

THE PENINSULA BRIDGE PROGRAM

FINANCIAL STATEMENTS

December 31, 2017

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, 2017, 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 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 the The Peninsula Bridge Program as of December 31, 2017, 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

E. Palo Alto, California
May 8, 2018

THE PENINSULA BRIDGE PROGRAM

STATEMENT OF FINANCIAL POSITION

As of December 31, 2017

(see Independent Auditors' Report)

ASSETS

Current Assets:

Cash and cash equivalents	\$	971,964
Certificates of deposit		1,238,597
Unconditional promises to give receivables, net, current portion		515,095
Prepaid expenses and other assets		<u>26,811</u>
Total current assets		2,752,467
Unconditional promise to give receivables, less current portion		364,334
Property and equipment, net		<u>47,948</u>
Total assets	\$	<u><u>3,164,749</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	13,084
Accrued expenses		<u>85,286</u>
Total current liabilities		<u>98,370</u>

Net Assets:

Unrestricted		2,109,762
Temporarily restricted		<u>956,617</u>
Total net assets		<u>3,066,379</u>
Total liabilities and net assets	\$	<u><u>3,164,749</u></u>

THE PENINSULA BRIDGE PROGRAM

STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support:			
Contributions	\$ 1,303,360	\$ 992,117	\$ 2,295,477
Special event, net	559,530	-	559,530
Gifts in kind	22,546	-	22,546
Program service fees	20,000	-	20,000
Loss on disposal of property and equipment	(3,945)	-	(3,945)
Interest income	3,783	-	3,783
Other	2,979	-	2,979
Total revenue and other support	1,908,253	992,117	2,900,370
Restrictions satisfied by payments	534,550	(534,550)	-
Total revenue and other support with restrictions satisfied by payments	2,442,803	457,567	2,900,370
Expenses:			
Program services:			
Summer School	691,819	-	691,819
Middle School Academy	577,578	-	577,578
High School Academy	468,401	-	468,401
Total program services	1,737,798	-	1,737,798
Supporting services:			
Administration	151,905	-	151,905
Fund development	281,032	-	281,032
Total supporting services	432,937	-	432,937
Total expenses	2,170,735	-	2,170,735
Total increase in net assets from operations	272,068	457,567	729,635
Other Changes:			
Contribution for excess of fair value of assets acquired in excess of liabilities assumed in acquisition	1,199,537	-	1,199,537
Total other changes	1,199,537	-	1,199,537
Total increase in net assets	1,471,605	457,567	1,929,172
Net assets, beginning of year	638,157	499,050	1,137,207
Net assets, end of year	\$ 2,109,762	\$ 956,617	\$ 3,066,379

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, 2017

	Middle		High		Total Program Services	Administration	Fund		Total Supporting Services	Total
	Summer School	School Academy	School Academy	School Academy			Development	Supporting Services		
Functional expenses:										
Salaries	\$ 188,438	\$ 311,019	\$ 291,511	\$ 790,968	\$ 40,016	\$ 185,788	\$ 225,804	\$ 1,016,772		
Payroll taxes and benefits	37,999	59,710	60,206	157,915	5,851	36,602	42,453	200,368		
Total salaries and related expenses	226,437	370,729	351,717	948,883	45,867	222,390	268,257	1,217,140		
Conferences, conventions, meetings	-	1,070	2,070	3,140	1,277	2,746	4,023	7,163		
Donated materials and supplies	-	-	-	-	11,287	-	11,287	11,287		
Insurance	3,452	3,452	3,452	10,356	1,505	2,070	3,575	13,931		
Meals and entertainment	49	1,539	1,312	2,900	2,665	1,237	3,902	6,802		
Miscellaneous	-	31	2,574	2,605	9,605	1,475	11,080	13,685		
Postage and delivery	64	982	594	1,640	923	339	1,262	2,902		
Printing and publications	914	4,702	3,217	8,833	4,365	3,903	8,268	17,101		
Professional fees	14,258	69,393	43,820	127,471	43,323	37,987	81,310	208,781		
Occupancy	12,259	11,977	16,390	40,626	5,633	6,072	11,705	52,331		
Program costs	432,813	52,818	8,053	493,684	8,298	-	8,298	501,982		
Supplies	419	29,231	15,498	45,148	13,436	2,103	15,539	60,687		
Telephone and telecommunications	1,154	1,170	1,003	3,327	1,222	596	1,818	5,145		
Travel	-	5,082	18,701	23,783	2,499	114	2,613	26,396		
Total expenses before depreciation	691,819	552,176	468,401	1,712,396	151,905	281,032	432,937	2,145,333		
Depreciation	-	25,402	-	25,402	-	-	-	25,402		
Total expenses	\$ 691,819	\$ 577,578	\$ 468,401	\$ 1,737,798	\$ 151,905	\$ 281,032	\$ 432,937	\$ 2,170,735		

