

CROSSBRIDGE, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED MAY 31, 2022

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CONTENTS

	<u>Page</u>
Independent auditors' report	3-4
Financial statements:	
Statement of financial position.....	5
Statement of activities	6
Statement of functional expenses.....	7
Statement of cash flows.....	8
Notes to financial statements.....	9-14



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CrossBridge, Inc.
Nashville, TN

Opinion

We have audited the accompanying financial statements of CrossBridge, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of May 31, 2022 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2022, 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.

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 Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

(Continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Brown & Maguire CPAs, PLLC

Brown & Maguire CPAs, PLLC

December 14, 2022

CROSSBRIDGE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MAY 31, 2022

ASSETS

Current Assets:

Cash – operating	\$ 322,969
Cash – internally restricted by Board resolution	1,254,267
Grant receivables	86,203
Deposits and other current assets	<u>6,530</u>
Total current assets	<u>1,669,969</u>

Property and Vehicles:

Land	312,350
Building	5,646,666
Furniture & equipment	472,488
Vehicles	154,348
Construction in progress	59,611
Less: accumulated depreciation	<u>(162,378)</u>
Total property and vehicles, net	<u>6,483,085</u>

Total assets	<u>\$ 8,153,054</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ <u>177,106</u>
Total current liabilities	<u>177,106</u>
Total liabilities	<u>177,106</u>

Net Assets:

Without donor restrictions	7,822,888
With donor restrictions	<u>153,060</u>
Total net assets	<u>7,975,948</u>

Total liabilities and net assets	<u>\$ 8,153,054</u>
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The accompanying notes are an integral part of these financial statements.

CROSSBRIDGE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Building funds	\$ 5,096,845	\$ -	\$ 5,096,845
Restoration House	297,997	-	297,997
Special events, net of direct costs of \$4,670	-	275,079	275,079
Grants	322,582	22,500	345,082
First PPP loan forgiveness.....	91,100	-	91,100
Contributions	113,810	2,237	116,047
Catering	47,028	-	47,028
Interest income	488	-	488
Net assets released from restrictions	285,277	(285,277)	-
Total support and revenue.....	<u>6,255,127</u>	<u>14,539</u>	<u>6,269,666</u>
Expenses:			
Program services	631,635	-	631,635
Management and general	189,065	-	189,065
Fundraising.....	47,266	-	47,266
Total expenses	<u>867,966</u>	<u>-</u>	<u>867,966</u>
Change in net assets.....	5,387,161	14,539	5,401,700
Net assets at beginning of year	<u>2,435,727</u>	<u>138,521</u>	<u>2,574,248</u>
Net assets at end of year	<u><u>\$ 7,822,888</u></u>	<u><u>\$ 153,060</u></u>	<u><u>\$ 7,975,948</u></u>

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

CROSSBRIDGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2022

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Staff	\$ 289,631	\$ 134,151	\$ 33,538	\$ 457,320
Building	171,505	-	-	171,505
Depreciation	62,387	-	-	62,387
Program	21,873	18,258	4,565	44,696
Insurance	16,240	12,992	3,248	32,480
Catering	27,089	-	-	27,089
Communications	21,607	3,764	941	26,312
Office	6,966	5,573	1,393	13,932
Other	5,624	4,499	1,124	11,247
Vehicle	3,575	2,860	715	7,150
Assistance	3,187	2,550	637	6,374
Advertising	451	3,218	805	4,474
Professional	1,500	1,200	300	3,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 631,635</u>	<u>\$ 189,065</u>	<u>\$ 47,266</u>	<u>\$ 867,966</u>

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

CROSSBRIDGE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2022

Cash flows from operating activities:

Increase in net assets	\$ 5,401,700
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	62,387
Increase in grant receivables	(44,892)
Decrease in deposits and other current assets	185
Decrease in accounts payable	(57,478)
Decrease in deposits payable	<u>(190)</u>
Net cash provided by operating activities	<u>5,361,712</u>

Cash flows from investing activities:

Investment in property	<u>(2,710,117)</u>
Net cash used in investing activities	<u>(2,710,117)</u>

Cash flows from financing activities:

Forgiveness of second PPP loan	(91,100)
Repayments under construction loan, net of borrowings	<u>(2,544,230)</u>
Net cash used in financing activities	<u>(2,635,330)</u>

Net increase in cash and cash equivalents	16,265
Cash and cash equivalents, at beginning of the period	<u>1,560,971</u>
Cash and cash equivalents, at end of the period	<u>\$ 1,577,236</u>

Cash paid for interest	<u>\$ -</u>
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Cash paid for taxes	<u>\$ -</u>
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Supplemental noncash activities:

Forgiveness of first PPP loan	<u>\$ 91,100</u>
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The accompanying notes are an integral part of these financial statements.

CROSSBRIDGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MAY 31, 2022

1. Description of the Organization and Summary of Significant Accounting Policies

CrossBridge, Inc. (the “Organization”) serves a Nashville, Tennessee community struggling with the devastating effects of generational poverty. Drugs, prostitution and violent crime make the Organization’s south Nashville service area a toxic neighborhood of single-parent households, whose children encounter real dangers in and out of their homes on a continual basis. The Organization was created to break this destructive cycle with effective, real-world solutions via programs such as Restoration House and KidPower.

Restoration House provides recovery housing, healthy boundaries and integrated programming for adults trapped in the bondage of addiction. KidPower is designed to give at-risk children the tools needed to avoid that bondage altogether. The Organization’s goal is to help them remain drug-free, learn healthy conflict resolution skills, delay parenthood until marriage, graduate from high school, earn a post-secondary degree and become servant leaders giving back to their community.

