

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

FINANCIAL STATEMENTS

For the years ended
June 30, 2019 and 2018

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

March 2, 2020

To the Board of
Bridgman Foundation for Educational Excellence
Bridgman, Michigan

We have reviewed the accompanying financial statements of Bridgman Foundation for Educational Excellence (a nonprofit organization), which comprise the statements of assets and net assets - modified cash basis as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and other changes in net assets - modified cash basis and functional expenses - modified cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Correction of an Error

As discussed in Note B, management discovered that a certain endowment held at a community foundation should not be recorded as an asset of the Bridgman Foundation. Accordingly, the financial position and activities of the Bridgman Foundation have been restated in the 2018 financial statements now presented. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note A, Bridgman Foundation for Educational Excellence adopted ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.



Certified Public Accountants
St. Joseph, Michigan

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FINANCIAL STATEMENTS

STATEMENTS OF ASSETS AND NET ASSETS - MODIFIED CASH BASIS

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 51,798	\$ 39,713
Beneficial interest in assets held by Berrien Community Foundation	<u>41,033</u>	<u>35,383</u>
Total Assets	<u>\$ 92,831</u>	<u>\$ 75,096</u>
Net Assets		
Without donor restrictions	\$ 62,235	\$ 46,764
With donor restrictions	<u>30,596</u>	<u>28,332</u>
Total Net Assets	<u>\$ 92,831</u>	<u>\$ 75,096</u>

**STATEMENTS OF REVENUES, EXPENSES, AND
OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS**

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

For the year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>
Public Support and Revenues			
Contributions	\$ 5,543	\$ 2,269	\$ 7,812
Special events	66,875	-	66,875
Gain (loss) on beneficial interest in assets held by community foundation	(949)	-	(949)
Dividends	1,599	-	1,599
Interest	-	45	45
Other	270	-	270
Net assets released from restrictions	50	(50)	-
Total Public Support and Revenues	73,388	2,264	75,652
Expenses			
Program services	18,374	-	18,374
Management and general	3,933	-	3,933
Fundraising expenses	35,610	-	35,610
Total Expenses	57,917	-	57,917
Change in Net Assets	15,471	2,264	17,735
Net Assets, beginning of year - as restated	46,764	28,332	75,096
Net Assets, end of year	<u>\$ 62,235</u>	<u>\$ 30,596</u>	<u>\$ 92,831</u>

**STATEMENTS OF REVENUES, EXPENSES AND
OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS (CONTINUED)**

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

For the year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018</u>
Public Support and Revenues			
Contributions	\$ 25,181	\$ -	\$ 25,181
Special events	50,507	-	50,507
Gain (loss) on beneficial interest in assets held by community foundation	736	-	736
Dividends	1,438	-	1,438
Other	1,316	-	1,316
Net assets released from restrictions	59,463	(59,463)	-
Total Public Support and Revenues	138,641	(59,463)	79,178
Expenses			
Program services	151,378	-	151,378
Management and general	5,800	-	5,800
Fundraising expenses	46,247	-	46,247
Total Expenses	203,425	-	203,425
Change in Net Assets	(64,784)	(59,463)	(124,247)
Net Assets, beginning of year - as restated	111,548	87,795	199,343
Net Assets, end of year - as restated	<u>\$ 46,764</u>	<u>\$ 28,332</u>	<u>\$ 75,096</u>

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

For the year ended June 30, 2019

	Program	Supporting Services		Total
		Management and General	Fundraising	
Grant expenses	\$ 18,374	\$ -	\$ -	\$ 18,374
Insurance	-	742	-	742
Supplies	-	197	-	197
Licensing	-	480	-	480
Professional services	-	1,800	-	1,800
Bank fees	-	530	-	530
Marketing expenses	-	184	-	184
Fundraising expenses	-	-	35,610	35,610
Total Expenses	\$ 18,374	\$ 3,933	\$ 35,610	\$ 57,917

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (CONTINUED)

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

For the year ended June 30, 2018

	Program	Supporting Services		Total
		Management and General	Fundraising	
Grant expenses	\$ 151,378	\$ -	\$ -	\$ 151,378
Insurance	-	1,044	-	1,044
Supplies	-	568	-	568
Licensing	-	266	-	266
Professional services	-	1,800	-	1,800
Bank fees	-	851	-	851
Marketing expenses	-	1,271	-	1,271
Fundraising expenses	-	-	46,247	46,247
Total Expenses	\$ 151,378	\$ 5,800	\$ 46,247	\$ 203,425

NOTES TO FINANCIAL STATEMENTS

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

For the years ended June 30, 2019 and 2018

Note A - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Bridgman Foundation for Educational Excellence (the "Foundation") is a public foundation formed to acquire and distribute resources to the Bridgman Public Schools for programs and projects aimed at enhancing or supplementing learning opportunities for students, staff and community.

Basis of Accounting

The Foundation's policy is to prepare its financial statements on the cash basis of accounting modified for recording the fair value of the beneficial interest in assets held by Berrien Community Foundation. The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP; consequently, contributions and other revenues are recognized when received rather than when promised or earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, institutional money market funds and cash on hand. The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Foundation maintains cash balances in checking and savings accounts. The checking and savings accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time during the year, the Foundation may have cash in a bank checking or savings account in excess of the federally insured limit.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported 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 Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.
- 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 the actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

NOTES TO FINANCIAL STATEMENTS

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

For the years ended June 30, 2019 and 2018

Note A - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in donor restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of revenues, expenses, and other changes in net assets as net assets released from restrictions.

