

CROSSBRIDGE, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED MAY 31, 2019

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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, 2019, 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, 2019, 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 6, 2019

CROSSBRIDGE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MAY 31, 2019

ASSETS

Current Assets:

Cash – operating	\$ 198,804
Cash – internally restricted by Board resolution	387,226
Grant receivables	1,014
Deposits and other current assets	<u>5,930</u>
Total current assets	<u>592,974</u>

Property and Vehicles:

Land	282,575
Building	213,868
Vehicles	139,143
Less: accumulated depreciation	<u>(74,128)</u>
Total property and vehicles, net	<u>561,458</u>

Total assets	<u><u>\$ 1,154,432</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 1,047
Deposits payable	972
Current portion of long-term debt	<u>438,854</u>
Total current liabilities	<u>440,873</u>

Total liabilities	<u>440,873</u>
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Net Assets:

Without donor restrictions	157,081
With donor restrictions	<u>556,478</u>
Total net assets	<u>713,559</u>

Total liabilities and net assets	<u><u>\$ 1,154,432</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Restoration House	\$ 295,988	\$ -	\$ 295,988
Catering	181,582	-	181,582
Grant.....	66,704	69,800	136,504
Contributions.....	278,794	6,000	284,794
Special events, net of direct costs of \$7,816	52,439	107,283	159,722
Interest income	4,564	-	4,564
Net assets released from restrictions	122,396	(122,396)	-
Total support and revenue.....	<u>1,002,467</u>	<u>60,687</u>	<u>1,063,154</u>
Expenses:			
Program services	565,685	-	565,685
Management and general	123,200	-	123,200
Fundraising.....	30,800	-	30,800
Total expenses.....	<u>719,685</u>	<u>-</u>	<u>719,685</u>
Change in net assets.....	282,782	60,687	343,469
Net assets at beginning of year.....	273,696	96,394	370,090
Net assets at end of year	<u>\$ 556,478</u>	<u>\$ 157,081</u>	<u>\$ 713,559</u>

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

CROSSBRIDGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2019

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Staff	\$ 280,502	\$ 65,126	\$ 16,280	\$ 361,908
Building	179,650	4,554	1,139	185,343
Catering	30,750	878	220	31,848
Program	7,339	9,407	2,352	19,098
Depreciation	20,885	-	-	20,885
Communications	16,330	2,768	692	19,790
Insurance	14,591	3,891	973	19,455
Vehicle	8,004	6,182	1,546	15,732
Other	1,087	11,680	2,920	15,687
Assistance	170	8,782	2,195	11,147
Computer	-	5,505	1,376	6,881
Interest	5,758	-	-	5,758
Travel	-	3,090	773	3,863
Equipment	619	1,337	334	2,290
	<u>619</u>	<u>1,337</u>	<u>334</u>	<u>2,290</u>
Total expenses	<u>\$ 565,685</u>	<u>\$ 123,200</u>	<u>\$ 30,800</u>	<u>\$ 719,685</u>

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

CROSSBRIDGE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2019

Cash flows from operating activities:

Increase in net assets	\$ 343,469
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,885
Increase in grant receivable	(102)
Decrease in deposits and other current assets	3,540
Decrease in accounts payable	(1,049)
Decrease in deposits payable	<u>(5,558)</u>
Net cash provided by operating activities	<u>361,185</u>

Cash flows from investing activities:

Purchases of vehicles	<u>(46,600)</u>
Net cash used in investing activities	<u>(46,600)</u>

Cash flows from financing activities:

Payments on promissory note	<u>(18,882)</u>
Net cash used in financing activities	<u>(18,882)</u>

Net increase in cash and cash equivalents	295,703
Cash and cash equivalents, at beginning of the period	<u>290,327</u>
Cash and cash equivalents, at end of the period	<u>\$ 586,030</u>

Cash paid for interest	<u>\$ 5,758</u>
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Cash paid for taxes	<u>\$ -</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, 2019

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, 2019

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, 2019, 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, 2019

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, 2019 were \$1,477.

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, 2019 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 the land and building purchased with the loan, as well as all other assets of the Organization. Interest on the term loan is variable and is charged at Prime minus 4.00%. As of May 31, 2019 interest on the term loan was 1.5%. The loan was paid in full in July 2019.	\$ 438,854
Less: current portion	(438,854)
Long-term debt.....	<u>\$ -</u>

CROSSBRIDGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MAY 31, 2019

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

2020	\$ 438,854
2021	-
2022	-
2023	-
2024	-
Thereafter.....	-
	<u>438,854</u>
Current portion of long-term debt.....	<u>(438,854)</u>
Long-term debt	<u>\$ -</u>

3. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions for the year ended May 31, 2019 were as follows:

	Beginning of Year	Contributions With Donor Restrictions	Released Contributions with Donor Restrictions	End of Year
Annual Fundraiser ...	\$ 67,886	\$ 107,283	\$ (69,886)	\$ 105,283
Program Services.....	28,508	75,800	(52,510)	51,798
	<u>\$ 96,394</u>	<u>\$ 183,083</u>	<u>\$ (122,396)</u>	<u>\$ 157,081</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, 2019, the program reserve was \$387,226. 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:

2020	\$ 21,000
2021	-
2022	-
2023	-
2024	-
Thereafter.....	-
	<u>\$ 21,000</u>

All other group homes leased by the Organization as of May 31, 2019 were on a month-to-month term.

CROSSBRIDGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MAY 31, 2019

5. 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, 2019, 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.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization adopted ASU 2016-14 effective June 1, 2018. The adoption of ASU 2016-14 had no impact on the Organization’s financial statements.

6. Subsequent Events

The Organization has evaluated all events or transactions that occurred after May 31, 2019, through August 6, 2019, 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, 2019 financial statements.
