Due Within One Year	Due After One Year	Due Within One Year	Due After One Year
Note payable to Louisiana Public Facilities Authority, secured by all real property owned by Bridge House; payable in quarterly payments of interest; interest accrues at the SIFMA Swap Index rate plus 1.25% (2.96% at December 31, 2018); note matures on April 1, 2040.	\$ 120,000	\$ 5,000,000	\$ 105,000	\$ 5,090,000
Note payable to Iberia Bank, secured by investment securities held by Bridge House, payable in monthly installments of principal and interest; interest accrues at 3.75%; note matures on March 29, 2023.	116,338	991,465	112,118	1,106,870
Note payable to Iberia Bank, secured by investment securities held by Bridge House, payable in monthly installments of principal and interest; interest accrues at 3.80%; note matures on December 17, 2019.	-	-	1,250,000	-
	<u>\$ 236,338</u>	<u>\$ 5,991,465</u>	<u>\$ 1,467,118</u>	<u>\$ 6,196,870</u>

Following are maturities of notes payable for each of the next five years and thereafter:

2020	\$ 236,338
2021	240,957
2022	265,638
2023	884,870
2024	160,000
Thereafter	4,440,000
	<u>\$ 6,227,803</u>

Interest costs charged to expenses for the years ended December 31, 2019 and 2018 were \$206,759 and \$170,745, respectively.

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2019 AND 2018

**(11) DESIGNATED NET ASSETS**

Net assets without donor restrictions at December 31, 2019 and 2018 includes \$5,120,000 and \$5,195,000, respectively, of assets which were designated by the Board of Directors to be used for the future required funding of debt detailed in Note 10.

**(12) RESTRICTIONS ON NET ASSETS**

As of December 31, 2019 and 2018, net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Beneficial interest in endowment fund	\$ 44,575	\$ 38,302
Charitable bequest	30,000	32,500
Woodward property	213,763	324,948
Stratford property	800,506	814,936
Future fundraising events	<u>242,920</u>	<u>158,400</u>
Net assets with donor restrictions	<u>\$ 1,331,764</u>	<u>\$ 1,369,086</u>

As of December 31, 2019 and 2018, net assets released from donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Charitable bequest	\$ 2,500	\$ 2,500
Woodward property	111,185	116,012
Stratford property	310,000	-
Future fundraising events	<u>158,400</u>	<u>116,965</u>
Net assets released from donor restrictions	<u>\$ 582,085</u>	<u>\$ 235,477</u>

**(13) OPERATING LEASES**

Bridge House makes payments monthly for the use of treatment, housing, thrift store and used car facilities. Presently, Bridge House has short-term and long-term agreements with the owners of these properties. Short-term arrangements could be terminated at the discretion of either party to the rental agreements. Long-term leases are non-cancelable operating leases, by Bridge House, that expire at various dates through December 31, 2021. Certain leases generally contain renewal options for periods ranging from two to ten years, include escalation clauses, and require Bridge House to pay executor costs such as taxes, maintenance and insurance. Rent expense for short and long-term leases for 2019 and 2018 was \$263,128 and \$315,195, respectively.

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2019 AND 2018

**(13) OPERATING LEASES (CONTINUED)**

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2019 are:

2020	\$	209,136
2021		158,736
		367,872
	\$	367,872

During the year ended December 31, 2018, Bridge House assumed an operating lease agreement to lease a portion of its Woodward property to a third-party. The lease agreement requires monthly rent payments of \$4,167 and expires on August 31, 2022. Rental income for the year ended December 31, 2019 was \$50,000.

Future minimum lease payments to be received under this lease have remaining terms in excess of one year as of December 31, 2019 are:

2020	\$	50,000
2021		50,000
2022		33,336
		133,336
	\$	133,336

**(14) COMMODITY ASSISTANCE**

Bridge House participated in the United States Department of Agriculture Food Distribution Program for the years ended December 31, 2019 and 2018. The program provides food commodities to Bridge House to use in the preparation of meals for clients. The value of the donated commodities was \$214,802 and \$280,103 for the years ended December 31, 2019 and 2018, respectively. These amounts are recorded as in-kind donation revenues and program service expenses on the accompanying statements of activities.

