

***BRIDGES FOR THE DEAF AND
HARD OF HEARING***

**FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2017 and 2016

BRIDGES FOR THE DEAF AND HARD OF HEARING

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Financial Statements as of and for the Year Ended June 30, 2017 and 2016:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Cash Flows	6
Statements of Functional Expenses	7 - 8
Notes to Financial Statements	9 - 16

MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bridges for the Deaf and Hard of Hearing:

We have audited the accompanying financial statements of Bridges for the Deaf and Hard of Hearing (a nonprofit organization) as of June 30, 2017 and 2016, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridges for the Deaf and Hard of Hearing as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
September 12, 2017

BRIDGES FOR THE DEAF AND HARD OF HEARING**STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 883,905	\$ 808,387
Promises to give	55,000	110,000
Accounts receivable, net of allowance for uncollectible accounts of \$9,000 in 2017 and \$4,600 in 2016	132,629	123,865
Grants receivable	69,769	34,816
Other current assets	<u>4,430</u>	<u>5,480</u>
Total current assets	1,145,733	1,082,548
INVESTMENTS IN MARKETABLE SECURITIES	6,667	7,558
NET PROPERTY AND EQUIPMENT	<u>1,954,701</u>	<u>2,015,750</u>
TOTAL ASSETS	<u>\$ 3,107,101</u>	<u>\$ 3,105,856</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 80,516	\$ 59,974
Total current liabilities	<u>80,516</u>	<u>59,974</u>
NET ASSETS:		
Unrestricted	2,964,596	2,927,504
Temporarily restricted	<u>61,989</u>	<u>118,378</u>
Total net assets	<u>3,026,585</u>	<u>3,045,882</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,107,101</u>	<u>\$ 3,105,856</u>

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

BRIDGES FOR THE DEAF AND HARD OF HEARING**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions and private grants	\$ 178,015	\$ 63,050	\$ 241,065
Government grants	149,699	-	149,699
Program service fees	1,381,369	-	1,381,369
Special events	49,060	-	49,060
Net investment return	2,080	-	2,080
Other income	1,493		1,493
Total	1,761,716	63,050	1,824,766
Net assets released from restrictions	119,439	(119,439)	-
Total revenues, gains and other support	1,881,155	(56,389)	1,824,766
EXPENSES:			
Program services	1,494,168	-	1,494,168
Fundraising	165,866	-	165,866
Management and general	184,029	-	184,029
Total expenses	1,844,063	-	1,844,063
CHANGE IN NET ASSETS	37,092	(56,389)	(19,297)
NET ASSETS:			
Beginning of year	2,927,504	118,378	3,045,882
End of year	\$ 2,964,596	\$ 61,989	\$ 3,026,585

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

BRIDGES FOR THE DEAF AND HARD OF HEARING**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions and private grants	\$ 183,337	\$ 131,200	\$ 314,537
Government grants	150,000	-	150,000
Program service fees	1,335,536	-	1,335,536
Special events	54,529	-	54,529
Net investment return	2,636	-	2,636
Loss on disposal of assets	1,741		1,741
Total	<u>1,727,779</u>	<u>131,200</u>	<u>1,858,979</u>
Net assets released from restrictions	<u>123,064</u>	<u>(123,064)</u>	<u>-</u>
Total revenues, gains and other support	<u>1,850,843</u>	<u>8,136</u>	<u>1,858,979</u>
 EXPENSES:			
Program services	1,412,092	-	1,412,092
Fundraising	197,112	-	197,112
Management and general	170,412	-	170,412
Total expenses	<u>1,779,616</u>	<u>-</u>	<u>1,779,616</u>
 CHANGE IN NET ASSETS	71,227	8,136	79,363
 NET ASSETS:			
Beginning of year	<u>2,856,277</u>	<u>110,242</u>	<u>2,966,519</u>
 End of year	<u><u>\$ 2,927,504</u></u>	<u><u>\$ 118,378</u></u>	<u><u>\$ 3,045,882</u></u>

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

BRIDGES FOR THE DEAF AND HARD OF HEARING**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (19,297)	\$ 79,363
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	74,329	68,025
Unrealized (gains) losses on investments	891	(843)
Provision for uncollectible accounts and loans receivable	4,400	100
Net changes in operating assets and liabilities:		
Promises to give and other receivables	6,883	(40,155)
Other current assets	1,050	(2,132)
Accounts payable and accrued liabilities	20,542	(8,043)
Net cash provided by operating activities	<u>88,798</u>	<u>96,315</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(13,280)</u>	<u>(39,933)</u>
Net cash used in investing activities	<u>(13,280)</u>	<u>(39,933)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	75,518	56,382
CASH AND CASH EQUIVALENTS, BEGINNING	<u>808,387</u>	<u>752,005</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 883,905</u>	<u>\$ 808,387</u>

