

**BRIDGEWAY, INC.**  
Galesburg, Illinois

**FINANCIAL STATEMENTS**  
June 30, 2014



**CliftonLarsonAllen**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	<b>1</b>
 <b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position.....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows.....	7
 Notes to Financial Statements .....	 8



## Independent Auditors' Report

Board of Directors  
Bridgeway, Inc.  
Galesburg, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bridgeway, Inc., which comprise the statement of financial position as of June 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor 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 Bridgeway, Inc. as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of Bridgeway, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bridgeway, Inc.'s internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Peoria, Illinois  
December 15, 2014

**BRIDGEWAY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2014**

**ASSETS**

Cash and cash equivalents	\$ 1,739,660
Investments	3,200
Accounts receivable, net	3,817,635
Related party receivables	399,802
Inventories	182,259
Prepaid expenses	448,609
Other assets	<u>5,000</u>

**TOTAL ASSETS** **\$ 6,596,165**

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 203,347
Related party payables	180,544
Accrued vacation	326,445
Accrued payroll and withholdings	840,297
Deferred revenue	<u>9,290</u>

Total liabilities 1,559,923

**NET ASSETS**

Unrestricted	<u>5,036,242</u>
--------------	------------------

**TOTAL LIABILITIES AND NET ASSETS** **\$ 6,596,165**

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

**BRIDGEWAY, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2014

**REVENUES, GAINS, AND OTHER SUPPORT**

Program service fees	\$ 11,634,360
Grant income	3,103,476
Business services	9,599,265
Sales of goods	232,650
Local government	299,606
Contributions	486,427
Other service fees	246,183
Other income	94,288
Contributed net assets from Bridgeway Training Services	<u>2,305,566</u>

Total revenues, gains, and other support	<u>28,001,821</u>
--	-------------------

**EXPENSES**

Program services	21,258,230
Management and general	<u>3,797,140</u>

Total expenses	<u>25,055,370</u>
----------------	-------------------

<b>CHANGE IN NET ASSETS</b>	2,946,451
-----------------------------	-----------

<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,089,791</u>
--------------------------------------	------------------

<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 5,036,242</u></u>
--------------------------------	----------------------------

