

**THE PENINSULA BRIDGE PROGRAM**

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**FINANCIAL STATEMENTS**

December 31, 2018



# THE PENINSULA BRIDGE PROGRAM

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Peninsula Bridge Program  
Menlo Park, California

We have audited the accompanying financial statements of The Peninsula Bridge Program (a nonprofit organization; the "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.

### *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. 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 auditors' 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 auditors consider 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 the The Peninsula Bridge Program as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*BPM LLP*

Menlo Park, California  
May 21, 2019

# THE PENINSULA BRIDGE PROGRAM

## STATEMENT OF FINANCIAL POSITION

As of December 31, 2018

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### ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,303,866
Certificates of deposit	986,660
Unconditional promises to give receivable, net, current portion	891,735
Prepaid expenses and other assets	<u>53,211</u>
Total current assets	3,235,472
Unconditional promises to give receivable, less current portion	289,383
Property and equipment, net	<u>22,547</u>
Total assets	<u><u>\$ 3,547,402</u></u>

### LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 41,343
Accrued expenses	89,064
Total current liabilities	<u>130,407</u>
Net assets:	
Without donor restrictions:	
Undesignated	2,276,379
With donor restrictions	<u>1,140,616</u>
Total net assets	<u>3,416,995</u>
Total liabilities and net assets	<u><u>\$ 3,547,402</u></u>

# THE PENINSULA BRIDGE PROGRAM

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Contributions	\$ 1,351,148	\$ 997,041	\$ 2,348,189
Special event, net	823,801	-	823,801
Gifts in kind	11,542	-	11,542
Program service fees	20,000	-	20,000
Interest income	10,756	-	10,756
Other	7,063	-	7,063
Total revenue and other support	2,224,310	997,041	3,221,351
Restrictions satisfied by payments	813,042	(813,042)	-
Total revenue and other support with restrictions satisfied by payments	3,037,352	183,999	3,221,351
Expenses:			
Program services:			
Summer School	633,160	-	633,160
Middle School Academy	697,293	-	697,293
High School Academy	629,540	-	629,540
College	356,392	-	356,392
Total program services	2,316,385	-	2,316,385
Supporting services:			
Administration	223,396	-	223,396
Fund development	330,954	-	330,954
Total supporting services	554,350	-	554,350
Total expenses	2,870,735	-	2,870,735
Total increase in net assets	166,617	183,999	350,616
Net assets, beginning of year	2,109,762	956,617	3,066,379
Net assets, end of year	\$ 2,276,379	\$ 1,140,616	\$ 3,416,995

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

**THE PENINSULA BRIDGE PROGRAM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2018

	Summer School	Middle School Academy	High School Academy	College	Total Program Services	Administration	Fund Development	Total Supporting Services	Total
Functional expenses:									
Salaries	\$ 135,195	\$ 395,300	\$ 334,034	\$ 214,620	\$ 1,079,149	\$ 81,704	\$ 231,679	\$ 313,383	\$ 1,392,532
Payroll taxes and benefits	28,521	76,153	64,894	39,888	209,456	20,885	42,240	63,125	272,581
Total salaries and related expenses	163,716	471,453	398,928	254,508	1,288,605	102,589	273,919	376,508	1,665,113
School programs	448,447	97,971	19,250	58,312	623,980	-	-	-	623,980
Conferences, conventions, meetings	-	1,775	41,360	2,494	45,629	384	-	384	46,013
Donated materials and supplies	-	2,586	-	2,586	5,172	2,586	-	2,586	7,758
Insurance	3,184	3,184	3,184	3,184	12,736	1,472	2,547	4,019	16,755
Meals and entertainment	86	2,210	3,313	730	6,339	2,733	2,582	5,315	11,654
Miscellaneous	-	461	3,030	1,338	4,829	9,887	-	9,887	14,716
Postage and delivery	455	1,177	84	36	1,752	501	834	1,335	3,087
Printing and publications	619	5,054	3,004	1,389	10,066	3,192	13,279	16,471	26,537
Contract services	4,690	39,663	100,357	390	145,100	68,924	31,087	100,011	245,111
Occupancy	5,976	15,378	15,627	5,976	42,957	3,208	4,659	7,867	50,824
Supplies	4,326	22,202	28,284	7,351	62,163	21,235	916	22,151	84,314
Telephone and telecommunications	1,061	1,321	1,280	1,061	4,723	598	848	1,446	6,169
Travel	600	7,456	11,839	17,037	36,932	6,087	283	6,370	43,302
Total expenses before depreciation	633,160	671,891	629,540	356,392	2,290,983	223,396	330,954	554,350	2,845,333
Depreciation	-	25,402	-	-	25,402	-	-	-	25,402
Total expenses	<u>\$ 633,160</u>	<u>\$ 697,293</u>	<u>\$ 629,540</u>	<u>\$ 356,392</u>	<u>\$ 2,316,385</u>	<u>\$ 223,396</u>	<u>\$ 330,954</u>	<u>\$ 554,350</u>	<u>\$ 2,870,735</u>

