

BRIDGE HOUSE CORPORATION
NEW ORLEANS, LOUISIANA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017



ERICKSEN KRENTEL LLP
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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Change in Accounting Principle

As described in Note 1 to the financial statements, Bridge House Corporation adopted the Financial Accounting Standards Board's ASU 2016-14, "*Not-for-Profit Entities*" for the year ended December 31, 2018. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, 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.

June 6, 2019
New Orleans, Louisiana


Certified Public Accountants

BRIDGE HOUSE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 1,200,005	\$ 1,180,280
Grants and contracts receivable, net	263,307	324,551
Prepaid expenses	133,870	103,577
Promises to give, net	1,066,058	430,960
Inventories	137,808	96,814
Investments	7,969,351	10,414,652
Deposits	34,870	29,890
Beneficial interest in endowment fund	38,302	40,119
Property and equipment, net	<u>12,747,961</u>	<u>9,886,317</u>
 Total assets	 <u>\$ 23,591,532</u>	 <u>\$ 22,507,160</u>
<u>LIABILITIES:</u>		
Accounts payable and accrued expenses	\$ 267,996	\$ 285,702
Notes payable:		
Current portion	1,467,118	191,171
Long-term portion	<u>6,196,870</u>	<u>6,443,829</u>
 Total liabilities	 <u>7,931,984</u>	 <u>6,920,702</u>
<u>NET ASSETS:</u>		
Without donor restrictions:		
Undesignated	9,095,462	9,663,414
Designated	<u>5,195,000</u>	<u>5,300,000</u>
 Total without donor restrictions	 14,290,462	 14,963,414
 With donor restrictions	 <u>1,369,086</u>	 <u>623,044</u>
 Total net assets	 <u>15,659,548</u>	 <u>15,586,458</u>
 Total liabilities and net assets	 <u>\$ 23,591,532</u>	 <u>\$ 22,507,160</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

BRIDGE HOUSE CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
<u>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>		
<u>Public Support:</u>		
Contributions	\$ 3,639,852	\$ 4,120,807
Grants and contracts:		
Prevention and treatment of substance abuse	328,375	490,599
Medicaid, net of provision for bad debt	2,245,688	1,957,937
Emergency food and shelter	4,000	15,000
In-kind donations	280,103	352,464
Food stamps	165,801	162,754
Net assets released from restrictions	235,477	305,827
Total public support without donor restrictions	6,899,296	7,405,388
<u>Other Revenue:</u>		
Client service fees	27,672	30,817
Vending	2,125	1,851
Thrift stores and auto sales	2,555,453	2,512,668
Cost of goods sold	(2,596,447)	(2,480,268)
Investment return and interest income, net	(443,819)	973,954
Rental income	50,000	-
Other	-	680,147
Total other revenue without donor restrictions	(405,016)	1,719,169
Total public support and other revenue without donor restrictions	6,494,280	9,124,557
<u>Expenses:</u>		
Program services	5,816,644	6,248,369
Supporting services:		
Management and general	875,577	772,087
Fundraising	475,011	477,493
Total supporting services	1,350,588	1,249,580
Total expenses	7,167,232	7,497,949
Change in net assets without donor restrictions	(672,952)	1,626,608

See accompanying NOTES TO FINANCIAL STATEMENTS

BRIDGE HOUSE CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CHANGE IN NET ASSETS WITH</u>		
<u>DONOR RESTRICTIONS:</u>		
Contributions	983,336	747,502
Investment return, net	(1,817)	4,815
Net assets released from restrictions	<u>(235,477)</u>	<u>(305,827)</u>
Change in net assets with donor restrictions	<u>746,042</u>	<u>446,490</u>
Change in net assets	73,090	2,073,098
Net assets, beginning of year	<u>15,586,458</u>	<u>13,513,360</u>
Net assets, end of year	<u>\$ 15,659,548</u>	<u>\$ 15,586,458</u>

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
Fundraising expenses:				
Newsletter and mailings	-	-	-	-
Event expenses	-	-	142,674	142,674
Other fundraising expenses	30,320	362	3,365	34,047
Thrift stores and auto sales expenses:				
Advertising and promotions	<u>154,072</u>	<u>-</u>	<u>-</u>	<u>154,072</u>
Total expenses before depreciation	<u>5,437,846</u>	<u>813,912</u>	<u>475,011</u>	<u>6,726,769</u>
Depreciation and amortization	<u>378,798</u>	<u>61,665</u>	<u>-</u>	<u>440,463</u>
Total expenses	<u>\$ 5,816,644</u>	<u>\$ 875,577</u>	<u>\$ 475,011</u>	<u>\$ 7,167,232</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