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

**BRIDGEWAY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2014

	<u>DHS MH</u> <u>Programs</u>	<u>DHS DD</u> <u>Programs</u>	<u>DASA</u> <u>Programs</u>	<u>DRS</u> <u>Programs</u>	<u>DCFS</u> <u>Programs</u>
<b>PROGRAM EXPENSES</b>					
Program staff salaries	\$ 2,006,857	\$ 1,446,324	\$ 165,573	\$ 348,204	\$ 428,937
Program clerical salaries	100,343	68,929	8,279	11,408	21,447
Program payroll taxes and fringes	464,648	301,622	37,980	62,903	119,580
Program consultants	378,688	18,136	-	-	-
Consumer wages and fringes	-	-	-	-	-
Medicine and drugs	28,246	-	-	-	-
Equipment and supplies	25,224	14,909	12,987	203	3,282
Staff transportation	64,184	13,102	8,481	32,742	266,110
Client transportation	88,963	52,572	1,728	16,071	1,728
Program insurance	21,024	16,246	1,699	3,457	4,361
Specific assistance	19,159	-	-	50	-
Telecommunications	133,529	79,936	9,976	14,234	25,555
Miscellaneous	<u>11,243</u>	<u>10,250</u>	<u>2,976</u>	<u>4,557</u>	<u>647</u>
Total program expenses	<u>3,342,108</u>	<u>2,022,026</u>	<u>249,679</u>	<u>493,829</u>	<u>871,647</u>
<b>SUPPORT EXPENSES</b>					
Dietary supplies	57,118	62,866	205	1,025	-
Housekeeping and laundry supplies	<u>7,397</u>	<u>12,261</u>	<u>1</u>	<u>2</u>	<u>2</u>
Total support expenses	<u>64,515</u>	<u>75,127</u>	<u>206</u>	<u>1,027</u>	<u>2</u>
<b>OCCUPANCY EXPENSES</b>					
Occupancy salaries	40,112	28,909	3,309	6,960	8,573
Occupancy payroll taxes and fringes	7,980	5,751	658	1,385	1,706
Operations and maintenance	213,267	137,664	17,546	19,550	43,792
Vehicle rent	-	-	-	-	-
Other rent	908,212	424,573	87,442	89,635	254,446
Operating interest	<u>3,329</u>	<u>2,313</u>	<u>270</u>	<u>400</u>	<u>717</u>
Total occupancy expenses	<u>1,172,900</u>	<u>599,210</u>	<u>109,225</u>	<u>117,930</u>	<u>309,234</u>
<b>MANAGEMENT AND GENERAL</b>					
Administrative salaries	-	-	-	-	-
Administrative payroll taxes and fringes	-	-	-	-	-
Administrative consultants	432,450	302,813	35,556	55,516	91,557
Office supplies and equipment	38,211	26,319	2,875	5,355	7,777
Other	<u>2,738</u>	<u>338</u>	<u>1,114</u>	<u>63</u>	<u>98</u>
Total management and general	<u>473,399</u>	<u>329,470</u>	<u>39,545</u>	<u>60,934</u>	<u>99,432</u>
<b>ALLOCATION OF GENERAL, ADMINISTRATIVE, AND SUPPORT EXPENSES</b>					
	<u>415,247</u>	<u>296,820</u>	<u>34,207</u>	<u>51,316</u>	<u>87,340</u>
<b>TOTAL EXPENSES</b>	<u>\$ 5,468,169</u>	<u>\$ 3,322,653</u>	<u>\$ 432,862</u>	<u>\$ 725,036</u>	<u>\$ 1,367,655</u>

<u>CHPS Programs</u>	<u>Iowa Programs</u>	<u>SASS</u>	<u>Transportation</u>	<u>AED Contracts</u>	<u>Northern Division Contracts</u>	<u>Administrative, Support, and Other Programs</u>	<u>Agency Total</u>
\$ 58,205	\$ 777,117	\$ 144,440	\$ 255,736	\$ 3,030,034	\$ 1,651,763	\$ 41,688	\$ 10,354,878
2,910	38,640	7,222	-	-	-	189,752	448,930
21,507	158,712	21,175	74,429	448,691	266,070	172,727	2,150,044
-	-	196	-	19,100	-	35,378	451,498
-	-	-	-	205,695	291,488	-	497,183
-	-	-	-	-	-	-	28,246
1,467	5,907	83	224	20,035	3,204	19,673	107,198
4,626	23,879	17,368	70	34,599	7,832	21,281	494,274
-	6,348	-	2,697	30	31,055	-	201,192
601	8,271	1,486	2,632	29,305	34,792	15,856	139,730
-	-	-	-	76	-	-	19,285
2,610	46,237	5,909	12,108	178,897	116,861	61,008	686,860
<u>1</u>	<u>1,293</u>	<u>353</u>	<u>1,549</u>	<u>32,406</u>	<u>3,176</u>	<u>889,744</u>	<u>958,195</u>
<u>91,927</u>	<u>1,066,404</u>	<u>198,232</u>	<u>349,445</u>	<u>3,998,868</u>	<u>2,406,241</u>	<u>1,447,107</u>	<u>16,537,513</u>
232	9,789	36	193	2,705	3,099	5,204	142,472
-	4	1	-	523	6	4,420	24,617
<u>232</u>	<u>9,793</u>	<u>37</u>	<u>193</u>	<u>3,228</u>	<u>3,105</u>	<u>9,624</u>	<u>167,089</u>
1,163	15,533	2,887	5,112	63,993	37,874	27,295	241,720
231	3,090	574	1,017	12,731	7,535	5,430	48,088
2,801	40,331	3,766	44,535	253,414	166,832	14,935	958,433
-	-	-	-	149,028	5,975	54,995	209,998
14,177	138,457	19,543	51,673	640,472	415,279	35,493	3,079,402
<u>97</u>	<u>1,302</u>	<u>248</u>	<u>241</u>	<u>2,818</u>	<u>2,772</u>	<u>1,480</u>	<u>15,987</u>
<u>18,469</u>	<u>198,713</u>	<u>27,018</u>	<u>102,578</u>	<u>1,122,456</u>	<u>636,267</u>	<u>139,628</u>	<u>4,553,628</u>
-	-	-	-	-	-	1,012,165	1,012,165
-	-	-	-	-	-	201,360	201,360
12,545	168,337	31,139	55,007	144,979	204,995	264,240	1,799,134
1,258	15,633	2,521	3,164	156,877	474,320	26,966	761,276
<u>14</u>	<u>181</u>	<u>34</u>	<u>39</u>	<u>16,264</u>	<u>667</u>	<u>1,655</u>	<u>23,205</u>
<u>13,817</u>	<u>184,151</u>	<u>33,694</u>	<u>58,210</u>	<u>318,120</u>	<u>679,982</u>	<u>1,506,386</u>	<u>3,797,140</u>
<u>12,078</u>	<u>160,263</u>	<u>29,429</u>	<u>28,741</u>	<u>667,332</u>	<u>304,637</u>	<u>(2,087,409)</u>	<u>-</u>
<u>\$ 136,523</u>	<u>\$ 1,619,324</u>	<u>\$ 288,410</u>	<u>\$ 539,167</u>	<u>\$ 6,110,004</u>	<u>\$ 4,030,232</u>	<u>\$ 1,015,336</u>	<u>\$ 25,055,370</u>

