



CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2024 and 2023

# **BRIDGE OF GRACE, INC. AND AFFILIATES**

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## *Independent Auditor's Report*

Board of Directors  
Bridge of Grace, Inc.  
and Affiliates

We have audited the accompanying consolidated financial statements of Bridge of Grace, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bridge of Grace, Inc. and Affiliates as of December 31, 2024, and the changes in their net assets/equity and their 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Bridge of Grace, Inc. and Affiliates 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.

### ***Prior Year Consolidated Financial Statements***

The consolidated financial statements of Bridge of Grace, Inc. and Affiliates as of and for the year ended December 31, 2023, were audited by other auditors whose report dated July 29, 2024, expressed an unmodified opinion on those statements.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 consolidated 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 of Grace, Inc. and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bridge of Grace, Inc. and Affiliates' 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.

*Katz, Sapper & Miller, LLP*

Fort Wayne, Indiana  
June 23, 2025

**BRIDGE OF GRACE, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2024 and 2023**

**ASSETS**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Cash	\$ 1,751,874	\$ 2,151,258
Cash - restricted for new market tax credit transaction	977,026	4,928,970
Accounts receivable	21,328	14,242
Promises to give, net	2,861,648	5,485,306
Note receivable - new market tax credit transaction	10,539,000	10,539,000
Property and equipment, net	<u>18,451,289</u>	<u>13,747,210</u>
<b>TOTAL ASSETS</b>	<u><u>\$34,602,165</u></u>	<u><u>\$36,865,986</u></u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 8,692	\$ 1,159,774
Deposits payable	26,003	4,145
Accrued payroll and other accrued liabilities	53,881	29,965
Deferred rent	22,159	
Long-term debt, net	<u>16,440,580</u>	<u>17,166,130</u>
Total Liabilities	<u>16,551,315</u>	<u>18,360,014</u>
<b>NET ASSETS</b>		
Without donor restrictions	15,345,892	4,020,171
With donor restrictions	<u>2,704,958</u>	<u>14,485,801</u>
Total Net Assets	<u>18,050,850</u>	<u>18,505,972</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$34,602,165</u></u>	<u><u>\$36,865,986</u></u>

*See accompanying notes.*

**BRIDGE OF GRACE, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2024 and 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>						
Contributions:						
Contributions and grants	\$ 681,357	\$ 304,540	\$ 985,897	\$ 856,092	\$ 5,917,545	\$ 6,773,637
Contributed nonfinancial assets	444,600		444,600	6,098		6,098
Total Contributions	<u>1,125,957</u>	<u>304,540</u>	<u>1,430,497</u>	<u>862,190</u>	<u>5,917,545</u>	<u>6,779,735</u>
Rental income	171,303		171,303	94,389		94,389
Lawn service	199,730		199,730	270,716		270,716
Miscellaneous income	3,135		3,135	5,954		5,954
Interest income	303,965		303,965	3,387		3,387
Gain on sale of property	(3,075)		(3,075)	6,204		6,204
Net assets released from restrictions	12,085,383	(12,085,383)		901,612	(901,612)	
Total Revenue, Gains and Other Support	<u>13,886,398</u>	<u>(11,780,843)</u>	<u>2,105,555</u>	<u>2,144,452</u>	<u>5,015,933</u>	<u>7,160,385</u>
<b>EXPENSES</b>						
Program services	2,117,193		2,117,193	1,331,995		1,331,995
Management and general	294,218		294,218	107,418		107,418
Fundraising	149,266		149,266	92,847		92,847
Total Expenses	<u>2,560,677</u>		<u>2,560,677</u>	<u>1,532,260</u>		<u>1,532,260</u>
<b>CHANGE IN NET ASSETS</b>	11,325,721	(11,780,843)	(455,122)	612,192	5,015,933	5,628,125
<b>NET ASSETS</b>						
Beginning of Year	<u>4,020,171</u>	<u>14,485,801</u>	<u>18,505,972</u>	<u>3,407,979</u>	<u>9,469,868</u>	<u>12,877,847</u>
End of Year	<u>\$ 15,345,892</u>	<u>\$ 2,704,958</u>	<u>\$ 18,050,850</u>	<u>\$ 4,020,171</u>	<u>\$ 14,485,801</u>	<u>\$ 18,505,972</u>

See accompanying notes.