BRIDGE HOUSE CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 2,522,420	\$ 250,856	\$ 217,521	\$ 2,990,797
Payroll taxes	229,147	2,527	11,616	243,290
Health insurance	68,780	3,081	18,854	90,715
Total salaries and related expenses	<u>2,820,347</u>	<u>256,464</u>	<u>247,991</u>	<u>3,324,802</u>
Auto expenses	41,800	17,089	-	58,889
Computer expenses	30,097	59,754	19,374	109,225
Food	448,534	9,306	-	457,840
Household supplies	45,183	2,882	-	48,065
Insurance	248,430	26,294	5,343	280,067
Interest	-	111,956	-	111,956
Licenses and taxes	76,257	-	-	76,257
Maintenance and repairs	222,315	35,291	-	257,606
Office	46,297	32,989	31,933	111,219
Professional services	290,787	28,786	1,968	321,541
Program supplies and services	150,229	6,159	430	156,818
Rent	269,970	20,589	-	290,559
Telephone	118,327	32,548	-	150,875
Travel and education	4,733	24,725	224	29,682
Utilities	300,578	36,944	-	337,522
Fundraising expenses:				
Newsletter and mailings	-	-	9,346	9,346
Event expenses	30	-	155,083	155,113
Other fundraising expenses	36,983	2,881	-	39,864
Thrift stores and auto sales expenses:				
Advertising and promotions	<u>109,655</u>	<u>-</u>	<u>5,801</u>	<u>115,456</u>
Total expenses before depreciation	<u>5,260,552</u>	<u>704,657</u>	<u>477,493</u>	<u>6,442,702</u>
Depreciation and amortization	<u>987,817</u>	<u>67,430</u>	<u>-</u>	<u>1,055,247</u>
Total expenses	<u>\$ 6,248,369</u>	<u>\$ 772,087</u>	<u>\$ 477,493</u>	<u>\$ 7,497,949</u>

BRIDGE HOUSE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS PROVIDED BY (USED BY)</u>		
<u>OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 73,090	\$ 2,073,098
Adjustments to reconcile change in net assets to cash provided by (used by) operating activities:		
Depreciation and amortization	440,463	1,055,247
Provision for bad debts	102,549	173,290
Change in discount on promises to give	195,609	-
Net unrealized (gain) loss on investments	972,645	(805,549)
Net realized (gain) loss on sale of investments	(319,230)	(46,669)
Investment (income) loss on restricted funds	1,817	(4,815)
Donated assets/investments included in public support	(4,935)	(590,000)
(Increase) decrease in:		
Grants and contracts receivable	(41,305)	60,800
Prepaid expenses	(30,293)	96,056
Promises to give	(830,707)	(430,960)
Inventories	(40,994)	32,400
Deposits	(4,980)	25,378
Increase (decrease) in:		
Accounts payable and accrued expenses	(17,706)	123,314
Deferred revenue	-	(51,166)
	<u>496,023</u>	<u>1,710,424</u>
<u>CASH FLOWS PROVIDED BY (USED BY)</u>		
<u>INVESTING ACTIVITIES:</u>		
Capital expenditures	(2,052,107)	(275,633)
Proceeds from sale of investments	4,497,923	3,560,361
Purchase of investments	(2,701,102)	(4,582,098)
	<u>(255,286)</u>	<u>(1,297,370)</u>
<u>CASH FLOWS PROVIDED BY (USED BY)</u>		
<u>FINANCING ACTIVITIES:</u>		
Principal payments on notes payable	(221,012)	(125,000)
	<u>(221,012)</u>	<u>(125,000)</u>
Net increase in cash and cash equivalents	19,725	288,054
Cash and cash equivalents at beginning of year	<u>1,180,280</u>	<u>892,226</u>
Cash and cash equivalents at end of year	<u>\$ 1,200,005</u>	<u>\$ 1,180,280</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(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, 2018 AND 2017

(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, 2018 and 2017, 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, 2018 and 2017, Bridge House provided \$102,549 and \$173,290, 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, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

No Level 2 or Level 3 inputs were used by Bridge House.

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.