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, 2017

Cash Flows from Operating Activities:	
Increase in net assets from operations	\$ 729,635
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	25,402
Loss on disposal of property and equipment	3,945
Donated property and equipment	(11,259)
Allowance for doubtful accounts	(15,000)
Discount on unconditional promises to give receivables	3,683
Interest on certificates of deposit	(597)
Changes in operating assets and liabilities:	
Unconditional promises to give receivable	(422,566)
Prepaid expenses and other assets	14,605
Accounts payable	(82,505)
Accrued expenses	26,796
Net cash provided by operating activities	<u>272,139</u>
Cash Flows from Investing Activities:	
Cash received from acquisition	1,161,049
Purchase of certificates of deposit	(1,238,000)
Net cash used in investing activities	<u>(76,951)</u>
Net increase in cash and cash equivalents	195,188
Cash and cash equivalents, beginning of year	776,776
Cash and cash equivalents, end of year	<u>\$ 971,964</u>
Supplemental Disclosure of Cash Flow Information	
Assets acquired and liabilities assumed in merger:	
Fair value of assets acquired	\$ 1,214,735
Liabilities assumed	<u>(15,198)</u>
Contributions received in acquisition	1,199,537
Less: cash received from acquisition	<u>(1,161,049)</u>
Total noncash contributions received from merger	<u>\$ 38,488</u>

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

THE PENINSULA BRIDGE PROGRAM

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. Business Description and 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 5th 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.

On June 30, 2017, the Organization entered into an Agreement of Merger (“Agreement”) with Building Futures Now (“BFN”), a California nonprofit public benefit corporation for the purpose of combining operations with the Organization (see Note 2, Business Contributions). Effective July 1, 2017 and through December 31, 2017, the Organization recorded all business transactions of BFN as part of these financial statements.

During 2017, the Organization served 614 students: 441 middle school students, 165 high school students and 8 college students. These figures include the 75 BFN students who entered Peninsula Bridge programs in September 2017 including 42 in middle school and 32 in high school.

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 5th, 6th and 7th 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.

8th 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, 2017

1. Business Description and 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 11th and 12th grades, the team offers personalized college counseling including 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 including 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

The Organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted Net Assets - Include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization in accordance with its by laws.
- Temporarily Restricted Net Assets - Include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting period.
- Permanently Restricted Net Assets - Include those assets which are subject to a non-expiring donor restriction, such as endowments. There are no permanently restricted net assets at December 31, 2017.

THE PENINSULA BRIDGE PROGRAM

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. Business Description and Summary of Significant Accounting Policies, continued

Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in a 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.

Certificates of Deposit

The Organization holds certificates of deposit of \$1,238,597 which bear interest at 1.10% to 1.45% as of December 31, 2017 and mature through November 2018.

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.

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 PENINSULA BRIDGE PROGRAM

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. Business Description and Summary of Significant Accounting Policies, continued

Promises to Give, continued

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 2017 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 Organization capitalizes and depreciates significant assets with values of \$7,500 or more. The useful lives of computers and equipment are estimated at three years.