**BRIDGE OF GRACE, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2024 and 2023**

	2024				2023			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and benefits	\$ 854,647	\$ 65,556	\$ 114,156	\$ 1,034,359	\$ 762,573	\$ 21,630	\$ 83,876	\$ 868,079
Purchased services	460,002	67,080		527,082	148,811			148,811
Repairs and maintenance	81,373	10,862		92,235	157,220			157,220
Supplies	85,993	14,641	4,419	105,053	58,215	14,991		73,206
Utilities	86,642	8,012	8,012	102,666	49,894			49,894
Short-term equipment expense	36,220			36,220	48,713			48,713
Depreciation	162,447	8,824	8,824	180,095	87,015			87,015
Interest expense	289,148	47,383		336,531				
Other	60,721	71,860	13,855	146,436	19,554	70,797	8,971	99,322
<b>TOTAL EXPENSES BY FUNCTION</b>	<u>\$ 2,117,193</u>	<u>\$ 294,218</u>	<u>\$ 149,266</u>	<u>\$ 2,560,677</u>	<u>\$ 1,331,995</u>	<u>\$ 107,418</u>	<u>\$ 92,847</u>	<u>\$ 1,532,260</u>

See accompanying notes.

**BRIDGE OF GRACE, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (455,122)	\$ 5,628,125
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	180,095	87,015
Gain on sale of property	3,075	(6,204)
Construction-in-progress written-off	210,782	
Contribution received restricted for acquisition of long-term assets		(5,248,619)
Amortization of deferred financing costs	8,450	
Present value change on contribution receivables	(120,342)	
Changes in certain operating assets and liabilities:		
Accounts receivable and promises to give	2,736,914	649,837
Prepaid expenses		5,329
Accounts payable	(1,151,082)	(9,616)
Deposits	21,858	(1,105)
Accrued payroll and related liabilities	23,916	(1,157)
Deferred rent	22,159	
Net Cash Provided by Operating Activities	<u>1,480,703</u>	<u>1,103,605</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(5,098,031)	(9,526,397)
Proceeds from disposal of property and equipment		63,540
Net Cash Used by Investing Activities	<u>(5,098,031)</u>	<u>(9,462,857)</u>
<b>FINANCING ACTIVITIES</b>		
Payments on promises to give restricted for acquisition of long-lived assets		5,248,619
Payments on long-term debt	(734,000)	
Proceeds from issuance of long-term debt		17,208,380
Deferred financing costs paid		(42,250)
Note receivable issued under new market tax credit agreements		(10,539,000)
Net Cash Provided (Used) by Financing Activities	<u>(734,000)</u>	<u>11,875,749</u>
<b>NET CHANGE IN CASH AND RESTRICTED CASH</b>	(4,351,328)	3,516,497
<b>CASH AND RESTRICTED CASH</b>		
Beginning of Year	<u>7,080,228</u>	<u>3,563,731</u>
End of Year	<u><u>\$ 2,728,900</u></u>	<u><u>\$ 7,080,228</u></u>
<b>CASH AND RESTRICTED CASH</b>		
Cash	\$ 1,751,874	\$ 2,151,258
Cash - restricted for new market tax credit transaction	<u>977,026</u>	<u>4,928,970</u>
<b>TOTAL CASH AND RESTRICTED CASH</b>	<u><u>\$ 2,728,900</u></u>	<u><u>\$ 7,080,228</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 336,531	
Noncash investing and financing activities:		
Property and equipment additions acquired with accounts payable		\$ 1,158,890
Construction-in-progress written-off	\$ 210,782	

See accompanying notes.



## BRIDGE OF GRACE, INC. AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2024 and 2023

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

**General:** Bridge of Grace, Inc. (Organization) is a 501(c)3 not for profit organization whose mission is to “empower our neighbors to build upon their God-given spiritual, academic, physical, and emotional strengths to transform our community”. The Organization is located in the inner city of Fort Wayne, Indiana, and was founded by Javier Mondragon. The vision is to transform southeast Fort Wayne one neighborhood at a time. Currently, the Organization is focused primarily in the Mount Vernon Park area of Fort Wayne. The Organization works with local leaders to invest in housing to create a stable, vibrant, healthy, and caring community through neighborhood development. The Organization has grown significantly over the past several years to include programs supporting community development, crime prevention, and education.

The Mount Vernon Park neighborhood has a population demographic where 57.4% of the population earns less than \$25,000 per year, and 39% earns between \$25,000 and \$50,000. The race and ethnicity are comprised of 45% African Americans, 30% Hispanic, 11% Caucasian, 10% Asian, and 3% mixed race. Although approximately 90% of the available homes are occupied, nearly 60% are rental properties. Forty percent of the population is employed, while 11.8% is unemployed and 48.2% is no longer in the workforce.

