

BRIDGE BUILDERS FOUNDATION, INC.

Financial Statements

With

Independent Auditors' Report

October 31, 2024



INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
of Bridge Builders Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Bridge Builders Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridge Builders Foundation, Inc. as of October 31, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bridge Builders Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bridge Builders Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Bridge Builders Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bridge Builders Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Frazer LLP

Anaheim, California
May 1, 2025

BRIDGE BUILDERS FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
AS OF OCTOBER 31, 2024

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,918,463
Pledges receivable	347,259
Investments	306,808
Prepaid expenses	6,129
Total current assets	<u>2,578,659</u>
Property and equipment, net	<u>33,393</u>
Non-current assets:	
Operating right-of-use asset, net	<u>76,839</u>
Total assets	<u>\$ 2,688,891</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 1,458
Compensated absences	10,941
Operating lease liability, current portion	43,223
Total current liabilities	<u>55,622</u>
Non-current liabilities:	
Operating lease liability, net of current portion	<u>33,616</u>
Total liabilities	<u>89,238</u>
Net assets:	
Without donor restrictions	1,029,183
With donor restrictions	1,570,470
Total net assets	<u>2,599,653</u>
Total liabilities and net assets	<u>\$ 2,688,891</u>

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

BRIDGE BUILDERS FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2024

	Without donor restrictions	With donor restrictions	Totals
Revenues, gains (losses) and other support:			
Contributions	\$ 109,607	\$ 1,810,941	\$ 1,920,548
Donated goods and services	180,880	-	180,880
Fundraising events	285,475	-	285,475
Unrealized gains on investments	56,853	-	56,853
Net assets released from restrictions	<u>1,759,858</u>	<u>(1,759,858)</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>2,392,673</u>	<u>51,083</u>	<u>2,443,756</u>
Expenses:			
Salaries & wages	564,270	-	564,270
Contract services	140,445	-	140,445
Donations & direct assistance	70,792	-	70,792
Fundraising events	207,463	-	207,463
Program operations	907,585	-	907,585
General and administrative	<u>163,350</u>	<u>-</u>	<u>163,350</u>
Total expenses	<u>2,053,905</u>	<u>-</u>	<u>2,053,905</u>
Changes in net assets	338,768	51,083	389,851
Net assets at beginning of year	<u>690,415</u>	<u>1,519,387</u>	<u>2,209,802</u>
Net assets at end of year	<u>\$ 1,029,183</u>	<u>\$ 1,570,470</u>	<u>\$ 2,599,653</u>

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

BRIDGE BUILDERS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2024

	<u>Program Activity</u>		<u>Supporting Activities</u>			<u>Total</u>
	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Subtotal</u>		<u>expenses</u>
Salaries & wages	\$ 378,251	\$ 186,019	\$ -	\$ 186,019	\$	564,270
Contract services	46	137,899	2,500	140,399		140,445
Donations and direct assistance	20,398	8,776	41,618	50,394		70,792
Non-personnel operating expense	16,633	33,003	338	33,341		49,974
Facility & equipment	73	70,046	-	70,046		70,119
Business operations	1,985	34,187	7,085	41,272		43,257
Fundraising expenses	4,292	47,024	156,147	203,171		207,463
Program services	834,870	60,283	12,432	72,715		907,585
Total expenses	\$ 1,256,548	\$ 577,237	\$ 220,120	\$ 797,357	\$	2,053,905

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

BRIDGE BUILDERS FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 389,851
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	10,830
Amortization of operating right-of-use asset	20,280
Unrealized gain on investments	(56,853)
Changes in operating assets and liabilities:	
Pledges receivable	257,961
Prepaid expenses	(2,692)
Accounts payable	(172,561)
Compensated absences	10,941
Operating lease liability	(20,280)
Net cash provided by operating activities	<u>437,477</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(17,500)
Proceeds from sales of investments	1,500
Net cash used in investing activities	<u>(16,000)</u>
Net change in cash and cash equivalents	421,477
Cash and cash equivalents at beginning of year	1,496,986
Cash and cash equivalents at end of year	\$ <u><u>1,918,463</u></u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:	
Operating right-of-use assets obtained in exchange for new operating lease liabilities	\$ <u><u>97,119</u></u>

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

BRIDGE BUILDERS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2024

Note 1 – Nature of organization

Bridge Builders Foundation, Inc. (the “Foundation”) was formed as a non-profit public charity, exempt from federal income tax under IRS Section 501(c)(3). The Foundation was established to provide mentoring, educational support, healthcare awareness, and community service to at-risk youth in the Greater Los Angeles area.