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

# THE PENINSULA BRIDGE PROGRAM

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

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Cash flows from operating activities:	
Change in net assets	\$ 350,616
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	25,402
Net realized and unrealized gain on bad debt recovery investments	(6,055)
Allowance for doubtful accounts	(1,282)
Discount on unconditional promises to give receivables	13,001
Donated investment securities	(124,546)
Changes in operating assets and liabilities:	
Unconditional promises to give receivable	(313,408)
Prepaid expenses and other assets	(26,400)
Accounts payable	28,259
Accrued expenses	3,778
Net cash used in operating activities	<u>(50,635)</u>
Cash flows from investing activities:	
Proceeds received from redemption of certificates of deposit	1,361,537
Purchases of certificates of deposit	<u>(979,000)</u>
Net cash provided by investing activities	<u>382,537</u>
Net increase in cash and cash equivalents	331,902
Cash and cash equivalents, beginning of year	<u>971,964</u>
Cash and cash equivalents, end of year	<u>\$ 1,303,866</u>

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

# THE PENINSULA BRIDGE PROGRAM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### 1. Summary of Significant Accounting Policies

#### *The Organization*

The Peninsula Bridge Program (the “Organization”) was incorporated on October 4, 1995, as a nonprofit corporation.

The Organization is a 12-year college access and completion program for high-achieving, low-income students living on the Peninsula. The Organization has provided hundreds of first-generation students with year-round academic and social emotional support from 5<sup>th</sup> grade through college graduation. The Organization is helping to break the cycle of poverty and greatly increase students’ chances for success in school, life and career.

All the Organization’s programs are rigorous and engaging. The primary goal is to provide educational access and support, while fostering the personal confidence, sense of belonging and self-esteem needed to pursue educational and lifetime dreams. With a high-quality teaching staff, mentoring and tutoring, an innovative curriculum, and long-term commitment from participants, the Organization prepares students to meet the challenges of academic success.

Partnering and engaging parents is critical to the success of their students, so the Organization offers parent education workshops and community-building opportunities during the school year. The staff maintains ongoing communications with parents, students and schools in both the middle and high school programs.

During 2018, the Organization served 631 students: 421 middle school students, 192 high school students, and 18 college students.

#### *Nature of Activities*

The following three programs are included in the accompanying financial statements:

##### (1) Middle School Academy

The Organization partners with the San Mateo, Redwood City, Ravenswood and Mountain View Whisman school districts to provide expanded learning day programs for 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> grade students also enrolled in the summer program. The after-school program runs for two and one half hours, two days a week and includes small group, engaging instruction using a blended learning, inquiry-based model.

8<sup>th</sup> grade students attend Saturday workshops during the school year to prepare for high school. Students develop skills in advocacy, public speaking, leadership, critical thinking, problem solving, collaboration, study skills and time management. Parents also attend workshops in financial planning, the teenage brain, and technology.



# THE PENINSULA BRIDGE PROGRAM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### 1. Summary of Significant Accounting Policies, continued

#### *Nature of Activities*, continued

#### **(2) High School Academy and College Mentoring**

The High School Academy provides students with year-round academic counseling, mentoring, tutoring, workshops and field trips focused on high school success and college and career readiness. Academic Counselors at the Organization partner closely with students, parents and high schools to ensure all students stay on the college path. As students move into 11<sup>th</sup> and 12<sup>th</sup> grades, the team offers personalized college counseling that includes SAT test prep, interview skills, college research, application essays, and financial aid.