The Organization has the following programs and initiatives, which strive to help fulfill its mission:

**Community Development:** The Organization is working towards reducing rental rates in the neighborhood, increasing home ownership opportunities, and developing the neighborhoods with higher-quality housing.

**Neighborhood Revitalization:** The Organization has been working to renovate blighted homes and constructing porches to promote neighborhood unity. The Organization is also leading an effort to transform Mount Vernon Park's vacant lots into vibrant community spaces using low-cost and recycled material like tires and pallets (Tired-a-lot). Three community spaces have been created.

**Adopt-a-Block:** Volunteers work to help families in the neighborhood beautify their area by cleaning around the exterior of homes as well as helping them with minor cosmetic projects both inside and outside homes. They also work to maintain common public use areas such as sidewalks and parks.

**Home Safety:** The Organization offers home safety assessments for any residents in the community who desire assistance in combatting crime.

**Technology Assistance Center:** The Organization opened the Technology Assistance Center to provide assistance with using technology. This includes utilization of smartphones, computers, tablets, etc.

**Financial Wellness and Financial Basic Classes:** The Organization offers training opened to the public but targeted for current tenants and younger staff in an effort to help get them on track to purchase homes. This program is promoted to the Mount Vernon Park Neighborhood Association and the Pettit-Rudisill Neighborhood Association.

**Summer Concert Series:** The Organization hosts concert programs at the Harbor Community Park typically starting in May and running once a month through September.

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

**Housing Property Manger Classes:** The Organization offers homeowners classes conducted in both English and Spanish that focus on understanding the differences between renting and home ownership. The classes extend over three weeks. The first week, a financial and insurance representative presents to the class. In the second week, the focus is on home repairs and preventative safety in the home and includes a presentation from a representative from the Fort Wayne Fire Department. The third and final week of the classes focus on outside safety and maintenance, with a presentation from a representative from the Fort Wayne Police Department.

**Education and Enrichment:** The Organization has developed several programs to help tutor and mentor young people from first grade through high school.

**Kids Under Construction:** This is a Biblically based character development program designed specifically for approximately 150 2nd grade students who are participating in Project Reads, which offers volunteer tutors to help students master reading and literacy skills.

**Wonderfully Made:** This program is designed to instill dreams in young girls between the ages of six and fourteen, to help their creativity, to expose them to a multitude of professional careers and to encourage the development of Christian character.

**Hands On Homework:** This is a tutoring program for third through fifth graders that aims to enhance the students' reading and math skills as well as develop character through Biblical values.

**Art& Music Program (AMP):** This program aims to enrich the students in the fine and performing arts. Students spend their time once a week making music, creating art projects, and visiting various artistic venues.

**Life Skills Training:** Residents in the area are assisted with developing basic life skills and developing competencies in both practical areas and interpersonal skills. The Organization works with the business sector to assist with job placement.

**Summer Camps:** The Organization currently sponsors four separate stand-alone camps geared toward middle school aged children and giving them opportunities in academic enrichment activities, life-skills training, physical fitness, character development, crafts, sports, and field trips.

**Early Childhood Education:** The Organization's programs include early childhood education, reaching children ages 0-5. With this expansion of services, the Organization hopes that the needs of high-quality early care and education will be met in the community.

The Bridge of Grace Early Childhood Education initiative seeks to maximize the potential of children by ensuring their wellbeing and optimal development in the first three years of life. Development of the whole child includes cognitive, social, emotional, physical, and spiritual development. This has a huge impact on children's success in kindergarten and beyond. To close the achievements gap and prepare children for success, the Organization believes that research and partnerships are critical in developing a strong and sustainable plan. A key element is forming an integrative framework with a leader that will help them do more research, find successful early learning center models in other cities (especially urban areas), create strong relationships, and development a business plan for a state of the art, high-quality early learning center.

**Economic Development:** The Organization recognizes established neighborhood businesses help counteract disadvantageous development. As they engage with local businesses, the Organization believes in progress that will benefit all. The Organization is committed to the development of future business owners and has a vision for a future coffee shop and vendor/booth/pop-up opportunities to help residents experience entrepreneurship.

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

**Principles of Consolidation:** The consolidated financial statements include the accounts of Bridge of Grace, Inc. and the following entities:

MVP Landscaping, LLC (MVPL) is a limited liability company established by the Organization and is operated to hire and train southeast Fort Wayne residents in professional lawn care and landscaping services.

Mt. Vernon Park Development, LLC (MVPD) is a limited liability company established by the Organization and is operated to purchase housing around the Mount Vernon Park neighborhood. MVPD rents housing to local residents on a monthly or annual basis.