Contributions

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, 2018 AND 2017

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

Contributed Goods and Services

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*.

Promises to Give

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, 2018 and 2017.

Functional Expense Reporting

The cost of providing program and supporting services has been summarized by function, based on estimates developed by management's time and effort studies.

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).

As of December 31, 2018, Bridge House had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The 2015 through 2017 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 \$154,072 and \$115,456 for the years ended December 31, 2018 and 2017, respectively.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, "Not-for-Profit Entities." The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Bridge House Corporation has adjusted the presentation of these statements accordingly.

Subsequent Events

Subsequent events have been evaluated through June 6, 2019 which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND AVAILIBLTY OF FINANCIAL ASSETS

The following reflects Bridge House's financial assets as of December 31, 2018 and 2017, 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.

	2018	2017
Financial assets, at year end	\$ 10,636,529	\$ 12,447,257
Less those unavailalable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Beneficial interest in endowment fund	(38,302)	(40,119)
Restricted by donor with time or purpose restrictions	(1,330,784)	(582,925)
Board designated for future required funding of debt	(5,195,000)	(5,300,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,072,443	\$ 6,524,213

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.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(3) STATEMENT OF CASH FLOWS SUPPLEMENTARY DISCLOSURES

Cash paid during the year for:

	2018	2017
Interest	\$ 168,408	\$ 111,956

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. Noncash investing and financing activity for the year ending December 31, 2017 consist of a related party transaction further explained in Note 18.

(4) CONTRACTS RECEIVABLE AND REVENUE

Bridge House recognizes revenue arising from contracts with the State of Louisiana - Department of Health and Hospitals. Terms of the contracts provide for reimbursement of certain program costs up to specified maximum amounts or on a per diem basis for each client in the program.

(5) PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31st:

	2018	2017
Receivable in less than one year	\$ 268,333	\$ 174,293
Receivable in one to five years	478,334	241,667
Receivable in more than five years	515,000	15,000
Promises to give, gross	\$ 1,261,667	\$ 430,960
Less: discounts	(195,609)	-
Promises to give, net	\$ 1,066,058	\$ 430,960

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, 2018 and 2017.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(6) INVENTORIES

Inventories at December 31, 2018 and 2017 consist of:

	2018	2017
Donated thrift store items	\$ 63,386	\$ 50,598
Donated used cars	74,422	46,216
	137,808	96,814

(7) 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:

	2018	2017
Certificates of deposit and money market funds	\$ 1,592,295	\$ 1,565,344
Stocks, bonds, and mutual funds	6,377,056	8,849,308
	\$ 7,969,351	\$ 10,414,652

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

	2018	2017
Dividends and interest	\$ 269,158	\$ 180,433
Net realized gains	319,230	46,669
Management fees	(59,562)	(58,697)
Net unrealized gains (losses)	(972,645)	805,549
Total return on investments	\$ (443,819)	\$ 973,954

(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, 2018 and 2017, the beneficial interest in The Greater New Orleans Foundation's Bridge House Fund was a fair value of \$38,302 and \$40,119, respectively.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(8) BENEFICIAL INTEREST IN ENDOWMENT FUND (CONTINUED)

During the year ended December 31, 2018 and 2017, Bridge House incurred \$(1,817) and \$4,815, 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, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Endowment net assets, beginning of year	\$ 40,119	\$ 35,304
Interest and dividend income	274	271
Administrative fees	(334)	(306)
Net realized gains	1,634	507
Net unrealized gains (losses)	<u>(3,391)</u>	<u>4,343</u>
Endowment net assets, end of year	<u>\$ 38,302</u>	<u>\$ 40,119</u>

(9) PROPERTY AND EQUIPMENT AND DEPRECIATION

The cost of such property and equipment at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Land and buildings	\$ 15,506,576	\$ 12,256,576
Furniture, fixtures, and equipment	396,217	402,421
Building improvements	539,711	539,711
Leasehold improvements	342,578	342,578
Vehicles	<u>442,364</u>	<u>479,166</u>
	17,227,446	14,020,452
Less: accumulated depreciation	<u>(4,479,485)</u>	<u>(4,134,135)</u>
	<u>\$ 12,747,961</u>	<u>\$ 9,886,317</u>

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was \$440,463 and \$1,055,247, respectively.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(10) NOTES PAYABLE