Note 2 – Summary of significant accounting policies

Basis of presentation

The Foundation applies the provisions of Accounting Standards Codification (ASC) Topic 958, “Not-for-Profit Entities,” which establishes standards for general-purpose external financial statements provided by not-for-profit organizations. Among other provisions, ASC Topic 958 requires the classification and disclosure of net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets, revenues, expenses, gains, and losses of the Foundation are reported in two classes as follows:

- *Net assets without donor restrictions* – Net assets without donor restrictions are net assets that are available for use at the discretion of the Board of Directors and/or management for general operating purposes.
- *Net assets with donor restrictions* – Net assets with donor restrictions are net assets resulting from contributions or other inflows of assets whose use by the Foundation is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to the stipulations. When a donor specified restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved policy. The Foundation does not have any permanently restricted funds at this time.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Foundation to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Foundation’s significant estimates consist of the useful lives of depreciable assets and the allocation of expenses among general administrative, program services, and fundraising. The foundation allocates its expenses annually based on the functions performed and the nature of the activities. The year-to-year allocation method may change, and actual results could differ from those estimates.

BRIDGE BUILDERS FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2024

Note 2 – Summary of significant accounting policies (continued)

Income tax status

The Foundation is exempt from Federal and State income taxes under Section 501(c) (3) of the U.S. Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code except on income derived from unrelated business activities. For the year ended October 31, 2024, no provision for income taxes has been included in the accompanying financial statements. Penalties and interest incurred related to underpayment of income taxes are classified as income tax expense in the year incurred. No penalties or interest related to income taxes were incurred during the year ended October 31, 2024.

The Foundation has no unrelated business income tax for the year ended October 31, 2024.

Cash and cash equivalents

Cash and cash equivalents are defined as all highly liquid investments with a maturity of three months or less from the original maturity date. The Foundation currently maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on its cash holdings.

Cash and cash equivalents are considered restricted if limitations exist as to the Foundation's ability to withdraw or use the cash and cash equivalents. Such limitations may be imposed by (1) creditors and other outside parties, or (2) donors, who place permanent or temporary restrictions on their contributions. For the year ended October 31, 2024, the Foundation has \$1,570,470 of restricted funds. The Foundation has no permanent restricted funds on hand.

Pledges receivable

Pledges receivables are recognized as contributions in the period acknowledged by the donor. Pledges are initially recorded at fair value less an estimate made for credit losses based on a review of all outstanding pledges. Pledges to be received after one year are discounted to present value at a discount rate commensurate with the risks involved. The Foundation uses discount rates that approximate U.S. Treasury borrowing rates at the date pledges acknowledged by the donor, in which the promise to give was received based on the respective duration of the donor's payment plan. As of October 31, 2024, no discount was recorded, as the impact is immaterial to the financial statements as a whole.

The Foundation records an allowance for credit losses based on an assessment of the collection history with those having outstanding balances and current relationships with the donors. Uncollectible amounts are written off when all efforts to collect these receivables have been exhausted. As of October 31, 2024, management has concluded that an allowance for credit losses is unnecessary.

BRIDGE BUILDERS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2024

Note 2 – Summary of significant accounting policies (continued)

Financial assets measured at fair value on a recurring basis

ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Foundation. ASC Topic 825 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When determining the fair value measurement for assets and liabilities required to be recorded at fair value, the Foundation considered the principal or most advantageous market that transactions would normally occur and considered assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

ASC Topic 825 also establishes a fair value hierarchy that requires an entity to maximize the use of sources independent from the reporting entity and minimize the use of the entity's assumptions developed based on the best information available in the circumstances when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of assumptions that is significant to the fair value measurement.

ASC Topic 825 establishes three levels of assumptions that market participants may use to measure fair value:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of October 31, 2024, the Foundation has \$306,808 of investments that are classified as Level 1 inputs.

Property and equipment

Property and equipment are stated at cost. The net gain or loss on items of property and equipment retired or otherwise disposed of is included in the change in net assets, and the applicable asset cost and accumulated depreciation are removed from the accounts. The cost of certain repairs and maintenance is charged to expense unless the Foundation deems such amounts to be sufficiently material to warrant capitalization and depreciation; major renewals and betterments are capitalized. Property and equipment purchases with a unit value of \$5,000 or more and a life expectancy of two or more years are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets as follows:

	Estimate useful life
Vehicles	5 years

BRIDGE BUILDERS FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2024

Note 2 – Summary of significant accounting policies (continued)

Contributions received and given

The Foundation recognizes revenues from contributions under ASC 958-605 when the contribution becomes unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions, including pledges, grants, as well as any other unconditional promises to give, are recognized as revenue or expenses in the period pledged. Amounts expected to be collected or paid within one year are recorded at their net realizable value.

Contributed services

The Foundation receives donated services from individuals and professionals who volunteer their time and expertise to assist in program and administrative activities. For the year ended October 31, 2024, the Foundation recognized \$180,880 of contributed services in the financial statements. These services met the criteria for recognition under FASB ASC 958-605 as they required specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The contributed services primarily relate to position of the executive director and chief financial officer duties.

A substantial number of volunteers have donated significant amounts of their time to support the Foundation's programs. These contributed services do not meet the recognition criteria under U.S. GAAP and are therefore not reflected in the financial statements. For the year ended October 31, 2024, approximately 4,100 volunteer hours were contributed by individuals assisting with the programs.

Functional expenses

The costs of providing the various programs and supporting services have summarized on a functional basis. Certain allocations have been estimated between program expense and support services.