Bridge of Grace Support Corporation (QALICB) was formed in September 2023 as a legally distinct non-profit Organization. QALICB operates exclusively for the benefit of the Organization. QALICB was created in conjunction with the New Market Tax Credit (NMTC) transaction (Note 4).

Early Years Academy, LLC (EYA) was organized in March 2024 as a limited liability company for the purpose of providing early childhood programs and development services. EYA is wholly owned by the Organization.

The entities are collectively referred to as “Bridge of Grace Ministries”. All intra-entity accounts and transactions have been eliminated in consolidation.

**Basis of Presentation:** The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require Bridge of Grace Ministries to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor-imposed restrictions and may be used at the discretion of Bridge of Grace Ministries management and Board of Directors.
- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors. All of Bridge of Grace Ministries donor restrictions are temporary in nature; those restrictions will be met by actions of Bridge of Grace Ministries or by the passage of time.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts associated with the acquisition of long-lived assets are released from restriction when the assets are placed in service.

**Estimates:** The preparation of financial statements in accordance 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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Restricted Cash:** Consist of cash in demand deposit accounts. Restricted cash includes cash that is required to be used for purposes related to the new market tax credit transaction. Bridge of Grace Ministries maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. Bridge of Grace Ministries has not experienced any losses from its bank accounts.

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

**Accounts Receivable:** Represent amounts due related to Bridge of Grace Ministries various revenue streams. Accounts receivable are reviewed regularly for collectability and an allowance for credit losses receivable is recorded, if necessary, based on management's judgement and analysis of the creditworthiness of the creditors, historical experience, current economic conditions, supportable forecasts and other relevant factors. Accounts receivables are written off against the allowance when deemed uncollectible. There was no allowance at December 31, 2024, 2023 or 2022. Accounts receivable at December 31, 2024, 2023 and 2022 were \$21,328, \$14,242 and \$0, respectively.

**Promises to Give:** Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions and grants in the statements of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Property and Equipment:** Are stated at cost for purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for financial reporting purposes are as follows:

Land improvements	15 years
Building and improvements	27 – 39 years
Furniture and fixtures	5 - 7 years
Equipment and vehicles	5 - 7 years

Construction in progress represents costs incurred or provided by donors on the construction of assets that have not been completed or placed in service. At December 31, 2024 and 2023, construction in progress totaled \$262,493 and \$10,999,015, respectively.

**Leases as a Lessee:** Bridge of Grace Ministries determines if an arrangement is a lease at inception. Bridge of Grace Ministries recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding obligation to make lease payments. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The present value is calculated using the rate implicit in the lease. If the rate is not readily determinable from the lease, Bridge of Grace Ministries uses a risk-free rate of a period comparable with that of the lease term. Lease terms include options to extend or terminate the lease when it is reasonably certain that Bridge of Grace Ministries will exercise the option. Operating lease expense is recognized on a straight-line basis over the lease term. Variable lease expenses are recorded when incurred. Bridge of Grace Ministries does not separate lease and non-lease components.

**Long-lived Assets** are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. During 2024 and 2023, no adjustments to the carrying amount of these long-lived assets were required.

**Deferred Financing Costs** are amortized over the term of the related debt using the straight-line method, which Bridge of Grace Ministries has determined does not materially differ from the effective interest method. The unamortized deferred financing costs are reported as a direct reduction of the related debt on the consolidated statements of financial position. Amortization of the deferred financing costs is reported as interest expense in the consolidated statements of operations.

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

**Contributions and Grants** are recognized as support when they are received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met.

**Rental Income from Operating Leases:** Rental income is recognized in accordance with ASC Topic 842, *Leases*. Rental income from commercial space is recognized monthly on a straight-line basis over the terms of the respective leases. Differences in contractual payments under the leases and straight-line rental income is recognized as straight-line rent receivable. Services related to common area maintenance are a non-lease component included in the agreements. Bridge of Grace Ministries does not separate non-lease components from lease components and recognizes both as rental income. Total rental income for the years ended December 31, 2024 and 2023 approximated \$129,800 and \$94,000, respectively.

**Program Service Revenue** is recognized when earned at the time the service is performed.

**Contributed Nonfinancial Assets:** Contributions of services are recorded at estimated fair value when received if they create or enhance a nonfinancial asset or if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. Other contributions of nonfinancial assets are recorded at estimated fair value when received.