Advertising

The Foundation expenses advertising costs as incurred. Advertising costs for the year ended June 30, 2019 was \$184; advertising expense incurred for the year ended June 30, 2018 was \$1,271.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation evaluates tax positions taken on its federal Exempt Organization Business Income Tax returns in accordance with accounting principles generally accepted in the United States of America which require that tax positions taken are more-likely-than-not to be sustained. Management believes that the Foundation has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Foundation's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the Statements of Revenues, Expenses, and Other Changes in Net Assets - Modified Cash Basis and the Statements of Functional Expenses - Modified Cash Basis. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Use of Estimates

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

For the years ended June 30, 2019 and 2018

Note A - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and the disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 2, 2020, which is the date the financial statements were available to be issued.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been retrospectively applied to all periods presented.

Note B - Correction of an Error

Management discovered that an endowment fund held at a Community Foundation should not be recorded as an asset of the Foundation, according to its agreement with the Community Foundation. The Community Foundation retains variance power over the endowment fund and consequently retains the endowment fund as a net asset of the Community Foundation. Therefore, the endowment fund was removed from the Foundation's assets, net assets, and activity of the 2018 financial statements. The value of this endowment fund is disclosed in Note D.

The error as described above resulted in the following restatements:

	2018 - as previously issued	2018 - as restated
Total Assets	\$ 103,716	\$ 75,096
Total Net Assets	\$ 103,716	\$ 75,096
Total Revenue	\$ 81,560	\$ 79,178
Total Expenses	204,049	203,425
Total Change in Net Assets	\$ (122,489)	\$ (124,247)

NOTES TO FINANCIAL STATEMENTS

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

For the years ended June 30, 2019 and 2018

Note C - Fair Value Measurement

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not considered active or financial instruments for which significant inputs, include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.

Level 3 - Significant unobservable inputs, which may include the Foundation's own assumption in determining fair value.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Beneficial interest in assets held by a community foundation: Fair value measurements of the underlying investments held by the community foundation are based on quoted prices. The underlying foundation assets cannot be liquidated or redeemed by the Foundation. As such, no quoted prices or active market prices are available; however, the carrying value of this asset is equal to the allocated portion of the total fair values of the underlying investments held by the community foundation.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Foundation's management evaluated the significance of transfers between levels based on the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended June 30, 2019 and 2018, there were no significant transfers into or out of levels 1, 2 or 3.

NOTES TO FINANCIAL STATEMENTS

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

For the years ended June 30, 2019 and 2018

Note C - Fair Value Measurement (Continued)

Assets measured at fair value on a recurring basis comprise the following for the years ended June 30, 2019 and 2018:

	2019		
	Quoted Prices in Active Markets (Level 1)	With Other Observable Inputs (Level 2)	Prices With Unobservable Inputs (Level 3)
Beneficial Interest Held in Community Foundations	\$ -	\$ -	\$ 41,033

	2018		
	Quoted Prices in Active Markets (Level 1)	With Other Observable Inputs (Level 2)	Prices With Unobservable Inputs (Level 3)
Beneficial Interest Held in Community Foundations	\$ -	\$ -	\$ 35,383

The activity of the Level 3 assets (beneficial interest in assets held by a foundation) was as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Balance - Beginning of Year	\$ 35,383	\$ 33,209
Gifts	5,000	-
Interest and dividends	1,599	1,438
Realized (losses) gains	(351)	14
Unrealized (losses) gains	(236)	1,067
Fees	(362)	(345)
Balance - End of Year	\$ 41,033	\$ 35,383

NOTES TO FINANCIAL STATEMENTS

BRIDGMAN FOUNDATION FOR EDUCATIONAL EXCELLENCE

For the years ended June 30, 2019 and 2018

Note D - Beneficial Interest in Assets Held by Community Foundation

The Foundation has established funds the Berrien Community Foundation with a transfer of Foundation cash and has designated itself as beneficiary. Thru follows FASB ASC 958-605, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others". Annual revaluation occurs based on changes to the market value and fees charged, and this revaluation is treated as an increase or decrease to net assets without donor restrictions in the statement of activities. Taking into account additional transfers, investment gains/losses, and fees, the balances totaled \$41,033 and \$35,383 at June 30, 2019 and 2018, respectively. Variance power remains with the Foundation. Distributions of unrestricted amounts will be made as the Berrien Community Foundation deems appropriate.

In addition, the Foundation maintains a separate account with the Berrien Community Foundation to allow for direct contributions on the Foundation's behalf. While such contributions are earmarked for the Foundation, the variance power held by the Berrien Community Foundation precludes their recognition in the accompanying financial statements until the Foundation requests distribution of the funds, in accordance with the modified cash basis of accounting. The total held in this separate account amounted to \$29,108 and \$28,620 at June 30, 2019 and 2018, respectively.

Note E - Restrictions on Net Assets

Net assets with donor restrictions are restricted for the following purpose for the years ending June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
STEM project	\$ 30,596	\$ 28,332

Note F - Related Parties

The Foundation Board includes representatives from Bridgman Public Schools that receive distributions from the Foundation. Distributions paid to Bridgman Public Schools for the years ended June 30, 2019 and 2018 were \$18,374 and \$1,378, respectively.

Note G - Liquidity and Availability

The following represents the Foundation's financial assets at June 30, 2019 and 2018, available within one year:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 51,798	\$ 39,713

In addition to available cash, the funds held at the Berrien Community Foundation can be drawn upon at the Berrien Community Foundation's discretion.