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

**BRIDGEWAY, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 2,946,451
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Contributed net assets from Bridgeway Training Services, less cash received	(1,136,820)
Effects of changes in operating assets and liabilities:	
Accounts receivable	17,604
Related party receivables	251,471
Inventories	73,871
Prepaid expenses	33,349
Other assets	(5,000)
Accounts payable	36,882
Related party payables	(1,014,809)
Accrued vacation	(2,265)
Accrued payroll and withholdings	(84,583)
Deferred revenue	185
	<u>1,116,336</u>
Net cash provided by operating activities	<u>1,116,336</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net payments on line of credit	<u>(500,000)</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 616,336
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	 <u>1,123,324</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 <u>\$ 1,739,660</u>

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

**BRIDGEWAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bridgeway, Inc. (the Corporation), originally incorporated as Spoon River Center, was formed October 2, 1993 as a result of the merger of McDonough County Rehabilitation Center, Inc., Harrington Family Services and Spoon River Center.

Bridgeway, Inc. was formed to provide an array of diversified, measurably high quality services to individuals and families in need. The services provided include programs for substance abuse, community support services, family services, outpatient, rehabilitation, and residential.

Effective July 1, 2013, Bridgeway, Inc. assumed all operations and operational contents of both Bridgeway Training Services, NFP and Illinois Growth Enterprises, Inc., related parties. See Note 2 for additional information on these transactions.

A summary of significant accounting policies follows.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from these estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for doubtful accounts.

**Basis of Presentation**

The Corporation maintains its accounts on the accrual basis of accounting.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes. The Corporation does not have any permanently restricted net assets at June 30, 2014.

**BRIDGEWAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Corporation and/or the passage of time. The Corporation does not have any temporarily restricted net assets at June 30, 2014.

Unrestricted net assets - Net assets which are not subject to any donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

**Description of Programs**

The Corporation operates the following programs:

Behavioral Health Services

The Behavioral Health Services provide individuals, families, and groups counseling services to deal with concerns, such as depression, anxiety, family problems, marital difficulties, and psychiatric problems. Individuals benefit from counseling and therapy, medication management to reduce/eliminate symptoms associated with their psychiatric disorder, skill training classes, community housing and supports, and community employment services. The goal is to work with the individual with a mental illness to develop the skills and supports to live successfully in his or her home environment in the community.