Notes payable at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Due Within One Year</u>	<u>Due After One Year</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
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.	\$ 105,000	\$ 5,090,000	\$ 75,000	\$ 5,225,000
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.	112,118	1,106,870	116,171	1,218,829
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.	<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,467,118</u>	<u>\$ 6,196,870</u>	<u>\$ 191,171</u>	<u>\$ 6,443,829</u>

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

2019	\$ 1,467,118
2020	236,338
2021	240,957
2022	265,638
2023	883,937
Thereafter	<u>4,570,000</u>
	<u>\$ 7,663,988</u>

Interest costs charged to expenses for the years ended December 31, 2018 and 2017 were \$170,745 and \$111,956, respectively.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(11) DESIGNATED NET ASSETS

Net assets without donor restrictions at December 31, 2018 and 2017 includes \$5,195,000 and \$5,300,000, 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, 2018 and 2017, net assets with donor restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
Beneficial interest in endowment fund	\$ 38,302	\$ 40,119
Charitable bequest	32,500	35,000
Woodward property	324,948	430,960
Stratford property	814,936	-
Future fundraising events	<u>158,400</u>	<u>116,965</u>
Net assets with donor restrictions	<u>\$ 1,369,086</u>	<u>\$ 623,044</u>

As of December 31, 2018 and 2017, net assets released from donor restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
Charitable bequest	\$ 2,500	\$ 2,500
Woodward property	116,012	199,577
Future fundraising events	<u>116,965</u>	<u>103,750</u>
Net assets released from donor restrictions	<u>\$ 235,477</u>	<u>\$ 305,827</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 2018 and 2017 was \$315,195 and \$290,559, respectively.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(13) OPERATING LEASES (CONTINUED)

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2018 are:

2019	\$ 227,733
2020	209,133
2021	<u>158,733</u>
	<u>\$ 595,599</u>

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, 2019. Rental income for the year ended December 31, 2018 was \$50,000. Future minimum lease payments to be received under this lease total \$33,336 for the year ended December 31, 2019.

(14) COMMODITY ASSISTANCE

Bridge House participated in the United States Department of Agriculture Food Distribution Program for the years ended December 31, 2018 and 2017. The program provides food commodities to Bridge House to use in the preparation of meals for clients. The value of the donated commodities was \$280,103 and \$352,464 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 totaled \$704,633 and \$889,822, respectively.

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, 2018 and 2017, amounts in excess of insured limits totaled \$7,469,351 and \$9,914,652, respectively.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(15) CONCENTRATIONS OF CREDIT RISK (CONTINUED)

Approximately 11% of the Organization's accounts receivable, respectively, for the year ended December 31, 2018 is derived from grants from two federal agencies.

Approximately 23% of the Organization's revenue and grant receivable for the year ended December 31, 2017 is derived from grants from two federal agencies.

(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, 2018 and 2017.

(17) OTHER REVENUES

Included in other revenues was \$680,147 received from a confidential legal settlement for the year ended December 31, 2017.

(18) 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.

(19) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (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. Deferring the effective date of the amendments in Update No. 2014-09, the FASB has issued Update No. 2015-14, "*Revenue from Contracts with Customers - Deferral of the Effective Date ASU No. 2015-14*." Update No. 2015-14 permits entities to apply the guidance in Update No. 2014-09 to annual reporting periods beginning after December 15, 2018, and to interim reporting periods within annual reporting periods beginning after December 15, 2019. Bridge House plans to adopt this Update as applicable by the effective date.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(19) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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. The amendments in this Update are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Bridge House plans to adopt this Update as applicable by the effective date.

(20) RECLASSIFICATIONS

Certain items on the 2017 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, 2018

	Else Pedersen*
Time served	01/01/18 through 12/31/18
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, 2018, 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 June 6, 2019.

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
June 6, 2019

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.

June 6, 2019
New Orleans, Louisiana

A handwritten signature in cursive script that reads "Ericksen Krentel LLP".

Certified Public Accountants

BRIDGE HOUSE CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018.

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, 2018

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, 2018 THROUGH DECEMBER 31, 2018



ERICKSEN KRENTEL LLP
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, 2018 through December 31, 2018. 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.

June 6, 2019
New Orleans, Louisiana


Certified Public Accountants

BRIDGE HOUSE CORPORATION
AGREED-UPON PROCEDURES
JANUARY 1, 2018 – DECEMBER 31, 2018

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.
 - h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

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

BRIDGE HOUSE CORPORATION
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2018 – DECEMBER 31, 2018

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. There was evidence of approval for the Capital One operating account reconciliation, but not on other bank account reconciliations. There were no small reconciling items that were outstanding for more than 12 months.