**Advertising Costs** are expensed as incurred and totaled \$6,297 in 2024 and \$4,217 in 2023.

**Functional Allocation of Expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Expenses related to more than one function are allocated among program and support services based on time spent (including personnel, office, occupancy, and other expenses). 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 Bridge of Grace Ministries.

**Income Taxes:** Bridge of Grace, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded from the IRC. In addition, Bridge of Grace, Inc. has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements for Bridge of Grace Ministries. There was no unrelated business income tax for 2024 or 2023 for Bridge of Grace, Inc.

Bridge of Grace Support Corporation is exempt from federal income taxes under Section 501(c)(2) of the IRC, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded from the IRC. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements for Bridge of Grace Ministries. There was no unrelated business income tax for 2024 or 2023 for Bridge of Grace Support Corporation.

MVPL, MVPD, and EYA are single member LLC's and are treated as disregarded entities for income tax purposes.

Bridge of Grace, Inc. and Bridge of Grace Support Corporation file U.S. federal and Indiana information tax returns and are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2022. Management believes that the Bridge of Grace Ministries income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in a material change.

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

**Reclassifications:** Certain amounts in the 2023 consolidated financial statements have been reclassified to conform to the presentation of the 2024 consolidated financial statements.

**Subsequent Events:** Management has evaluated the consolidated financial statements for subsequent events occurring through June 23, 2025 the date the consolidated financial statements were available to be issued.

## NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

Bridge of Grace Ministries financial assets available for general expenditure within one year of December 31, 2024 and 2023 were as follows:

	2024	2023
Cash	\$ 1,751,874	\$ 2,151,258
Cash – restricted for new market tax credit transaction	977,026	4,928,970
Accounts receivable	21,328	14,242
Promises to give, net	2,861,648	5,485,306
Note receivable – new market tax credit transaction	<u>10,539,000</u>	<u>10,539,000</u>
Total Financial Assets	16,150,876	23,118,776
Restricted cash and note receivable – new market tax credit transaction	(11,516,026)	(15,467,970)
Donor-imposed restrictions:		
Funds subject to time restrictions not available within one year	<u>(2,861,648)</u>	<u>(5,485,306)</u>
Total Financial Assets Available Within One Year	<u>\$ 1,773,202</u>	<u>\$ 2,165,500</u>

Bridge of Grace Ministries uses an annual budget to focus on their ongoing programs like education and community development, but it will specifically raise funds for any house remodels or purchases needed during the year. Additionally, Bridge of Grace Ministries believes it is on track with its fundraising campaign to successfully raise enough funds to complete the daycare facility that is currently under construction. Based on the anticipated continued support of contributions from the individuals and foundations along with the above resources, Bridge of Grace Ministries believes it will have enough liquidity to meet the typical operational expenses for at least the next calendar year.

## NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were estimated to be collected as follows as of December 31, 2024 and 2023:

	2024	2023
Less than one year	\$1,804,000	\$2,174,000
In one to five years	<u>1,114,000</u>	<u>3,488,000</u>
	2,918,000	5,662,000
Less: Discount for present value	<u>(56,352)</u>	<u>(176,694)</u>
Total Promises to Give, net	<u>\$2,861,648</u>	<u>\$5,485,306</u>

Promises to give were discounted at rates ranging from 4.16% to 4.25% for 2024 and ranging from 3.98% to 4.41% for 2023.

#### NOTE 4 - NEW MARKET TAX CREDITS AND NOTE RECEIVABLE

On December 28, 2023, Bridge of Grace Inc. entered into a transaction which generated “New Market Tax Credits” (NMTCs) under Section 45D of the Internal Revenue code of 1986, as amended (Section 45D). The transaction was initiated by ONB Community Equity, LLC (Investor Member) who contributed \$4,797,000 to an investment fund (Grace Investment Fund, LLC) established for the transaction.

In conjunction with the NMTC transaction, Bridge of Grace, Inc. issued an unsecured note receivable in 2023, which allows for a maximum amount of \$10,539,000 to Grace Investment Fund, LLC, an unrelated party. The note matures on December 31, 2051, and interest accrues monthly at a rate of 1.392%. Interest-only payments are due quarterly through December 31, 2030. Beginning on March 15, 2031, principal and interest payments are payable quarterly. At December 31, 2023, the balance due to Bridge of Grace, Inc. on this note totaled \$10,539,000. Interest income earned during 2024 was \$146,703.