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

BRIDGES FOR THE DEAF AND HARD OF HEARING

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services					Supporting Services		Total Expenses
	Adult Education & Outreach	Interpreting Services	Youth Education & Programs	Empowerment & Advocacy	Total Program	Fundraising	Management and General	
Salaries and employee benefits	\$ 62,675	\$ 262,543	\$ 100,034	\$ 62,219	\$ 487,471	\$ 93,109	\$ 140,372	\$ 720,952
Telephone	715	3,519	1,566	448	6,248	756	979	7,983
Postage and mailing	23	115	57	25	220	3,395	85	3,700
Computer related	873	12,620	2,224	947	16,664	4,717	1,050	22,431
Conferences and workshops	5	2,274	35	60	2,374	54	-	2,428
Books, subscriptions and dues	16	617	65	18	716	1,605	336	2,657
Insurance	1,256	5,644	5,606	1,356	13,862	1,446	5,444	20,752
Utilities	4,847	1,782	8,778	454	15,861	875	5,009	21,745
Janitorial and grounds	899	4,124	2,187	972	8,182	975	1,471	10,628
Maintenance and repair	598	2,660	2,028	653	5,939	591	1,287	7,817
Equipment rental	273	1,264	664	294	2,495	306	446	3,247
Supplies	1,808	1,705	1,400	826	5,739	5,753	1,919	13,411
Advertising and public relations	31	124	470	33	658	1,779	874	3,311
Professional fees - interpreters	1,979	792,082	1,233	337	795,631	128	455	796,214
Professional fees - other	8,090	7,065	150	-	15,305	24,059	8,643	48,007
Vehicles and travel	918	9,745	3,735	720	15,118	214	267	15,599
Youth activities	-	-	13,156	-	13,156	-	-	13,156
Fundraising expenses	-	-	-	-	-	17,311	-	17,311
Educational awareness	2,000	-	-	-	2,000	-	-	2,000
Staff and board development	77	2,636	199	89	3,001	116	2,695	5,812
Miscellaneous expense	8,399	8,705	2,212	917	20,233	1,375	2,275	23,883
Bad debts	-	6,690	-	-	6,690	-	-	6,690
Total expenses before depreciation	95,482	1,125,914	145,799	70,368	1,437,563	158,564	173,607	1,769,734
Depreciation	6,150	28,362	15,366	6,727	56,605	7,302	10,422	74,329
Total expenses	<u>\$ 101,632</u>	<u>\$ 1,154,276</u>	<u>\$ 161,165</u>	<u>\$ 77,095</u>	<u>\$ 1,494,168</u>	<u>\$ 165,866</u>	<u>\$ 184,029</u>	<u>\$ 1,844,063</u>

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

BRIDGES FOR THE DEAF AND HARD OF HEARING

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services					Supporting Services		Total Expenses
	Adult Education & Outreach	Interpreting Services	Youth Education & Programs	Empowerment & Advocacy	Total Program	Fundraising	Management and General	
Salaries and employee benefits	\$ 72,490	\$ 186,405	\$ 101,031	\$ 41,279	\$ 401,205	\$ 114,888	\$ 99,619	\$ 615,712
Telephone	999	2,815	1,304	413	5,531	1,400	571	7,502
Postage and mailing	160	395	231	66	852	2,893	343	4,088
Computer related	1,251	12,162	3,915	629	17,957	17,194	5,384	40,535
Conferences and workshops	53	1,168	78	67	1,366	995	194	2,555
Books, subscriptions and dues	87	1,398	165	34	1,684	194	415	2,293
Insurance	2,062	5,345	5,971	927	14,305	3,268	6,876	24,449
Utilities	4,726	1,738	8,558	442	15,464	853	4,884	21,201
Janitorial and grounds	1,101	2,887	1,584	547	6,119	1,722	1,352	9,193
Maintenance and repair	1,098	1,832	1,836	417	5,183	1,077	863	7,123
Equipment rental	370	935	532	174	2,011	585	458	3,054
Supplies	1,014	1,962	2,579	590	6,145	1,322	1,249	8,716
Advertising and public relations	10	150	52	-	212	9,040	64	9,316
Professional fees - interpreters	1,056	815,921	532	170	817,679	659	224	818,562
Professional fees - other	640	11,120	59	32	11,851	8,998	17,072	37,921
Vehicles and travel	922	4,785	4,886	1,266	11,859	290	187	12,336
Youth activities	-	-	13,809	-	13,809	-	-	13,809
Fundraising expenses	-	-	-	-	-	15,281	-	15,281
Educational awareness	3,000	-	-	-	3,000	-	-	3,000
Staff and board development	73	369	108	56	606	344	4,644	5,594
Miscellaneous expense	12,983	9,825	2,646	1,004	26,458	3,302	15,893	45,653
Bad debts	-	3,698	-	-	3,698	-	-	3,698
Total expenses before depreciation	104,095	1,064,910	149,876	48,113	1,366,994	184,305	160,292	1,711,591
Depreciation	8,149	20,980	11,719	4,250	45,098	12,807	10,120	68,025
Total expenses	<u>\$ 112,244</u>	<u>\$ 1,085,890</u>	<u>\$ 161,595</u>	<u>\$ 52,363</u>	<u>\$ 1,412,092</u>	<u>\$ 197,112</u>	<u>\$ 170,412</u>	<u>\$ 1,779,616</u>

