

July 27, 2018

To the Board and Management of
CrossBridge, Inc.

In planning and performing our audit of the financial statements of CrossBridge, Inc. (the "Organization") as of and for the year ended May 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown & Maguire CPAs, PLLC

Brown & Maguire CPAs, PLLC
Nashville, Tennessee
July 27, 2018

July 27, 2018

To the Board of
CrossBridge, Inc.

We have audited the financial statements of CrossBridge, Inc. (the "Organization") for the year ended May 31, 2018 and have issued our report thereon dated July 27, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 11, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CrossBridge, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended May 31, 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. No sensitive estimates were noted during our audit.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of

management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 27, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of CrossBridge, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Brown & Maguire CPAs, PLLC

Brown & Maguire CPAs, PLLC
Nashville, Tennessee

CROSSBRIDGE, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED MAY 31, 2018

CROSSBRIDGE, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED MAY 31, 2018

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2715 BRANSFORD AVENUE NASHVILLE, TN 37204

P. 615.242.0067 F. 615.460.7574

502 NORTH GARDEN STREET SUITE 208 COLUMBIA, TN 38401

P. 931.388.3008 F. 931.388.3018

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, 2018, 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, 2018, 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
July 27, 2018

CROSSBRIDGE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MAY 31, 2018

ASSETS

Current Assets:

Cash – operating	\$ 208,599
Cash – internally restricted by Board resolution	81,728
Grant receivables	912
Deposits and other current assets	<u>9,470</u>
Total current assets	<u>300,709</u>

Property and Vehicles:

Land	282,575
Building	213,868
Vehicles	92,543
Less: accumulated depreciation	<u>(53,243)</u>
Total property and vehicles, net	<u>535,743</u>

Total assets	<u>\$ 836,452</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 2,096
Deposits payable	6,530
Current portion of long-term debt	<u>20,155</u>
Total current liabilities	28,781

Non-current portion of long-term debt	<u>437,581</u>
Total liabilities	<u>466,362</u>

Net Assets:

Unrestricted	273,696
Temporarily restricted	<u>96,394</u>
Total net assets	<u>370,090</u>

Total liabilities and net assets	<u>\$ 836,452</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, 2018

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Restoration House	\$ 302,639	\$ -	\$ 302,639
Catering	145,061	-	145,061
Grant.....	40,954	66,300	107,254
Contributions.....	133,251	3,803	137,054
Special events, net of direct costs of \$6,963	107,422	14,037	121,459
Gain on disposal of a vehicle	4,358	-	4,358
Interest income	4	-	4
Net assets released from restrictions	56,016	(56,016)	-
Total support and revenue.....	<u>789,705</u>	<u>28,124</u>	<u>817,829</u>
Expenses:			
Program services	566,601	-	566,601
Management and general	78,848	-	78,848
Fundraising.....	19,712	-	19,712
Total expenses.....	<u>665,161</u>	<u>-</u>	<u>665,161</u>
Change in net assets.....	124,544	28,124	152,668
Net assets at beginning of year	149,152	68,270	217,422
Net assets at end of year	<u>\$ 273,696</u>	<u>\$ 96,394</u>	<u>\$ 370,090</u>

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

CROSSBRIDGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2018

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ -	\$ 2,721	\$ 680	\$ 3,401
Appliances	2,916	-	-	2,916
Appreciation	-	1,538	384	1,922
Auto expenses	6,471	6,657	1,664	14,792
Background checks	840	-	-	840
Communications	16,704	2,204	551	19,459
Cooking supplies	28,610	-	-	28,610
Curriculum	1,590	-	-	1,590
Depreciation	14,236	-	-	14,236
Drug testing	3,780	-	-	3,780
Dues	-	3,177	794	3,971
Equipment	732	1,200	300	2,232
Fire suppression	2,291	-	-	2,291
Furnishings	905	-	-	905
General assistance	6,032	3,022	755	9,809
Housing	12,575	-	-	12,575
Insurance	-	16,553	4,138	20,691
Interest	1,896	-	-	1,896
Labor	249,672	20,555	5,139	275,366
Licenses	3,231	4,860	1,215	9,306
Linen rental	1,434	-	-	1,434
Maintenance	26,965	-	-	26,965
Meals	7,323	-	-	7,323
Merchant fees	57	-	-	57
Miscellaneous	3,893	2,580	647	7,120
Mowing	1,089	-	-	1,089
Payroll taxes	14,622	4,585	1,146	20,353
Pest control	3,922	-	-	3,922
Postage	-	424	106	530
Professional fees	2,800	2,767	692	6,259
Rent	95,675	2,160	540	98,375
Security	420	-	-	420
Supplies	9,076	3,845	961	13,882
Trash	1,150	-	-	1,150
Utilities	45,694	-	-	45,694
Total expenses	<u>\$ 566,601</u>	<u>\$ 78,848</u>	<u>\$ 19,712</u>	<u>\$ 665,161</u>

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

CROSSBRIDGE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2018

Cash flows from operating activities:

Increase in net assets	\$ 152,668
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	14,236
Gain on disposal of a vehicle	(4,358)
Decrease in grant receivable	2,280
Decrease in other receivables	303
Increase in deposits and other current assets	(2,663)
Decrease in accounts payable	(3,624)
Increase in deposits payable	3,979
Net cash provided by operating activities	<u>162,821</u>

Cash flows from investing activities:

Purchases of vehicles	(44,963)
Proceeds from the disposal of a vehicle	<u>18,141</u>
Net cash used in investing activities	<u>(26,822)</u>

Cash flows from financing activities:

Payments on promissory note	<u>(22,744)</u>
Net cash used in financing activities	<u>(22,744)</u>

Net increase in cash and cash equivalents	113,255
Cash and cash equivalents, at beginning of the period	<u>177,072</u>
Cash and cash equivalents, at end of the period	<u>\$ 290,327</u>

Cash paid for interest \$ 1,896

Cash paid for taxes \$ -

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, 2018

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, 2018

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, 2018, 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, 2018, 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, 2018

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, 2018 were \$3,401.

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, 2018 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 the remaining principal balance owed in 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, 2018 interest on the term loan was 0.75%.	\$ 457,736
Less: current portion	(20,155)
Long-term debt.....	<u>\$ 437,581</u>

CROSSBRIDGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MAY 31, 2018

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

2019	\$ 20,155
2020	20,357
2021	20,562
2022	20,768
2023	20,977
Thereafter.....	<u>354,917</u>
	457,736
Current portion of long-term debt.....	<u>(20,155)</u>
Long-term debt	<u>\$ 437,581</u>

3. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets for the year ended May 31, 2018 were as follows:

	Beginning of Year	Restricted Contributions	Released from Restriction	End of Year
Annual Fundraiser...	\$ 55,253	\$ 14,037	\$ (1,404)	\$ 67,886
Program Services	13,017	70,103	(54,612)	28,508
	<u>\$ 68,270</u>	<u>\$ 84,140</u>	<u>\$ (56,016)</u>	<u>\$ 96,394</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, 2018, the program reserve was \$81,728. 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:

2019	\$ 21,000
2020	-
2021	-
2022	-
2023	-
Thereafter.....	<u>-</u>
	<u>\$ 21,000</u>

All other group homes leased by the Organization as of May 31, 2018 were on a month-to-month term.

CROSSBRIDGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MAY 31, 2018

5. Subsequent Events

The Organization has evaluated all events or transactions that occurred after May 31, 2018, through July 27, 2018, 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, 2018 financial statements.
