CROSSBRIDGE, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED MAY 31, 2020

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CONTENTS

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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, 2020, 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, 2020, 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 20, 2020

CROSSBRIDGE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MAY 31, 2020

ASSETS

Current Assets:	
Cash – operating	$ 273,659
Cash – internally restricted by Board resolution	247,690
Grant receivables	6,650
Deposits and other current assets	5,692
Total current assets	533,691
Property and Vehicles:	
Land	282,575
Building	213,868
Vehicles	134,148
Construction in progress	474,934
Less: accumulated depreciation	(74,319)
Total property and vehicles, net	1,031,206
Total assets	$ 1,564,897

LIABILITIES AND NET ASSETS

Current Liabilities:	
Deposits payable	$ 1,036
PPP loan	91,100
Total current liabilities	92,136
Construction loan	437,696
Total liabilities	529,832
Net Assets:	
Without donor restrictions	80,671
With donor restrictions	954,394
Total net assets	1,035,065
Total liabilities and net assets	$ 1,564,897

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

CROSSBRIDGE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Restoration House	$ 315,640	$ -	$ 315,640
Catering	142,176	-	142,176
Grants	121,710	7,000	128,710
Foundations	250,000	-	250,000
Contributions	78,140	-	78,140
Special events, net of direct costs of $1,618	129,343	6,364	135,707
Gain on disposal of assets	5,834	-	5,834
Interest income	8,102	-	8,102
Net assets released from restrictions	89,774	(89,774)	-
Total support and revenue	1,140,719	(76,410)	1,064,309
Expenses:			
Program services	542,188	-	542,188
Management and general	160,492	-	160,492
Fundraising	40,123	-	40,123
Total expenses	742,803	-	742,803
Change in net assets	397,916	(76,410)	321,506
Net assets at beginning of year	556,478	157,081	713,559
Net assets at end of year	$ 954,394	$ 80,671	$ 1,035,065

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

CROSSBRIDGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2020

		Supporting Services		
	Program Services	**Management and General**	**Fundraising**	**Total**
Staff	$ 254,553	$ 121,502	$ 30,375	$ 406,430
Building	172,499	-	-	172,499
Catering	23,592	-	-	23,592
Program	6,725	5,380	1,345	13,450
Depreciation	23,370	-	-	23,370
Communications	19,236	3,051	763	23,050
Insurance	12,473	9,979	2,495	24,947
Vehicle	6,931	5,544	1,386	13,861
Other	9,502	7,602	1,901	19,005
Assistance	5,154	3,332	833	9,319
Computer	5,127	4,102	1,025	10,254
Interest	3,026	-	-	3,026
Total expenses	$ 542,188	$ 160,492	$ 40,123	$ 742,803

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

CROSSBRIDGE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2020

Cash flows from operating activities:	
Increase in net assets	$ 321,506
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	23,370
Gain on disposal of vehicles	(5,834)
Increase in grant receivable	(5,636)
Decrease in deposits and other current assets	238
Decrease in accounts payable	(1,047)
Increase in deposits payable	64
Net cash provided by operating activities	332,661
Cash flows from investing activities:	
Investment in construction in progress	(474,934)
Purchase of a vehicle	(23,094)
Proceeds from the sale of a vehicle	10,744
Net cash used in investing activities	(487,284)
Cash flows from financing activities:	
Borrowings under promissory notes, net of repayments	89,942
Net cash provided by financing activities	89,942
Net decrease in cash and cash equivalents	(64,681)
Cash and cash equivalents, at beginning of the period	586,030
Cash and cash equivalents, at end of the period	$ 521,349
Cash paid for interest	$ 3,026
Cash paid for taxes	$ -

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

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.

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, 2020, 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.

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, 2020 were $2,743.

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 is expected to take approximately one year to complete. The total cost incurred as of May 31, 2020 was $474,934 and has been capitalized in the accompanying state of financial position as construction in progress.

The Organization has 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.

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, 2020, the Organization has not requested or received any funding under the terms of either the THDA and Metro grants.

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 can borrow up to $2,646,000 but not to exceed 50% of the loan to value of the Lindsley Building. The Construction Loan is secured by the land and building related to the Lindsley Building. On or before August 2022, the Construction Loan must be converted to a term loan with monthly installment payments of principal and interest to be paid over 240 months. Interest on the Construction Loan is prime minus 4%. As of May 31, 2020 the interest rate on the Construction Loan was zero. As of May 31, 2020, $437,696 was outstanding under the Construction Loan.

3. PPP Loan

On April 22, 2020, the Organization was granted a loan (the "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 Loan, which was in the form of a note dated April 22, 2020 issued to the Organization, matures on April 22, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on November 22, 2020. The Loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the Loan may only 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 may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization intends to use the entire Loan amount for qualifying expenses and expects the entire Loan to be forgiven. Accordingly, the Loan is presented as a current liability in the May 31, 2020 financial statements.

4. Long-Term Debt

At May 31, 2020 long-term debt obligations consisted of the following:

Construction loan, see terms in Note 3	**$ 437,696**
PPP loan, see terms in Note 3	**91,100**
	528,796
Less: current portion	**(91,100)**
Long-term debt	**$ 437,696**

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

2021	**$ 91,100**
2022	**437,696**
2023	**-**
2024	**-**
2025	**-**
Thereafter	**-**
	528,796
Current portion of long-term debt	**(91,100)**
Long-term debt	**$ 437,696**

5. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions for the year ended May 31, 2020 were as follows:

	Beginning of Year	**Contributions With Donor Restrictions**	**Released Contributions with Donor Restrictions**	**End of Year**
Annual Fundraiser	**$ 105,283**	**$ 6,364**	**$ (65,963)**	**$ 45,684**
Program Services	**51,798**	**7,000**	**(23,811)**	**34,987**
	$ 157,081	**$ 13,364**	**$ (89,774)**	**$ 80,671**

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, 2020, the program reserve was $247,690. The Board of Directors reserves the right to assign amounts as needed.

6. 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:

2021	**$ 31,400**
2022	**8,500**
2023	**-**
2024	**-**
2025	**-**
Thereafter	**-**
	$ 39,900

All other group homes leased by the Organization as of May 31, 2020 were on a month-to-month term.

7. 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, 2020, 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.

8. 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 restrictions on the operations of businesses and has directly impacted operations of the Organization. The implications of COVID-19 to the Organization's operations are still being evaluated and the duration and intensity of its impact is uncertain.

9. Subsequent Events

The Organization has evaluated all events or transactions that occurred after May 31, 2020, through August 20, 2020, 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, 2020 financial statements.

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