Grace Investment Fund, LLC used the loan proceeds to pay certain transaction fees, and the remaining funds were contributed to a third-party Qualified Community Development Entity (CDE) as the Qualified Equity Investment (QEI) under Section 45D. The CDE then funded loans totaling \$14,700,000 to QALICB, the Qualified Active Low-Income Business under Section 45D. The transaction was structured as a 34-year debt financing with a 7-year NMTC compliance period, at the end of which time Bridge of Grace, Inc. will have the option to acquire all membership rights of the investment fund and forgive the related debt. See Note 6.

QALICB used the \$14,700,000 loan proceeds to construct a new early childhood learning facility in Fort Wayne. The approximately 28,000 square foot facility will be used as an early years academy for newborn children through elementary-aged children, will have a 3,125 square feet medical clinic, and provide office and community space. The property is located at 909 Elmrow Drive in Fort Wayne, Indiana. The debt is guaranteed and secured by the property. The property is qualified as low-income property under Section 45D. As such, the financing arrangements between QALICB and the lenders qualify as “qualified low-income community investment” (QLICI) and generate NMTCs.

#### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2024 and 2023:

	2024	2023
Land and improvements	\$ 1,236,954	\$ 881,969
Building and improvements	16,291,631	1,893,986
Furniture and fixtures	980,669	121,827
Equipment and vehicles	82,703	82,703
Construction in process	<u>262,493</u>	<u>10,999,015</u>
	18,854,450	13,979,500
Less: Accumulated depreciation	<u>(403,161)</u>	<u>(232,290)</u>
Total Property and Equipment, net	<u>\$18,451,289</u>	<u>\$13,747,210</u>

## NOTE 6 - DEBT AND CREDIT ARRANGEMENTS

Long-term debt consisted of the following at December 31, 2024 and 2023:

	2024	2023
Note payable due to 1 <sup>st</sup> Source Bank on December 28, 2028. Principal and interest payments are due quarterly through December 28, 2028, with interest calculated at 7.46%. Principal payments are defined by the promissory note, and are based on a ratio of the outstanding loan balance to outstanding promises to give associated with the Hope Unleashed capital campaign, as defined, calculated on a quarterly basis. The note is secured by substantially all assets of the Organization. At December 31, 2024, there are no required principal payments due on the loan. Unamortized debt issuance costs were \$33,800 and \$42,250 at December 31, 2024 and 2023, respectively.	\$ 1,774,380	\$ 2,508,380
Note payable due to Cinnaire CDE 58, LLC Loan A on December 31, 2057. Annual interest-only payments of \$41,817 (paid in equal quarterly installments) are to be made through July 1, 2031, with interest calculated at 1.00%. Beginning September 2031, quarterly payments of principal and interest of approximately \$45,040 are due. Beginning January 2032, annual principal and interest payments of \$179,827 (paid in quarterly installments) are due, and are payable through maturity. The note is secured by certain property, as defined.	4,181,700	4,181,700
Note payable due to Cinnaire CDE 58, LLC Loan B on December 31, 2057. Annual interest-only payments of \$16,983 (paid in equal quarterly installments) are to be made through July 1, 2031, with interest calculated at 1.00%. Beginning in September 2031, quarterly payments of principal and interest of approximately \$18,276 are due. Beginning in January 2032, annual principal and interest payments of \$73,033 (paid in quarterly installments) are due, and are payable through maturity. The note is secured by certain property, as defined.	1,698,300	1,698,300
Note payable due to FWNMRF CDE XVI, LLC Loan A on December 31, 2057. Annual interest-only payments of \$63,573 (paid in equal quarterly installments) are to be made through July 1, 2031, with interest calculated at 1.00%. Beginning September 2031, quarterly payments of principal and interest of approximately \$68,400 are due. Beginning January 2032, annual principal and interest payments of \$273,385 (paid in quarterly installments) are due, and are payable through maturity. The note is secured by certain property, as defined.	6,357,300	6,357,300
Note payable due to FWNMRF CDE XVI, LLC Loan B on December 31, 2057. Annual interest-only payments of \$24,627 (paid in equal quarterly installments) are to be made through July 1, 2031, with interest calculated at 1.00%. Beginning September 2031, quarterly payments of principal and interest of approximately \$51,200 are due. Beginning January 2032, annual principal and interest payments of \$102,034 (paid in quarterly installments) are due, and are payable through maturity. The note is secured by certain property, as defined.	<u>2,462,700</u>	<u>2,462,700</u>
	16,474,380	17,208,380
	<u>(33,800)</u>	<u>(42,250)</u>
Less: Unamortized deferred financing costs		
Total Long-term Debt, net	<u>\$16,440,580</u>	<u>\$17,166,130</u>



**NOTE 6 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)**

At December 31, 2024, the aggregate maturities of the above long-term debt, for each of the next five years were as follows:

<b>Payable In</b>	<b>Principal Payments</b>
2025	\$ -
2026	-
2027	-
2028	1,774,380
2029	-

**NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of December 31, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Subject to Expenditures for Specified Purpose:		
Community development	\$ -	\$ 63,752
Early learning center operations	381,892	381,892
Environmental projects	-	5,558
Housing development	-	36,552
Replication of model	6,413	6,413
Come alive program	1,117	-
Education program	37,221	-
Subject to the Passage of Time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due – Hope Unleashed	<u>2,278,315</u>	<u>13,991,634</u>
Total Net Assets with Donor Restrictions	<u>\$2,704,958</u>	<u>\$14,485,801</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Promises to give that are not restricted by donors, but which were unavailable for expenditure until due	\$11,713,320	\$ -
Community development	144,379	253,800
Covid rapid response	-	18,579
Education	105,280	24,041
Environmental projects	10,308	4,735
Housing development	36,552	600,457
Neighborhood liaison and other projects	<u>75,544</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>\$12,085,383</u>	<u>\$901,612</u>

## NOTE 8 - EMPLOYEE RETENTION CREDIT

The Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequently expanded under the Consolidated Appropriations Act (CAA) contains a business relief provision known as the Employee Retention Credit (ERC), a refundable payroll tax credit for “qualified wages” paid to retained full-time employees. Employers qualified either under a gross receipts decline test or a partial suspension of operations based on a government mandate. The Organization determined it qualified for the credit. During the year ended December 31, 2023, Bridge of Grace Ministries received approximately \$280,000, which is recorded in contributions and grants on the consolidated statements of activities.

## NOTE 9 - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, 2024 and 2023, contributed nonfinancial assets recognized in the statements of activities consisted of the following:

	2024	2023
Building	\$444,600	\$ -
Goods and services	<u>-</u>	<u>6,098</u>
Total Recognized Contributed Nonfinancial Assets	<u>\$444,600</u>	<u>\$6,098</u>

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Organization had a 3-year lease with the Many Nations Church of the Nazarene (the Church) that expired in 2021, for the use of facilities for the Organization's program events. The Church leased the use of its building to the Organization for \$1 a year, plus utilities. The Organization did not have any lease expense in 2023, but continued to occupy the facility. In January 2024, the Church donated the facility to the Organization. The contributed building will be used for program services. In valuing the contributed building, the Organization estimated the fair value based on a current property assessed value issued by the county.

Recognized contributed goods and services comprise miscellaneous items received to be used in the normal course of business for MVPD. Contributed goods and services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar goods and services.

## NOTE 10 - LEASES AS LESSOR

The Organization leases commercial mixed-use space to third parties under long-term noncancellable lease agreements through December 2029. The Organization leases single-family housing under short-term lease agreements. The operating leases generate rental income from tenants and operating cash flows for the Organization. The leases for the commercial space commenced on January 1, 2025.

Contractual rent increases for the renewal options are often fixed at the time of the initial lease agreement which may result in tenants being able to exercise their renewal options at amounts that are less than fair value.

At December 31, 2024, the future minimum rental receipts expected under the leases in each of the next five years and thereafter were as follows:

Receivable In	Rental Receipts
2025	\$263,500
2026	268,770
2027	274,145
2028	279,627
2029	285,221

## **CONSOLIDATING INFORMATION**

*Independent Auditor's Report  
on Consolidating Information*

Boards of Directors  
Bridge of Grace, Inc.  
and Affiliate

We have audited the consolidated financial statements of Bridge of Grace, Inc. and Affiliates as of and for the year ended December 31, 2024, and our report thereon dated June 23, 2025, which contained an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating schedules of statement of financial position information and statement of activities information are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Katz, Sapper & Miller, LLP*

Fort Wayne, Indiana  
June 23, 2025

**BRIDGE OF GRACE, INC. AND AFFILIATES**  
**CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION INFORMATION**  
**December 31, 2024**

**ASSETS**

	Bridge of Grace, Inc.	Mt. Vernon Park Development, LLC	Mt. Vernon Park Landscaping, LLC	Bridge of Grace Support Corporation	Early Years Academy, LLC	Eliminations	Consolidated
<b>ASSETS</b>							
Cash	\$ 1,591,658	\$ 56,292	\$ 14,045		\$ 89,879		\$ 1,751,874
Cash and cash equivalents - restricted for new market tax credit transaction				\$ 977,026			977,026
Accounts receivable			11,328		10,000		21,328
Promises to give, net	2,861,648						2,861,648
Note receivable - new market tax credit transaction	10,539,000						10,539,000
Property and equipment, net	2,968,698	1,539,381	14,418	13,928,792			18,451,289
Investment in subsidiaries	1,727,678					\$ (1,727,678)	
<b>TOTAL ASSETS</b>	<u>\$19,688,682</u>	<u>\$ 1,595,673</u>	<u>\$ 39,791</u>	<u>\$ 14,905,818</u>	<u>\$ 99,879</u>	<u>\$ (1,727,678)</u>	<u>\$ 34,602,165</u>