**(15) CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject Bridge House to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Bridge House's policy is to not require accounts receivable to be collateralized.

Bridge House maintains its cash and cash equivalents in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed federally insured limits. The uninsured portion of cash balances as of December 31, 2019 and 2018 totaled \$225,202 and \$704,633, respectively.

**BRIDGE HOUSE CORPORATION**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019 AND 2018

**(15) CONCENTRATIONS OF CREDIT RISK (CONTINUED)**

Bridge House maintains certificates of deposit, stocks, bonds, and mutual funds with Morgan Stanley Smith Barney LLC, who is a member of SIPC, which protects securities up to \$500,000. As of December 31, 2019 and 2018, amounts in excess of insured limits totaled \$7,759,474 and \$7,469,351, respectively.

Approximately 20% of Bridge House's total revenue and 99% of the grants and contracts receivable for the year ended December 31, 2019 was awarded by the State of Louisiana - Department of Health and Hospitals. Approximately 29% of Bridge House's total revenue and 96% of the grants and contract receivable for year ended December 31, 2018 was awarded by the State of Louisiana - Department of Health and Hospitals.

Approximately 87% of gross promises to give are from two donors as of December 31, 2019. Approximately 79% of gross promises to give are from one donor as of December 31, 2018.

**(16) TAX-DEFERRED ANNUITY PLAN**

Bridge House has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of Bridge House. Bridge House does not contribute to the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. There were no plan expenses for the years ended December 31, 2019 and 2018.

**(17) RELATED PARTY TRANSACTION**

During 2018, Bridge House purchased property in New Orleans, Louisiana for the purpose of expanding operations. The real estate agent for the company selling the property serves on Bridge House's Board of Directors. The agent and agency were compensated by way of a commission worth 4.5% of the \$3,250,000 listing price.

**(18) NEW ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, "*Leases*." This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Deferring the effective date of Update No. 2016-02, the FASB has issued Update No. 2019-10, "*Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842)*." Update No. 2019-10 permits entities to apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, and to interim reporting periods within annual reporting periods beginning after December 15, 2021. The Company plans to adopt this Update as applicable by the effective date.

**BRIDGE HOUSE CORPORATION**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2019 AND 2018

**(19) SUBSEQUENT EVENT – CORONAVIRUS PANDEMIC**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. Impacts on Bridge House's operations include the ability to operate at the clinic, thrift stores, and used car lot full capacity and the postponing of fundraising events. Operating functions that may be changed include reduction in staff, other financing methods, fundraising events, or operations at thrift stores and used car lot. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown. In response, Bridge House applied for and was granted a Payroll Protection Program loan to finance operations during the pandemic. The loan was a five year term in the amount of \$776,000. The loan stipulates 1% interest on amounts not forgiven; Bridge House fully expects the loan to be forgiven with minimal interest incurred.

**(20) RECLASSIFICATIONS**

Certain items on the 2018 financial statements have been reclassified to conform to the current year's presentation. Net assets and increase in net assets are unchanged due to these reclassifications.



**BRIDGE HOUSE CORPORATION**  
**SCHEDULE OF COMPENSATION, BENEFITS,**  
**AND OTHER PAYMENTS TO AGENCY HEAD**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Else Pedersen*
Time served	01/01/19 through 12/31/19
Salary	\$ -
Benefits - insurance (health and dental)	-
Benefits - cell phone	-
	-
Total compensation, benefits, and other payments	\$ -

\*Note: Else Pedersen does not receive salary or related benefits from public sources.

**INDEPENDENT AUDITORS' 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 of  
Bridge House Corporation

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 financial statements of Bridge House Corporation (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, 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 dated May 15, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bridge House Corporation's 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 Bridge House Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Bridge House Corporation'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 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.