Basis of Presentation

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds and cash bank accounts with an original maturity of three months or less to be cash and cash equivalents.

Fair Values of Financial Instruments

Financial instruments of the Organization include cash, short-term program accounts receivable, and program accounts payable. Management estimates that the fair value of all financial instruments at fiscal year-end does not differ materially from the carrying values of the financial instruments recorded in the accompanying financial statement of financial position.

Contributions and Support

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

CROSSBRIDGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MAY 31, 2022

Property and Depreciation

Property and equipment are recorded at cost or at fair value as of the date purchased or contributed. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method over the estimated lives of the respective assets. Vehicles are depreciated over seven years.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Additionally, a number of unpaid volunteers have made significant contributions of their time to assist in tutoring, fund-raising and special projects. However, these services do not meet the requirements above and have not been recorded.

Income Taxes

The Organization, which is not a private foundation, is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. Additionally, as of May 31, 2022, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

Program and Supporting Services

The following program and supporting services were included in the accompanying financial statements.

Program Services—Includes activities carried out to fulfill the Organization's goals as they related to Restoration House and KidPower.

Management and General—Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

CROSSBRIDGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MAY 31, 2022

Fundraising—Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis as program, management or fundraising in the statement of functional expenses. Additionally, the statement of activities and functional expense reports certain expenses as being attributable to program, management and fundraising functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the year ended May 31, 2022 were \$4,474.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management of the Organization to make estimates and assumptions that affect the reported assets and liabilities and contingency disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

2. Construction In Progress / Construction Loan

During April 2020 the Organization officially broke ground on the construction of 50 affordable housing units at 35 Lindsley Avenue in Nashville, TN (the “Lindsley Building”). The construction project was completed in April 2022.

The Organization received two grants to assist with the construction cost of the Lindsley Building. The Organization was notified of a \$500,000 grant in May 2020 from the State of Tennessee, Tennessee Housing Development Agency (“THDA”) to cover certain cost incurred between June 1, 2020 and May 31, 2023 related to the construction of the Lindsley Building. Additionally, the Organization was notified in June 2019 of a \$1,800,000 grant from the Metropolitan Government of Nashville and Davidson County (“Metro”) to cover certain cost related to the construction of the Lindsley Building incurred within 24 months from the execution date of the agreement with Metro.

CROSSBRIDGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MAY 31, 2022

Both the THDA and Metro grants have specific requirements and guidelines that must be met before funds are available under the grants. As of May 31, 2022, the Organization has requested and received funding of \$2,375,000 under the terms of the THDA and Metro grants, collectively.

In addition to being awarded the THDA and Metro grants, the Organization obtained a construction loan with Regions Bank in August 2019 to cover any additional cost related to the Lindsley Building (the "Construction Loan"). Under the terms of the Construction Loan, the Organization could borrow up to \$2,646,000 but not to exceed 50% of the loan to value of the Lindsley Building. The Construction Loan was secured by the land and building related to the Lindsley Building. On or before August 2022, the Construction Loan was required to convert the Construction Loan to a term loan with monthly installment payments of principal and interest to be paid over 240 months. Upon conversion of the Construction Loan, the maturity date of the new term loan would have been 60 months from the conversion date. Interest on the Construction Loan was prime minus 4%. The loan was paid in full during May 2022.

3. PPP Loan

In March 2021, the Organization was granted a Second Draw PPP Loan (the "Second Loan") from Regions Bank in the aggregate amount of \$91,100, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Second Loan, which was in the form of a note entered into by the Organization in March 2021, would have matured in March 2023 and bore interest at a rate of 1% per annum, payable monthly commencing in November 2021. The Loan could have been prepaid by the Organization at any time prior to maturity with no prepayment penalties. Proceeds from the Second Loan were available to be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the Loan could be forgiven if they are used for qualifying expenses as described in the CARES Act. In August 2021, the Organization was granted forgiveness on the entire amount of the Second Loan. The Second Loan forgiveness was reflected in the Organization's Statement of Activities for the year ended May 31, 2022.

4. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions for the year ended May 31, 2022 were as follows:

	Beginning of Year	Contributions With Donor Restrictions	Released Contributions with Donor Restrictions	End of Year
Annual Fundraiser...	\$ 96,234	\$ 279,749	\$ (238,797)	\$ 137,186
Program Services	42,287	24,737	(51,150)	15,874
	<u>\$ 138,521</u>	<u>\$ 304,486</u>	<u>\$ (289,947)</u>	<u>\$ 153,060</u>

Additionally, by prior resolution of the Board of Directors, a portion of the net assets were designated as a reserve for program services, including the construction of a building. As of May 31, 2022, the program reserve was \$1,254,267. The Board of Directors reserves the right to assign amounts as needed.

CROSSBRIDGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MAY 31, 2022

5. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of May 31, 2022, reduced by any amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets:	
Cash assets.....	\$ 1,577,236
Grants receivable assets.....	86,203
Total financial assets	<u>1,663,439</u>
Less: Amounts reserved for direct assistance or by Board resolution....	<u>(1,407,327)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 256,112</u>

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

6. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this Accounting Standards Update ("ASU") supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

7. Uncertainties

In March 2020, the novel coronavirus (or "COVID-19") was deemed a global pandemic by the World Health Organization. COVID-19 has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. The resulting regulations instituted across the United States to curb COVID-19 have resulted in a significant change in the operation of many businesses, including the potential to directly impact operations of the Organization.

CROSSBRIDGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MAY 31, 2022

8. Subsequent Events

The Organization has evaluated all events or transactions that occurred after May 31, 2022, through December 14, 2022, the date these financial statements were issued. During this period the Organization did not have any material recognizable events that required recognition in the disclosures to the May 31, 2022 financial statements.