College advising and workshops will be offered to all students attending college, to help them stay on track for graduation and career. The first cohort of 18 seniors being supported during the 2017-18 school year will all be entering college in the fall of 2018. Prior to this, the Organization has supported 10 or fewer college students through a volunteer mentoring program and staff support.

#### **(3) Summer School**

Our middle school students in grades five through eight participate in a five-week summer program at six independent Bay Area school locations that includes Castilleja, Crystal Springs Uplands, Menlo School, Sacred Heart Schools, St. Matthews Episcopal Day School, and Woodside Priory.

Experienced teachers lead Algebra and English classes that are aligned with Common Core Standards. Students develop critical thinking skills and a love of learning through an engaging, hands-on curriculum and electives ranging from nutrition to art and robotics. STEM classes in coding, robotics, and 3-D design and printing show students real world applications of computer science.

#### ***Basis of Accounting***

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

#### ***Basis of Presentation***

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly the Organization classified its net assets and changes in net assets as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.
- **Net Assets With Donor Restrictions** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization does not hold any funds in perpetuity as of December 31, 2018. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# THE PENINSULA BRIDGE PROGRAM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### 1. Summary of Significant Accounting Policies, continued

#### *Concentration of Credit Risk*

The Organization maintains its cash and cash equivalents in commercial checking and savings accounts. Periodically throughout the year, cash is maintained at the bank in excess of the insured (FDIC) amount of \$250,000.

#### *Cash and Cash Equivalents*

The Organization considers all highly liquid investments with a maturity of three-months or less when purchased to be “cash equivalents.”

#### *Certificates of Deposit*

The Organization holds certificates of deposit of \$986,660, which bear interest at 1.8% to 2.5% as of December 31, 2018 and mature through November 2019.

#### *Fair Value Measurement*

Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

U.S. GAAP established a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair value determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization’s assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

# THE PENINSULA BRIDGE PROGRAM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### 1. Summary of Significant Accounting Policies, continued

#### *Promises to Give*

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible, unconditional promises to give receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. An allowance for uncollectible, unconditional promises to give receivable in the amount of \$7,953 for 2018 has been provided for all estimated uncollectible amounts at the financial statement date.

#### *Property and Equipment, net*

Property and equipment are stated at cost of acquisition or construction or at fair value if donated. The cost of maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives of computers and equipment are estimated at three years.

The Organization capitalizes and depreciates significant assets with values of \$7,500 or more.

#### *Donated Assets*

Donated marketable securities and other noncash donations are recorded as contributions at the value realized upon their sale. Included in contribution revenues are donated marketable securities of \$124,546 in 2018.

#### *Contributions*

Contribution revenue is recognized when contributions are received. All contributions are considered available for general operations unless specifically restricted by the donor.

The Organization reports contributions as donor restricted if such contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, donor restricted net assets are reclassified as without donor restricted net assets and reported as net assets released from restrictions.

#### *Special Events*

The Organization conducts one special event per year – Peninsula Bridge Benefit Dinner. The donation revenue is recognized when the money is received for the current year's event. If the money is for the future year's event, the Organization will book it as deferred revenue. The event is conducted solely as a fundraising activity, direct benefits received by donors or attendees are reported as special event costs. All other direct and indirect costs are reported as fundraising expenses when incurred.

# THE PENINSULA BRIDGE PROGRAM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### 1. Summary of Significant Accounting Policies, continued

#### *Functional Expense Allocation*

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of facility square footage or estimates of time devoted by staff to the related functions. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

#### *Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Income Taxes*

No provision has been made for income taxes, as the Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and state income taxes under Section 23701(d) of the California Revenue Taxation Code.

#### *Change in Accounting Principles*

During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standard Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14") required for annual reporting periods beginning after December 15, 2017. This ASU 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 between not-for-profit entities. A key change required by ASU 2016-14 is the net classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability and a statement of functional expenses has also been added.