Non-Payroll Disbursements (excluding credit card purchases/payments, travel reimbursements, and petty cash purchases)

3. **Procedures:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: Obtained a listing of entity disbursements from management and management's representation that the listing was complete. Only 1 location processes non-payroll disbursements.

4. **Procedures:** For each location selected under #4 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

BRIDGE HOUSE CORPORATION
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2018 – DECEMBER 31, 2018

- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: Obtained a listing of employees involved with non-payroll purchasing and payment functions from management and management's representation that the listing was complete. We noted all purchases are initiated by either a purchase order or check request. The persons with signing authority have no responsibility for initiating or recording purchases. The CFO is responsible for processing payments and is able to add vendors to the purchasing system. However, only the Executive Director has the authority to sign and mail checks.

5. **Procedures:** For each location selected under #4 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5, as applicable.

Results: All disbursement documentation tested matched related original invoice/billing statements and included a date/signature representing evidence of segregation of duties.

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

6. **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.

BRIDGE HOUSE CORPORATION
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2018 – DECEMBER 31, 2018

7. **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, 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.)]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: The monthly statements were approved in writing. However, the Chief Executive Officer approved her own credit card statement. There were no finance charges and/or late fees assessed on the selected statements.

8. **Procedures:** Using the monthly statements or combined statements selected under #8 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 Executive Director approves all monthly credit card statements. Only one transaction on the tested statements was missing supporting documentation, all other transactions had receipts. The missing receipt was accounted for and reviewed for a business purpose. 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.

BRIDGE HOUSE CORPORATION
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2018 – DECEMBER 31, 2018

Travel and Travel-Related Expense Reimbursement

9. **Procedures:** Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: Obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period and management's representation that the listing was complete. Only 1 transaction was found to be related to travel/travel-related expenses. The support provided met all requirements listed.

Contracts

10. **Procedures:** Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

BRIDGE HOUSE CORPORATION
AGREED-UPON PROCEDURES (CONTINUED)
JANUARY 1, 2018 – DECEMBER 31, 2018

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: Obtained a listing of all contracts in effect during the fiscal period and management's representation that the listing was complete. Selected 5 contracts and found they met all the requirements listed.



REBUILDING LIVES FOR MEN AND WOMEN WITH DIGNITY, HONOR & RESPECT

**BRIDGE HOUSE
GRACE HOUSE**

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Chief Executive
Officer

Michelle Gaiennie,
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Executive Director,
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Karen Tipton

**BRIDGE HOUSE CORPORATION
CORRECTIVE ACTION PLAN – AGREED-UPON PROCEDURES
JANUARY 1, 2018 – DECEMBER 31, 2018**

June 6, 2019

Louisiana Legislative Auditor

Bridge House Corporation respectfully submits the following corrective action plan for items identified pursuant to the Statewide Agreed-Upon Procedures Engagement prescribed by the Louisiana Legislative Auditor.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, LA 70119

Engagement Period: January 1, 2018 – December 31, 2018

The exceptions from the Statewide Agreed-Upon Procedures Report are discussed below:

Bank Reconciliations

Exceptions: There was evidence of approval for the operating account reconciliation, but not on other bank account reconciliations.

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

Exceptions: Although the vast majority of transactions tested had proper support, there were certain transactions that lacked itemized receipts. The business purpose of certain transactions was not explicitly documented. Meal charges did not explicitly state all individuals participating in meals. The Chief Executive Officer approved her own credit card statement.

Management's Response to Exceptions: Management has noted and agrees with the above exceptions. Management and its Board of Directors will





REBUILDING LIVES FOR MEN AND WOMEN WITH DIGNITY, HONOR & RESPECT

**BRIDGE HOUSE
GRACE HOUSE**

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Else Pedersen,
MBA, LAC
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Officer

Michelle Gaiennie,
LCSW
Executive Director,
Clinical Services

Kevin Gardere
Executive Director,
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consider the effects of such exceptions and the need to enhance key controls or compensating controls in the identified areas.

If there are any questions regarding this plan, please contact Else Pedersen, Chief Executive Officer, at (504) 821-7152.

Sincerely,


Signature

C.E.O.
Title