Crisis Intervention Services

Bridgeway, Inc. operates mobile mental health crisis intervention services 24 hours per day/seven days per week. Highly skilled counselors provide telephonic video supported and face to face assistance to individuals experiencing a mental health emergency. The team provides screening for and access to psychiatric hospitalization, and provides a range of consultation to hospital emergency department personnel. These services support children, adolescents, and adults.

**BRIDGEWAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Description of Programs (Continued)**

Substance Abuse Services

The Substance Abuse Program offers comprehensive substance abuse and dependency services, including evaluations, treatment, and prevention. The goal of substance abuse services is to provide the necessary skills to allow participants to enjoy a substance free life-style.

Mental Health Residential and Community Support Services

The Mental Health Residential and Community Support Services provide a comprehensive array of community housing options for persons with mental illness. Community Support Services are psychosocial rehabilitation services for persons with serious and chronic mental illness to help them reach their highest level of functioning while maintaining their independence in the community.

Family Services

Each year more than a thousand children and families take advantage of the wide range of programs provided by Bridgeway, Inc. Creative Childhood Center is a licensed childcare and preschool for ages two to six years old. The Family Support Program provides in-home educational and skill building services to parents and families involved through the Illinois Department of Children and Family Services.

Rehabilitation and Residential Services

The Rehabilitation Program provides adults with disabilities a variety of developmental, vocational, community employment, residential and case management services. Programs are designed to increase independence in the areas of work, living skills, community living, community involvement, and social skills development.

Affirmative Employment Services

Bridgeway, Inc. provides a diverse array of center based and community integrated affirmative employment opportunities for individuals with disabilities with the goal of assisting each individual to reach the highest level of competitive, integrated employment possible.

**BRIDGEWAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

Bridgeway, Inc. is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision has been made for federal or state income taxes. The Corporation had adopted the recognition requirements for uncertain tax positions; however, the Corporation does not believe it has any uncertain tax positions at June 30, 2014. The Corporation's tax returns for the year ended 2011, 2012, and 2013 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in bank and investments with an initial maturity of three months or less when purchased.

**Accounts Receivable**

Accounts receivable represent amounts due from state and federal agencies and private companies for services provided under various contracts and amounts due for services performed to various families and individuals. Accounts receivable are stated at the invoice amount, net of accounts determined to be uncollectible.

Payments of accounts receivable are applied to the specific invoices or amounts billed to awarding agencies, or the specific invoices identified on the customer's remittance or, if unspecified, to the earliest unpaid invoices.

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts is established through a provision for doubtful accounts charged to expense. The allowance is reflective of management's evaluation of the accounts receivable under current economic and regulatory conditions and such other factors as, in management's best judgment, deserve current recognition in estimating accounts receivable adjustments and losses. The allowance represents an amount which, in management's judgment, will be adequate to absorb losses on receivables that may be uncollectible.

**BRIDGEWAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories**

Inventories purchased are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Inventories acquired by donation are recorded at fair market value at the date of donation.

**Paid Time Off**

Bridgeway, Inc. employees earn paid time off days based on length of service and employment category. These paid time off days may be used for vacation, sick leave, or personal time.

**Deferred Revenue**

Deferred revenue represents advances on various grants which have not been expended.

**Revenue Recognition**

Advance payments on conditional grants are recorded as refundable advances until the conditions of the grant are met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Corporation reports the support as unrestricted. Bequests are recognized at the time an unassailable right to the gift has been established and proceeds are measurable.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

**Subsequent Events**

Management evaluated subsequent events through December 15, 2014, the date the financial statements were available to be issued.

**BRIDGEWAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 2 - RELATED PARTY TRANSACTIONS**

Bridgeway, Inc. also provides maintenance, accounting, and computer services to related HUD organizations. Management fee income from these related parties for these services during the year ended June 30, 2014 was as follows:

MCRC Rehabilitation, Inc.	\$ 53,409
MCRC Housing, Inc.	53,433
Bridgeway Housing, Inc.	31,169
Bridgeway McKinley, Inc.	29,837
Bridgeway Sandburg, Inc.	31,169
Residential Facilities Corporation	30,226
Bridgeway Homes 02, NFP	30,683
Bridgeway Kewanee 04, NFP	<u>33,477</u>
<b>Total</b>	<b><u>\$ 293,403</u></b>

Bridgeway, Inc. has transportation contracts and rents property and equipment from other related organizations. Transportation service fees and rent expense recorded to Bridgeway Foundation, a related entity, during the year ended June 30, 2014 was \$2,036,266. Rent expense recorded to Bridgeway Properties, a related entity, during the year ended June 30, 2014 was \$1,270,104.

Bridgeway, Inc. recorded \$1,611,086 in management fees expense to Human Service Professionals, LLC, an entity related through common management, respectively, for providing management services during the year ended June 30, 2014.

Bridgeway, Inc. receives periodic donations from Bridgeway Foundation and other related entities. During the year ended June 30, 2014, \$438,744 was received as donations from Bridgeway Foundation. Additionally, during the year ended June 30, 2014, IGE donated \$30,498 to Bridgeway, Inc.

At June 30, 2014, Bridgeway, Inc. has receivables from related parties as follows:

Illinois Growth Enterprises, Inc.	\$ 40,802
Bridgeway Housing, Inc.	89,749
Bridgeway Sandburg, Inc.	9,828
MCRC Rehabilitation, Inc.	31,746
MCRC Housing, Inc.	60,980
Bridgeway Homes 02, NFP	54,495
Bridgeway Kewanee 04, NFP	110,611
Human Service Professionals, LLC	<u>1,591</u>
<b>Total</b>	<b><u>\$ 399,802</u></b>

**BRIDGEWAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 2 - RELATED PARTY TRANSACTIONS (CONTINUED)**

Also at June 30, 2014, Bridgeway, Inc. has payables to a related party as follows:

Bridgeway Foundation \$ 180,544

Bridgeway, Inc. and Bridgeway Properties have guaranteed a line of credit of Bridgeway Foundation. This line of credit had no outstanding balance at June 30, 2014. If Bridgeway Foundation defaults on its loan payments, the financial institution has the right to demand payment in full from Bridgeway, Inc. and Bridgeway Properties. The guarantee expires in June 2017. The maximum potential amount of future payments is \$3,500,000, which is the amount available to be borrowed under the line of credit. No liability is included in the accompanying statement of financial position related to the Corporation's obligation under the guarantee. There are no formal recourse provisions, and the Corporation does not hold any collateral which would permit it to recover all or a portion of any amounts which might ultimately be paid under the guarantee.

Subsequent to year end on December 11, 2014, Bridgeway Foundation entered into an additional line of credit in which Bridgeway, Inc. and Bridgeway Properties have guaranteed. If Bridgeway Foundation defaults on its loan payments, the financial institution has the right to demand payment in full from Bridgeway, Inc. and Bridgeway Properties. The guarantee expires in December 2015. The maximum potential amount of future payments is \$1,000,000, which is the amount available to be borrowed under the line of credit. No liability is included in the accompanying statement of financial position related to the Corporation's obligation under the guarantee. There are no formal recourse provisions, and the Corporation does not hold any collateral which would permit it to recover all or a portion of any amounts which might ultimately be paid under the guarantee.