#### *Recent Accounting Pronouncements*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which converges the FASB and the International Accounting Standards Board standards on revenue recognition. The ASU supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized, based upon the core principle that revenue is recognized to depict the transfer of 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. The guidance also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The ASU is effective for fiscal years beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the adoption of this ASU on its financial statements.

# THE PENINSULA BRIDGE PROGRAM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### 1. Summary of Significant Accounting Policies, continued

#### *Recent Accounting Pronouncements*, continued

In February 2016, the FASB issued ASU 2016-02, *Leases* (842). The new guidance requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The new guidance is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early application is permitted. The Organization is in the process of evaluating the impact of the new guidance on its financial statements.

### 2. Liquidity and Availability

The Organization's financial assets available for general expenditures within one year of the statement of financial position date are as follows as of December 31, 2018:

Cash and cash equivalents	\$	1,303,866
Certificates of deposit		986,660
Unconditional promises to give receivable, current		891,735
Total financial assets		<u>3,182,261</u>
Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions		<u>(1,140,616)</u>
Financial assets available to meet general expenditures within one year	\$	<u>2,041,645</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs, which are ongoing, major, and central to its annual operations, to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. On an annual basis, the Organization generates some excess cash after covering all funding needs. The excess cash is deposited into money market funds or certificates of deposit to maximize returns while ensuring the Organization has access to funds at all times to meet liquidity needs. Excess cash deposited in money market accounts and certificates of deposit are available within one-year.

# THE PENINSULA BRIDGE PROGRAM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### 3. Unconditional Promises to Give Receivable, Net

Unconditional promises to give receivable, net consists of the following as of December 31, 2018:

Receivable in less than one year	\$	920,641
Receivable in one to five years		289,383
Less: discount to present value		(20,953)
Less: allowance for uncollectible accounts		(7,953)
		<hr/>
	\$	1,181,118
		<hr/>

### 4. Property and Equipment, Net

Property and equipment, net consists of the following as of December 31, 2018:

Computers and equipment	\$	73,350
Less: accumulated depreciation		(50,804)
		<hr/>
	\$	22,546
		<hr/>

Depreciation expense was \$25,402 for the year ended December 31, 2018.

### 5. Lease

The Organization has a facility lease agreement through December 2019. The future minimum rental payments under the lease will be approximately \$26,000 for 2019. In addition, the Organization rents classrooms on a month-to-month basis. Total rent expenses was \$38,474 for the year ended December 31, 2018.

### 6. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purpose as of December 31, 2018:

Time restricted - general operations	\$	978,575
Purpose restricted:		
College Access		100,000
Mental Health		30,000
5th Grade Academy		20,000
Scholarships		12,041
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	\$	1,140,616
		<hr/>

# THE PENINSULA BRIDGE PROGRAM

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### 6. Net Assets with Donor Restrictions, continued

Net assets with donor restrictions released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors were as follows during the year ended December 31, 2018:

Purpose and time restrictions accomplished:

Time restricted - general operations	\$	738,041
College Access		50,000
Listen for Good Project		15,000
Middle School Academy STEM		10,000
	\$	<u>813,041</u>

### 7. Fair Value Measurement

The following table summarizes the Organization's financial assets measured at fair value on a recurring basis as of December 31, 2018 as follows:

	(Level 1)	(Level 2)	(Level 3)	Total
Money market	\$ 35,409	\$ -	\$ -	\$ 35,409
Certificates of deposit	-	986,660	-	986,660
	<u>\$ 35,409</u>	<u>\$ 986,660</u>	<u>\$ -</u>	<u>\$ 1,022,069</u>

All assets have been measured at fair value. Fair value for assets in Level 2 are calculated using amortized cost, which approximates fair value. There were no changes in the valuation methodologies used as of December 31, 2018.

### 8. Subsequent Events

Subsequent to year-end, the Organization entered into a lease agreement for office space in San Mateo, California, with a monthly base rent starting at \$11,542 for a term of five years beginning January 1, 2019.

The Organization evaluated subsequent events for recognition and disclosure through May 21, 2019, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred, other than above, since December 31, 2018 that require recognition or disclosure in these financial statements.