Revenue Recognition

In accordance with FASB Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customer (Topic 606), the Foundation recognizes the revenues to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for good and services. The management assessed that certain revenue transactions including fundraising events of the Foundation qualified as an exchange transaction under ASC 606.

Leases

The Foundation recognizes leases under Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), using the modified retrospective approach. The Foundation utilized all of available practical expedients which, among others, allowed the Foundation to carry forward the historical lease classification & elected to use risk-free discount rate. The adoption resulted in the recognition of the right-to-use ("ROU") asset and lease liabilities for operating leases. As of October 31, 2024, the Foundation recorded additional new operating lease assets and operating lease liabilities in the amount of \$97,119.

BRIDGE BUILDERS FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2024

Note 2 – Summary of significant accounting policies (continued)

Leases (continued)

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASU Topic 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a long period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

ROU assets represent the Foundation's right to use an underlying asset for the lease term, and lease liabilities represent the Foundation's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Foundation uses the implicit rate when it is readily determinable.

When the implicit rate is not readily available, the Foundation uses an incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense is recognized on a straight-line basis over the lease term. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise the option.

The Foundation has also elected to apply the short-term lease exception to any leases with a term of one year or less. Any short-term leases are not accounted for in the ROU asset nor in the lease liabilities.

Note 3 – Investments

The Board of Directors had set aside monies to fund future programs of the Foundation. Total accumulated funds at October 31, 2024 set aside by the Board and deposited with Charles Schwab amounted to \$229,942 and unrealized gains on the investment amounted to \$76,866 for the total amount of \$306,808 on the accompanying statement of financial position.

Investments are reported at fair value, and instrument type is indicated as follows, as of October 31, 2024:

	Level	2024
	1	
Mutual funds	1	\$ 306,808

Note 4 – Leases

In August 2024, the Foundation entered a lease agreement for its office space under a two-year operating lease, which expires in July 2026. The exercise of the lease renewal option is at management's discretion, and it is not recognized in the amount of ROU asset and lease liability. The monthly lease payment is \$3,612.

The Foundation also makes monthly payments for storage and a copier. There are no lease agreements nor commitments for these short-term arrangements.

As of October 31, 2024, the total expense related to the lease agreement and the month-to-month service is \$51,718.

BRIDGE BUILDERS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2024

Note 4 – Leases (continued)

As of October 31, 2024, the operating ROU asset had a balance of \$76,839, as shown in noncurrent assets on the statement of financial position; the lease liability is included in current liabilities with a balance of \$43,223 and operating long-term lease liability with a balance of \$33,616.

Future minimum lease payments, including principal and interest on all leases as of October 31, 2024 are as follows:

<u>Year Ending October 31,</u>	<u>Amount</u>
2025	\$ 45,444
2026	34,083
Total undiscounted cash flows	79,527
Less: present value discount	(2,688)
Total lease liabilities	<u>\$ 76,839</u>

Other Information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 21,268
ROU assets obtained in exchange for new operating lease liabilities	\$ 97,119
Weighted-average discount rate for operating leases	4.16%

Note 5 – Pledges receivable

For the year ended October 31, 2024, the Foundation had ten outstanding pledges receivable. The receivables will be received by the Foundation through 2026 with annual payments ranging from \$8,500 to \$141,900. It is the Foundation's policy to discount its pledges if paid over a period of one year. Using discount rates ranging from 0.63% to 4.96% the difference between the discounted present value on the receivables and the gross amount of the receivables balance is immaterial to the financial statements and the Foundation has not discounted the pledges to their present values. As of October 31, 2024, the Foundation has \$347,259 in outstanding pledges receivable recorded on the statement of financial position as compared to \$605,220 in the prior year.

In 2023, the Foundation entered into a contract with the Long Beach Unified School District to provide weekly mentoring, coaching, literacy, and leadership sessions for selected students. The maximum amount of the contract is \$205,590. The Foundation recognizes revenue when services are provided. The Foundation has recognized \$108,600 since the inception of the contract through October 31, 2024, and has \$96,990 of services to be provided to the school district remaining on this contract.

BRIDGE BUILDERS FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2024

Note 6 – Property and equipment

Property and equipment consist of the following as of October 31, 2024:

Description	Amount
Vehicle	\$ 54,150
Less: accumulated depreciation	<u>(20,757)</u>
Property and equipment, net	<u>\$ 33,393</u>

Depreciation expense for the year ended October 31, 2024 amounted to \$10,830.

Note 7 – Liquidity and availability of resources

The following reflects the Foundation's financial assets as of October 31, 2024, reduced by any amounts not available for general use because of contractual or donor-imposed restrictions within one year of the accompanying statement of financial position date. The financial assets of the Foundation at October 31, 2024 amounted to \$695,252 of cash and cash equivalents, which are available to meet the cash needs for general and administrative expenses within the next year.

Note 8 – Subsequent events

The Foundation evaluated all events and transactions through May 1, 2025, the date the financial statements were available to be issued. Based on the evaluation performed, no further disclosures are necessary.