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

BRIDGES FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

NOTE 1 – THE ENTITY

Bridges for the Deaf and Hard of Hearing ("Bridges"), formerly known as Hearing Bridges, serves the Deaf and hard of hearing communities through a variety of programs and services. We envision a world without barriers and filled with self-realization and empowerment.

Our annual report for 2016-17 can be found at bridgesannualreport.org.

Adult Education & Outreach This program teaches ASL I, II, and III and provides workshops, trainings, assistive device trainings, and employer orientations. AEO served 275 students in American Sign Language (ASL) I, II, and III classes as well as starting a new parent-child ASL class that served 23 parents and children. Another 239 students learned ASL in six, local schools. AEO presented 63 workshops on Deaf culture and ASL in Middle Tennessee businesses, universities, and agencies, reaching over 2,011 unduplicated clients. Topics included working with Deaf and Hard of Hearing individuals, technology, basic ASL, Deaf culture, and more. Bridges works with law enforcement agencies to provide training both to law enforcement and to individuals so that interactions between law enforcement and Deaf or hard of hearing individuals are safe and effective. We offer the same services for EMTs and other first responders. Adult Education & Outreach also offers our fitness center with classes and personal trainers fully accessible to the Deaf and hard of hearing.

In community building, AEO implemented Game Days and Field Trips. Game Days are monthly potlucks with card and board games. Field trips are outings that have included historical sites, the County Music Hall of Fame, and The Grinch at Opryland.

LivingWell, operating under AEO, served a record 113 fitness clients with 86% completing half or more of personal plan goals. WellFEST had a record 260 attendees who learned more about personal, physical, and mental health and well-being with workshops and booths on language, estate planning, blood pressure checks, and more.

Empowerment & Advocacy, a critical piece of Adult Education & Outreach, is our re-imagined and re-launched case management service led by a highly-qualified social worker. E&A served 167 individual clients and helped 141 of those clients achieve resolution of at least one goal within 8 months of developing plan. Many of those goals were around housing and job placement. Other priorities were food security, training opportunities, educational advocacy, and advocacy for access to health care, mental health care, and other services.

E&A coordinated twelve workshops and spoke at twenty-four meetings around the city.

E&A also played a critical role in our criminal justice summit and in developing our collaboration with Mental Health Coop to provide onsite services.

Interpreting Services served 647 individuals, not including students and audiences. Over 25,000 hours of interpreting services were provided by three staff interpreters and more than forty contract interpreters, including 370.25 hours by Deaf interpreters. Certified Deaf Interpreters (CDIs) are highly-qualified interpreters who team with hearing interpreters to meet the specific needs of clients where there is an additional language barrier.

BRIDGES FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 1 – THE ENTITY (CONTINUED)

Interpreting Services also provided 1,807 Video Remote Interpreting (VRI) minutes. VRI allows us to provide services quickly and cost-effectively to remote areas but never replaces the value and quality of having an interpreter in person.

Interpreting Services played a critical role in our criminal justice summit and continues to work with courts and law enforcement to ensure best practices and legal compliance when working with the Deaf and hard of hearing community. They also worked to establish best practices in mental health settings, training the staffs of four providers.

