

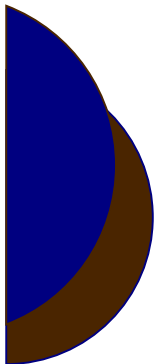
CROSSBRIDGE, INC.  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
YEAR ENDED MAY 31, 2017

CROSSBRIDGE, INC.  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
YEAR ENDED MAY 31, 2017

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## BROWN & MAGUIRE CPAs, PLLC

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2715 Bransford Avenue  
Nashville, TN 37204

(615) 242-0067 [telephone]  
(866) 347-3899 [fax]

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
CrossBridge, Inc.

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, 2017, 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. 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 the Organization as of May 31, 2017, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Brown & Maguire CPAs, PLLC*

Brown & Maguire CPAs, PLLC  
August 18, 2017

CROSSBRIDGE, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF MAY 31, 2017

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ASSETS

**Current Assets:**

Cash – operating	\$ 90,634
Cash – internally restricted by Board resolution	86,438
Grant receivables	3,192
Other receivables	303
Deposits	<u>6,807</u>
Total current assets	<u>187,374</u>

**Vehicles:**

Land	282,575
Building	213,868
Vehicles	72,213
Less: accumulated depreciation	<u>(49,857)</u>
Total vehicles, net	<u>518,799</u>

Total assets	<u><u>\$ 706,173</u></u>
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LIABILITIES AND NET ASSETS

**Current Liabilities:**

Accounts payable	\$ 5,720
Deposits payable	2,551
Current portion of long-term debt	<u>24,620</u>
Total current liabilities	32,891

Non-current portion of long-term debt	<u>455,860</u>
Total liabilities	<u>488,751</u>

**Net Assets:**

Unrestricted	149,152
Temporarily restricted	<u>68,270</u>
Total net assets	<u>217,422</u>

Total liabilities and net assets	<u><u>\$ 706,173</u></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, 2017

	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue:</b>			
Restoration House .....	\$ 335,929	\$ -	\$ 335,929
Catering .....	156,526	-	156,526
Grant.....	22,077	11,500	33,577
Contributions.....	68,899	14,704	83,603
Special events, net of direct costs of \$5,259 .....	46,362	59,307	105,669
Net assets released from restrictions .....	88,295	(88,295)	-
Total support and revenue.....	<u>718,088</u>	<u>(2,784)</u>	<u>715,304</u>
<b>Expenses:</b>			
Program services .....	589,966	-	589,966
Management and general .....	82,407	-	82,407
Fundraising.....	20,552	-	20,552
Total expenses.....	<u>692,925</u>	<u>-</u>	<u>692,925</u>
Change in net assets.....	25,163	(2,784)	22,379
Net assets at beginning of year.....	123,989	71,054	195,043
Net assets at end of year .....	<u>\$ 149,152</u>	<u>\$ 68,270</u>	<u>\$ 217,422</u>

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

CROSSBRIDGE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2017

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ -	\$ 1,100	\$ 275	\$ 1,375
Appliances	4,881	-	-	4,881
Appreciation	-	963	241	1,204
Auto expenses	4,849	6,808	1,702	13,359
Background checks	824	-	-	824
Communications	19,121	2,553	638	22,312
Cooking supplies	30,901	-	-	30,901
Curriculum	2,031	-	-	2,031
Depreciation	13,328	-	-	13,328
Drug testing	4	-	-	4
Equipment	1,324	2,400	600	4,324
Fire suppression	2,060	-	-	2,060
Furnishings	1,565	-	-	1,565
General assistance	8,627	7,583	1,896	18,106
Housing	23,600	-	-	23,600
Insurance	-	14,391	3,598	17,989
Interest	500	-	-	500
Labor	254,981	19,002	4,751	278,734
Licenses	4,887	9,336	2,284	16,507
Linen rental	2,287	-	-	2,287
Maintenance	7,781	-	-	7,781
Meals	10,524	-	-	10,524
Merchant fees	122	-	-	122
Miscellaneous	9,017	1,588	396	11,001
Mowing	90	-	-	90
Payroll taxes	15,810	4,491	1,123	21,424
Pest control	6,203	-	-	6,203
Postage	-	430	107	537
Professional fees	-	4,020	1,005	5,025
Rent	110,738	3,160	790	114,688
Security	512	-	-	512
Supplies	5,245	4,582	1,146	10,973
Trash	1,006	-	-	1,006
Utilities	47,148	-	-	47,148
Total expenses	<u>\$ 589,966</u>	<u>\$ 82,407</u>	<u>\$ 20,552</u>	<u>\$ 692,925</u>