The following represents selected information from the related entities:

	<b><u>Bridgeway Foundation and Affiliates</u></b>
Total assets	<u>\$22,460,512</u>
Total liabilities	<u>\$ 3,591,927</u>
Net assets	<u>\$18,868,585</u>
Revenues	<u>\$ 4,379,784</u>
Expenses	<u>\$ 2,960,652</u>

**BRIDGEWAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 2 - RELATED PARTY TRANSACTIONS (CONTINUED)**

Effective July 1, 2013, the operations and all operational contracts of Illinois Growth Enterprises, Inc. (IGE), a related entity, were transferred and assumed by Bridgeway, Inc. In conjunction with the transaction, Bridgeway, Inc. purchased all of IGE's inventories and prepaid expenses for \$51,527 and \$60,164, respectively. These amounts were the carrying balances of the inventories and prepaid expenses and were determined to approximate fair value. IGE remains an active organization and will continue to promote the welfare of the developmentally disabled.

Effective July 1, 2013, all the net assets, except for property and equipment, of Bridgeway Training Services, NFP, a related entity, were contributed to Bridgeway, Inc. In addition, all operations and operational contracts were assumed by Bridgeway, Inc. The excess of assets acquired over liabilities assumed by Bridgeway, Inc. were recorded as contribution revenue in the amount of \$2,305,566. All items acquired were considered to approximate fair value. Bridgeway Training Services, NFP is no longer an active organization and is considered dormant.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Following is a summary of accounts receivable at June 30, 2014:

State, federal, and local governments	\$ 3,538,243
Private companies	382,932
Families and private insurance	186,552
Less allowance for doubtful accounts	<u>(290,092)</u>
<b>Accounts receivable, net</b>	<b><u>\$ 3,817,635</u></b>

**NOTE 4 - LINE OF CREDIT**

Bridgeway, Inc. maintains a line of credit from First Bankers Trust Company, N.A. in the amount of \$500,000. Interest on the line of credit is due monthly and is at the prime rate plus .50 percent but not to be less than 4.0 percent (4.0 percent at June 30, 2014). The line is secured by substantially all assets of Bridgeway, Inc. and matures in June 2017. The line is also guaranteed by Bridgeway Foundation and Bridgeway Properties. The line of credit had no outstanding balance as of June 30, 2014.

**BRIDGEWAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 5 - UNITED WAY CONTRIBUTIONS**

For the year ended June 30, 2014, Bridgeway, Inc. received contributions from the following United Way Chapters:

Knox County	\$ 4,609
Warren County	3,608
Henry County	3,496
Big River - Keokuk, IA	<u>2,304</u>
<b>Total United Way contributions</b>	<b><u>\$ 14,017</u></b>

**NOTE 6 - PROFIT SHARING PLAN**

On November 1, 1999, Bridgeway, Inc. established a 401(k) profit sharing plan (Plan) for those employees deemed eligible under the provisions of the Plan. Matching contributions by Bridgeway, Inc. are discretionary each year. Total expense for the Plan was \$92,012 for the year ended June 30, 2014.

**NOTE 7 - CONCENTRATIONS AND CONTINGENCIES**

Bridgeway, Inc. receives a substantial amount of its support from federal, state, and local governments and from contributions. A significant reduction in the level of this support, if this were to occur, could have a significant effect on Bridgeway, Inc.'s programs and activities.

Bridgeway, Inc. elected, pursuant to the provisions of Section 1404 of the Illinois Unemployment Insurance Act, to be self-insured for state unemployment insurance. In the event a former employee files an unemployment claim with the Illinois Department of Employment Security, the Corporation would pay, in lieu of unemployment contributions, an amount equal to the amount of regular benefits and one-half the amount of extended benefits paid to its employees or former employees on the basis of wages for insured work paid to them by the Corporation. The liability of an entity which elects to reimburse benefits is not limited as the cost of such benefits is not shared by other employees. Additional payments could be required depending on claims filed.

The Corporation maintains several bank accounts at various banks and the total balances at these banks during the year exceed the FDIC limit of \$250,000. At June 30, 2014, the Corporation had deposits of \$748,372 in excess of the FDIC limit, which are at risk in the event the financial institutions fail.

This information is an integral part of the accompanying financial statements.