To the Board of Directors of  
Bridge House Corporation

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bridge House Corporation's 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 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 Bridge House Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bridge House Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

May 15, 2020  
New Orleans, Louisiana

  
Certified Public Accountants

**BRIDGE HOUSE CORPORATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**I. SUMMARY OF AUDITORS' REPORTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of Bridge House Corporation.
2. No significant deficiencies or material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements were reported in the Independent Auditors' 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*.
4. A management letter was not issued for the year ended December 31, 2019.

**II. FINANCIAL STATEMENT FINDINGS**

NOT APPLICABLE

**III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

NOT APPLICABLE

**BRIDGE HOUSE CORPORATION**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**I. FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

NOT APPLICABLE

**II. FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS**

NOT APPLICABLE

**III. MANAGEMENT LETTER**

NOT APPLICABLE

**BRIDGE HOUSE CORPORATION**  
**NEW ORLEANS, LOUISIANA**  
**LOUISIANA LEGISLATIVE AUDITOR**  
**STATEWIDE AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**



**ERICKSEN KRENTEL**<sup>LLP</sup>  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of  
Bridge House Corporation

We have performed the procedures enumerated below, which were agreed to by Bridge House Corporation and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. Bridge House Corporation's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are attached in Schedule "1."

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties and is not intended to be and should not be used by anyone other than those specified parties. The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

May 15, 2020  
New Orleans, Louisiana

*Ericksen Krentel, LLP*  
Certified Public Accountants

**BRIDGE HOUSE CORPORATION**  
**AGREED-UPON PROCEDURES**  
**JANUARY 1, 2019 – DECEMBER 31, 2019**

**Written Policies and Procedures**

1. **Procedures:** Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.
  - b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) Disbursements, including processing, reviewing, and approving.
  - d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue.
  - e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
  - g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage, (e.g. determining the reasonableness of fuel card purchases).
  - h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
  - i) Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

**Results:** The written policies and procedures entirely address the functions of budgeting, purchasing, disbursements, receipts/collections, payroll/personnel, contracting, credit cards, travel and expense reimbursement, and disaster recovery and business continuity listed above.



**BRIDGE HOUSE CORPORATION**  
**AGREED-UPON PROCEDURES (CONTINUED)**  
**JANUARY 1, 2019 – DECEMBER 31, 2019**

**Bank Reconciliations**

2. **Procedures:** Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Selected the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observed that:
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g. initialed and dated, electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g. initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**Results:** Obtained a listing of client bank accounts from management and management's representation that the listing was complete. Bank reconciliations were prepared for every month and approval was evidenced. No exceptions noted.

**Credit Cards/Debit Cards/Fuel Cards/P-Cards**

3. **Procedures:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

**Results:** Obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) and management's representation that the listing was complete.

4. **Procedures:** Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

**BRIDGE HOUSE CORPORATION**  
AGREED-UPON PROCEDURES (CONTINUED)  
JANUARY 1, 2019 – DECEMBER 31, 2019

- b) Observe that finance charges and late fees were not assessed on the selected statements.

**Results:** The monthly statements were approved in writing. The Chief Executive Officer approves all monthly credit card statements, while the CFO approves her card. There were no finance charges and/or late fees assessed on the selected statements.

- 5. **Procedures:** Using the monthly statements or combined statements selected under #5 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for all transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by:

- a) An original itemized receipt that identifies precisely what was purchased.
- b) Written documentation of the business/public purpose.
- c) Documentation of the individuals participating in meals (for meal charges only).

**Results:** Supporting documentation was provided for all fuel card purchases. The CFO reviewed all fuel statements on a monthly basis for reasonableness. Meal charges did not explicitly state all individuals participating in meals; although not required by the written policy. The CEO approves all monthly credit card statements, while the CFO approves her card. Also, the business purpose of each transaction was not explicitly identified by the supporting documentation in all cases. However, nothing appeared to violate the Entity's policies or Louisiana Law.