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 \$112,148 in 2017.

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 temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted 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.

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.

THE PENINSULA BRIDGE PROGRAM

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. Business Description and Summary of Significant Accounting Policies, continued

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.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (958). This statement includes updates that improve the usefulness of financial statements or reduce complexities for preparers. Some of the updates include requiring all nonprofits to present expenses by function and nature; replacing traditional three classes of net assets with only two classes (those with donor-imposed restrictions and those without); reaffirmation of existing methods of presenting operating cash flows. The ASU is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. PCA is currently evaluating the impact of adoption on its financial statements.

2. Business Combination

On June 30, 2017, the Organization merged with BFN, a California nonprofit public benefit corporation. With the merger, the Organization will be able to expand its programs. The Organization did not pay any consideration for the assets acquired or liabilities assumed. These financial statements reflect six months of Statement of Activities transactions for BFN, covering the period from July 1, 2017 through December 31, 2017.

The following table summarizes the fair values of the assets and liabilities assumed recognized at July 1, 2017:

Cash and cash equivalents	\$	1,161,049
Promises to give receivable		15,000
Prepaid expenses and other assets		34,741
Property and equipment, net		3,945
Accounts payable and accrued expenses		(15,198)
Total net assets acquired	\$	<u>1,199,537</u>

Continued

THE PENINSULA BRIDGE PROGRAM

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

3. Unconditional Promises to Give Receivable, Net

Unconditional promises to give receivable, net at of December 31, 2017 consist of the following:

Receivable in less than one year	\$	532,283
Receivable in one to five years		364,334
Less: discount to present value		(9,235)
Less: allowance for uncollectible accounts		(7,953)
		<hr/>
	\$	879,429
		<hr/>

4. Property and Equipment, Net

Property and equipment summarized at December 31, 2017 consist of the following:

Computers and equipment	\$	73,350
Less accumulated depreciation		(25,402)
		<hr/>
	\$	47,948
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Depreciation expense for the year ended December 31, 2017 is \$25,402.

5. Lease

The Organization has a facility lease agreement that provides for a lease term through December 2018. The future minimum rental payments under the lease are \$25,344 for the year ending December 31, 2018. In addition, the Organization rents classrooms on a month-to-month basis. Total rent expenses was \$50,212 for the year ended December 31, 2017.

6. Temporary Restricted Net Assets

Temporarily restricted net assets are available for the following purpose at December 31, 2017:

Time restricted - general operations	\$	881,617
Purpose restricted:		
Middle School Academy STEM		10,000
College Access		50,000
Listen for Good Project		15,000
		<hr/>
	\$	956,617
		<hr/>

THE PENINSULA BRIDGE PROGRAM

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

6. Temporary Restricted Net Assets, continued

Temporarily restricted net assets were 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, 2017:

Purpose and time restrictions accomplished:

General operations	\$	359,550
High School Academy		50,000
College Access		40,000
Listen for Good Project		30,000
Merger consulting		30,000
Middle School Academy		25,000
	\$	<u>534,550</u>

7. Fair Value Measurement

The following table summarizes the Organization's financial assets measured at fair value on a recurring basis at December 31, 2017 as follows:

	(Level 1)	(Level 2)	(Level 3)	Total
Money market	\$ 15,512	\$ -	\$ -	\$ 15,512
Certificates of deposit	-	1,238,597	-	1,238,597
	<u>\$ 15,512</u>	<u>\$ 1,238,597</u>	<u>\$ -</u>	<u>\$ 1,254,109</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 at December 31, 2017.

8. Conditional Promise to Give

In 2016, the Organization received a \$300,000 promise to give, to be received over a three year period conditional upon the review and discretion of the donor. The Organization has received \$200,000 as of December 31, 2017. As the conditions for the remaining \$100,000 promise to give have not been met as of the financial statement date, the amount has not been reflected in the financial statements.

9. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through May 8, 2018, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in these financial statements.