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

CROSSBRIDGE, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2017

**Cash flows from operating activities:**

Increase in net assets	\$ 22,379
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,328
Increase in grant receivable	(3,192)
Increase in other receivables	(303)
Increase in deposits	(5,007)
Increase in accounts payable	3,833
Decrease in deposits payable	<u>(1,570)</u>
Net cash provided by operating activities	<u>29,468</u>

**Cash flows from investing activities:**

Purchase of a land and building	<u>(496,444)</u>
Net cash used in investing activities	<u>(496,444)</u>

**Cash flows from financing activities:**

Borrowings under promissory note	492,800
Payments on promissory note	<u>(12,320)</u>
Net cash provided by financing activities	<u>480,480</u>

Net increase in cash and cash equivalents	13,504
Cash and cash equivalents, at beginning of the period	<u>163,568</u>
Cash and cash equivalents, at end of the period	<u>\$ 177,072</u>

Cash paid for interest	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>

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, 2017

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**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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.



CROSSBRIDGE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2017

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*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*

Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At May 31, 2017, the Organization had no permanently restricted net assets.

*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, 2017, 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

CROSSBRIDGE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2017

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associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

**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 in the statements of functional expenses. Accordingly, certain costs have been allocated among program and support services based on estimates by management.

*Advertising Costs*

Advertising costs are expensed as incurred. Advertising costs for the year ended May 31, 2017 were \$1,375.

*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. Long-Term Debt**

At May 31, 2017 long-term debt obligations consisted of the following:

Term loan to a bank in 239 monthly installments of \$2,053.33 and one final payment of \$2,054.13, through November 2036; collateralized by certain machinery and equipment. Interest on the term loan is variable and is charged at Prime minus 4.00%. As of May 31, 2017 interest on the term loan was zero.	\$ 480,480
Less: current portion	(24,620)
Long-term debt.....	<u>\$ 455,860</u>

CROSSBRIDGE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2017

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Future maturities of long-term debt obligations are as follows for the years ending May 31:

2018 .....	\$ 24,620
2019 .....	24,620
2020 .....	24,620
2021 .....	24,620
2022 .....	24,620
Thereafter.....	357,380
	<u>480,480</u>
Current portion of long-term debt.....	(24,620)
Long-term debt .....	<u>\$ 455,860</u>

### 3. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets for the year ended May 31, 2017 were as follows:

	Beginning of Year	Restricted Contributions	Released from Restriction	End of Year
Annual Fundraiser...	\$ 40,902	\$ 59,307	\$ (44,956)	\$ 55,253
Program Services ....	30,152	26,204	(43,339)	13,017
	<u>\$ 71,054</u>	<u>\$ 85,511</u>	<u>\$ (88,295)</u>	<u>\$ 68,270</u>

Additionally, by prior resolution of the Board of Directors, a portion of the net assets were designated as a reserve for program services. As of May 31, 2017, the program reserve was \$86,438. The Board of Directors reserves the right to assign amounts as needed.

### 4. Operating Lease Commitments

The Organization leases certain two group homes under non-cancelable operating lease. Future minimum lease commitments under this lease agreement are as follows:

2018 .....	\$ 25,400
2019 .....	-
2020 .....	-
2021 .....	-
2022 .....	-
Thereafter.....	-
	<u>\$ 25,400</u>

All other group homes leased by the Organization as of May 31, 2017 were on a month-to-month term.

CROSSBRIDGE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MAY 31, 2017

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**5. Subsequent Events**

The Organization has evaluated all events or transactions that occurred after May 31, 2017, through August 18, 2017, 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, 2017 financial statements.

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