Youth Education & Services dubbed themselves 'The Signing ACEs,' Advocacy, Community, Empowerment. Forty-three students from Middle Tennessee were enrolled in the after-school program that met three days a week, serving students from 1st to 12th grades. 81% demonstrated a 15% or higher increase in communication (English/ASL). 77% improved wellness, and 85% improved social-emotional skills.

Camp Rise & Sign was a sleep-away camp for Deaf and hard of hearing students. We had 46 campers in May. Camp Sign Me Up was a weekday camp for hearing students who wanted to learn American Sign Language. Filled to capacity each week, we implemented a new, intensive teen week and then invited the teens back as junior counselors to help with the six to twelve year old campers.

New programs included Saturday School, a tutoring and enrichment program for middle schoolers, Baby ACE & Me, a language acquisition and family bonding program for infants through toddlers, and a parent-child ASL class.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2017 and 2016 in these financial statements refer to the years ended June 30, 2017 and 2016 unless otherwise noted

Financial Statement Presentation

Bridges is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted – This class includes net assets that are not subject to any donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – This class includes net assets whose use by Bridges is subject to donor-imposed restrictions that can be fulfilled by actions of Bridges pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

BRIDGES FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

Temporarily Restricted – Additionally, any temporarily restricted contributions whose restrictions are met in the same reporting year are shown as unrestricted revenues.

Permanently Restricted – This class includes net assets subject to donor-imposed restrictions that require the assets to be maintained permanently by Bridges. Generally, the donors of these assets permit Bridges to use all or part of the income earned on any related investments for general or specific purposes.

See Note 7 for further details related to net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Bridges considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Bridges may, at times, maintain bank accounts whose balances exceed federally insured limits. However, Bridges has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Investments in Marketable Securities

The fair value measurement accounting literature has established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority.

Bridges uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Bridges measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Gains and losses, whether realized or unrealized, are included in the statement of activities and changes in net assets.

See Note 3 for further details related to investments.

Contributions, Grants and Promises to Give

Contributions are recognized as revenues when the donor makes a promise to give to Bridges that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

BRIDGES FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Grants and Promises to Give (continued)

All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Bridges also receives grant revenue from government agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Bridges uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2017 and 2016, management deemed all promises to give to be fully collectible, and no allowances have been recorded.

See Note 4 for further details related to promises to give.

Receivables and Allowance for Uncollectible Accounts

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Unpaid accounts receivable with invoice dates over 30 days old bear interest at 1% per month. Accounts receivable and loans receivable are stated at unpaid balances, less an allowance for uncollectible accounts.

Bridges provides for losses on accounts receivable using the allowance method. The allowance is estimated by management based upon historical experience, current economic conditions, and projections of trends. Uncollectible accounts receivable and loans receivable are written off when management determines that the related receivable will not be collected.

Property and Equipment

Property and equipment in excess of \$1,000 are recorded at cost at the date of purchase or fair value at the date of gift. Depreciation expense is computed by using the straight-line method over the estimated useful lives of the related assets, which range from five to ten years for furniture and equipment and forty years for the building.

See Note 5 for further details related to property and equipment.

Income Taxes

Bridges is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

BRIDGES FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

Bridges files an annual information return (Form 990) with the U.S. government. At June 30, 2017, Bridges is no longer subject to U.S. tax examinations of these returns by tax authorities for years before June 30, 2014.

Donated Materials and Services

Donated services are recognized, at fair value, if they create or enhance nonfinancial assets or require specialized skills and would be purchased by Bridges if not contributed. During 2017, volunteers donated 4,302 hours (6,872 in 2016) of skilled and unskilled services.

Volunteer hours were valued at \$24.14 (\$23.56 in 2016) per hour by The Independent Sector, creating a total value of \$103,850 and \$161,904 in 2017 and 2016, respectively. These services did not meet the criteria for recognition and are not included in the Statement of Activities.

Donated assets and rights or benefits (e.g. leases, etc.) are recognized at fair value on the date contributed.

Functional Allocation of Expenses

Expenses, which are directly related to a function, are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods in order to reflect the total cost of each function.

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (the "ASU"), which affects all nonprofit organizations. The ASU significantly changes how not-for-profit organizations present net assets on the face of the financial statements, as well as requiring additional disclosures for expenses by nature and function and for the liquidity and availability of resources. The ASU is effective for annual financial statements for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. Bridges expects to adopt the provisions of the ASU in the financial statements for the fiscal year ending June 30, 2019. Management is currently assessing the impact that the adoption of the ASU will have on the financial statements.