**LIABILITIES AND NET ASSETS / EQUITY**

<b>LIABILITIES</b>							
Accounts payable	\$ 5,072		\$ 3,620				\$ 8,692
Deposits payable	21,958	\$ 4,045					26,003
Accrued payroll and other accrued liabilities	53,881						53,881
Deferred rent	22,159						22,159
Long-term debt, net	1,740,580			\$ 14,700,000			16,440,580
Total Liabilities	<u>1,843,650</u>	<u>4,045</u>	<u>3,620</u>	<u>14,700,000</u>			<u>16,551,315</u>
<b>NET ASSETS / EQUITY</b>							
Without donor restrictions	15,140,074			205,818			15,345,892
With donor restrictions	2,704,958						2,704,958
Members' equity		1,591,628	36,171		\$ 99,879	\$ (1,727,678)	
Total Net Assets / Equity	<u>17,845,032</u>	<u>1,591,628</u>	<u>36,171</u>	<u>205,818</u>	<u>99,879</u>	<u>(1,727,678)</u>	<u>18,050,850</u>
<b>TOTAL LIABILITIES AND NET ASSETS / EQUITY</b>	<u>\$19,688,682</u>	<u>\$ 1,595,673</u>	<u>\$ 39,791</u>	<u>\$ 14,905,818</u>	<u>\$ 99,879</u>	<u>\$ (1,727,678)</u>	<u>\$ 34,602,165</u>

**BRIDGE OF GRACE, INC. AND AFFILIATES**  
**CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES INFORMATION**  
**Year Ended December 31, 2024**

	Bridge of Grace, Inc.	Mt. Vernon Park Development, LLC	Mt. Vernon Park Landscaping, LLC	Bridge of Grace Support Corporation	Early Years Academy, LLC	Eliminations	Consolidated
<b>REVENUE, GAINS AND OTHER SUPPORT</b>							
Contributions:							
Contributions and grants	\$ 844,675	\$ 69,277	\$ 500		\$ 71,445		\$ 985,897
Contributed nonfinancial assets	444,600						444,600
Total Contributions	<u>1,289,275</u>	<u>69,277</u>	<u>500</u>		<u>71,445</u>		<u>1,430,497</u>
Program service fees	266,275					\$ (266,275)	
Rental income		129,803		\$ 41,500			171,303
Lawn service			199,730				199,730
Miscellaneous income		264	2,871				3,135
Interest income	190,057			110,124	3,784		303,965
Gain (loss) on sale of property	(3,075)						(3,075)
Income from investment in subsidiaries	198,804					(198,804)	
Intercompany transfers	(215,647)	149,050		(81,088)	147,685		
Total Revenue, Gains and Other Support	<u>1,725,689</u>	<u>348,394</u>	<u>203,101</u>	<u>70,536</u>	<u>222,914</u>	<u>(465,079)</u>	<u>2,105,555</u>
<b>EXPENSES</b>							
Program services	1,327,028	179,846	218,747	481,556	123,035	(213,019)	2,117,193
Management and general	266,869	38,018	15,959			(26,628)	294,218
Fundraising	175,894					(26,628)	149,266
Total Expenses	<u>1,769,791</u>	<u>217,864</u>	<u>234,706</u>	<u>481,556</u>	<u>123,035</u>	<u>(266,275)</u>	<u>2,560,677</u>
<b>CHANGE IN NET ASSETS</b>	(44,102)	130,530	(31,605)	(411,020)	99,879	(198,804)	(455,122)
<b>NET ASSETS</b>							
Beginning of Year	<u>17,889,134</u>	<u>1,461,098</u>	<u>67,776</u>	<u>616,838</u>		<u>(1,528,874)</u>	<u>18,505,972</u>
End of Year	<u>\$ 17,845,032</u>	<u>\$ 1,591,628</u>	<u>\$ 36,171</u>	<u>\$ 205,818</u>	<u>\$ 99,879</u>	<u>\$ (1,727,678)</u>	<u>\$ 18,050,850</u>