



**Financial Statements
and Independent Auditors' Report**
Year Ended December 31, 2015

Morse & Company, LLP
Certified Public Accountants
505 8th Avenue, Suite 1801
New York, NY 10018-4527
(212) 765-2200

**BRIDGES OF
UNDERSTANDING**

**Financial Statements
and Independent Auditors' Report**
Year Ended December 31, 2015

Bridges of Understanding

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Independent Auditors' Report

To the Board of Directors of
Bridges of Understanding

We have audited the accompanying combined statement of financial position of Bridges of Understanding (“BOU” a not-for-profit corporation) as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of BOU’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BOU’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BOU as of December 31, 2015 and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Morse & Company

April 14, 2016

BRIDGES OF UNDERSTANDING
Statement of Financial Position

<i>December 31,</i>	2015	2014
Assets		
Current Assets		
Cash and cash equivalents (Note 2).....	\$ 350,790	\$ 326,217
Accounts receivable.....	100,000	75,000
Total Assets		
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses.....	6,952	2,240
Total liabilities		
Commitments and contingencies (Note 4)		
Net Assets		
Unrestricted.....	443,838	398,977
Total net assets		
Total Liabilities and Net Assets		
	\$ 450,790	\$ 401,217

See accompanying notes to financial statements

BRIDGES OF UNDERSTANDING
Statement of Activities

<i>Year ended December 31,</i>	Totals	
	2015	2014
Public support and revenue (Note 3):		
Contributions.....	\$ 439,033	\$ 386,493
Interest income.....	218	239
Total support and revenues	439,251	386,732
Expenses:		
Program services.....	289,433	214,534
Management and general.....	46,216	35,524
Fundraising.....	58,742	49,454
Total expenses	394,391	299,512
Change in net assets.....	44,860	87,220
Net assets, beginning of year.....	398,977	311,757
Net assets, end of year	\$ 443,838	\$ 398,977

See accompanying notes to financial statements

BRIDGES OF UNDERSTANDING
Statement of Functional Expense

	Program Services	Management and General	Fundraising	2015 Totals	2014 Totals
Professional Fees.....	\$ 52,855	\$ 39,642	\$ 39,642	\$ 132,139	\$ 100,806
Advertising.....	10,003	769	4,617	15,389	10,041
Insurance.....	-	632	-	632	134
Postage.....	496	38	229	763	1,481
Printing.....	3,609	296	1,650	5,555	8,777
Supplies.....	284	131	22	437	671
Telephone.....	71	33	5	109	125
Travel.....	5,524	1,973	395	7,892	12,794
Bank & filing fees.....	3,864	1,783	297	5,944	1,177
Subscriptions & dues.....	103	47	8	158	814
Technology.....	1,890	872	145	2,907	331
Conferences & meetings.....	46,930	-	11,732	58,662	61,631
Direct program expense.....	163,804	-	-	163,804	100,730
	<u>\$ 289,433</u>	<u>\$ 46,216</u>	<u>\$ 58,742</u>	<u>\$ 394,391</u>	<u>\$ 299,512</u>

See accompanying notes to financial statements

BRIDGES OF UNDERSTANDING
Statement of Cash Flows

<i>Year ended December 31,</i>	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 44,860	\$ 87,220
 <u>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</u>		
Accounts receivable.....	(25,000)	(75,000)
 <u>Changes in operating assets and liabilities:</u>		
Accounts payable and accrued expenses.....	4,712	(8,738)
Net change in cash	24,573	3,482
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Cash and cash equivalents, beginning of year.....	326,217	322,735
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Cash and cash equivalents, end of year.....	350,790	326,217
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See accompanying notes to financial statements

Bridges of Understanding

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Bridges of Understanding (hereinafter “BOU”) is presented to assist in understanding BOU’s financial statements. The financial statements and notes are representations of BOU’s management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization:

BOU is dedicated to fostering a personal understanding between the American people and people of the Arab World, as defined by the League of Arab States. As a not-for-profit, nonpolitical organization, it seeks to achieve its timely mission through one-to-one relationships between thought leaders and the creation of original youth focused programs.

BOU maintains its fervent focus on youth through free, Common Core State Standards aligned in-classroom and digital initiatives, and its host of year-round community outreach activities seek to engage the public in a thoughtful cross-cultural discussion, oftentimes using the humanities as a collective entry-point for deeper sociopolitical reflection.

During this period of increasing unrest in the Arab World, the work of BOU is more important than ever. For those engaged in the region, the organization’s education and outreach programs provide an empowering lifeline — an opportunity to have their voices heard in the classroom and by their peers in the United States. And, for Americans, these initiatives showcase the diverse Arab cultural legacy and paint human portraits of those whose respective homelands are often characterized by strife.

Income Tax Status:

BOU is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. BOU has not been designated as a private foundation. BOU files an IRS form 990 and respective state and local tax returns. These returns are subject to review and examination by federal, state, and local authorities.

Basis for Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Bridges of Understanding

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition:

BOU recognizes contributions as revenue when cash is received or a promise is considered unconditional in the period in which such amounts are pledged. Contributions are recognized when the donor makes a promise to give to BOU that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Receivables are due within one year.

Financial Statement Presentation:

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

- (i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by The Institute is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Institute.
- (ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Institute pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.
- (iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Use of Estimates:

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

Bridges of Understanding

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and Equipment:

Property and equipment are stated at cost. Those assets by gift are carried at fair market value established at the date of acquisition. Depreciation expense is computed using the straight-line method over the equipment's estimated useful life of three years. BOU did not have any reportable fixed assets in 2015.

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses and activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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 BOU.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

BOU deposits money with institutions that management deems to be credit worthy. Periodically, balances may exceed amounts covered by insurance. Management does not believe they are exposed to significant risks and have not suffered any losses due to bank failure. As of December 31, 2015 BOU's cash balances did not exceed insured levels.

NOTE 3 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. BOU recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. BOU's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued.

BOU evaluated its December 31, 2015 financial statements for subsequent events through April 14, 2016, the date the financial statements were available to be issued. BOU is not aware of any subsequent events which would require recording or disclosure in the financial statements.

NOTE 4 – COMMITMENTS & CONTINGENCIES

BOU did not pay rent in 2015 and is not currently bound to any space rentals or lease agreements