Estimates

The preparation of financial statements in conformity with U.S. 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.

BRIDGES FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After the Reporting Date

Bridges has evaluated events and transactions that occurred between June 30, 2017 and September 12, 2017, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 – INVESTMENTS IN MARKETABLE SECURITIES

Bridges' investments consist entirely of marketable equity securities, which are recorded at fair value using Level 1 inputs based on the quoted market prices of the shares of common stock held by Bridges. Bridges had no investments that required the use of Level 2 or Level 3 inputs. The fair value and cost of these investments in marketable equity securities were as follows at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Fair value	\$ 6,667	\$ 7,558
Cost	(1,338)	(1,338)
Net unrealized gains	<u>\$ 5,329</u>	<u>\$ 6,220</u>

The net investment return consisted of the following for 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest income on cash equivalents	\$ 2,966	\$ 1,789
Dividend income	5	4
Net unrealized gains (losses) during the year	(891)	843
Net investment return	<u>\$ 2,080</u>	<u>\$ 2,636</u>

NOTE 4 – PROMISES TO GIVE

Promises to give consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
For subsequent fiscal year's operations:		
The Healing Trust	\$ 55,000	\$ 55,000
For specific purposes:		
United Way	-	50,000
Tennessee Disability Coalition	-	5,000
Total promises to give	<u>\$ 55,000</u>	<u>\$ 110,000</u>

The carrying value of these promises to give approximates fair value.

BRIDGES FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 122,794	\$ 122,794
Building and improvements	1,897,540	1,897,539
Office furniture and equipment	195,556	204,607
Vehicles	25,500	25,500
Total cost	2,241,390	2,250,440
Less accumulated depreciation	(286,689)	(234,690)
Property and equipment, net	<u>\$ 1,954,701</u>	<u>\$ 2,015,750</u>

NOTE 6 – LEASES

Bridges has a lease agreement with an unrelated party to lease a copier. The agreement expires in 2021. Rent expense totaled \$1,854 and \$1,794 for 2017 and 2016, respectively.

Future minimum lease payments under the terms of this operating lease as of June 30, 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Future Payments</u>
2018	\$ 2,154
2019	2,154
2020	2,154
2021	1,795
Total	<u>\$ 8,257</u>

NOTE 7 – NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
For subsequent fiscal year's operations:		
The Healing Trust	\$ 55,000	\$ 55,000
For specific purposes:		
Youth, case management and wellness	-	50,000
Education, literacy and community outreach	6,789	13,178
Scholarships	200	200
Total temporarily restricted net assets	<u>\$ 61,989</u>	<u>\$ 118,378</u>

BRIDGES FOR THE DEAF AND HARD OF HEARING

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 7 – NET ASSETS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions or by the passage of time restrictions during 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Passage of time restrictions:		
The Healing Trust	\$ 55,000	\$ 60,000
Satisfaction of specific purposes:		
Youth, case management and wellness	50,000	50,000
Education and community outreach	13,178	11,822
90 signs in 90 days	833	-
Scholarships	-	1,000
Literacy	428	242
Total net assets released from restrictions	<u>\$ 119,439</u>	<u>\$ 123,064</u>

NOTE 8 – EMPLOYEE BENEFIT PLANS

Bridges maintains a 401(k) retirement benefit plan. Employees are eligible to participate in the 401(k) plan after completing one year of service and attaining age twenty-one. Bridges matches employee contributions to the plan for all eligible employees in an amount equal to the lesser of 100% of salary reduction contributions deferred during the plan year or 3% of compensation.

Bridges also maintains a defined contribution employee pension plan. That plan was frozen effective December 31, 2008, and all contributions ceased as of that date.

The total expenses related to these plans were \$8,232 and \$7,166 for 2017 and 2016, respectively.

NOTE 9 – COMMITMENTS

Grant expenditures are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements to the grantors would not be significant. Accordingly, no provision has been made for potential reimbursements.

NOTE 10 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Bridges to concentrations of credit risk principally consist of promises to give, accounts receivable, and grants receivable. At June 30, 2017, three entities comprised the entire balance of promises to give and grants receivable. At June 30, 2016, three entities comprised 91% of the balance of promises to give and grants receivable. These entities accounted for \$279,500 and \$255,000 of contributions and grants recognized by Bridges during 2017 and 2016, respectively.

During 2017 and 2016, one entity accounted for 20.5% and 15.4%, respectively, of total program service fees.