



CROSSOVER COMMUNICATIONS
INTERNATIONAL

Financial Statements
With Independent Auditors' Report
And Management Letter

December 31, 2017 and 2016

CROSSOVER COMMUNICATIONS INTERNATIONAL

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Crossover Communication International
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Crossover Communications International, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 auditor's 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.

Board of Directors
Crossover Communications International
Columbia, South Carolina

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crossover Communications International as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during the current fiscal year, Crossover Communications International identified errors affecting the amount presented in prior year financial statements. Accordingly, the 2016 financial statements have been restated to correct the errors. Our opinion is not modified in respect to this matter.

Capin Crouse LLP

Columbia, South Carolina
April 18, 2018

CROSSOVER COMMUNICATIONS INTERNATIONAL

Statements of Financial Position

| | December 31, | |
|---------------------------------------|---------------------|---------------------|
| | 2017 | 2016 Restated |
| ASSETS: | | |
| Cash and cash equivalents | \$ 96,566 | \$ 198,990 |
| Investments | 453,322 | 487,974 |
| Other assets | 26,363 | 28,688 |
| Property and equipment—net | 1,118,057 | 1,143,212 |
| Total Assets | <u>\$ 1,694,308</u> | <u>\$ 1,858,864</u> |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 29,471 | \$ 27,146 |
| Deferred revenue | - | 51,119 |
| | <u>29,471</u> | <u>78,265</u> |
| Net assets: | | |
| Unrestricted | 1,385,676 | 1,441,958 |
| Temporarily restricted | 279,161 | 338,641 |
| | <u>1,664,837</u> | <u>1,780,599</u> |
| Total Liabilities and Net Assets | <u>\$ 1,694,308</u> | <u>\$ 1,858,864</u> |

See notes to financial statements

CROSSOVER COMMUNICATIONS INTERNATIONAL

Statements of Activities

| | Year Ended December 31, | | |
|--------------------------------------|-------------------------|------------------------|--|
| | 2017 | | 2016 |
| | Unrestricted | Temporarily Restricted | Unrestricted Temporarily Restricted |
| SUPPORT AND REVENUE: | | | |
| Contributions | \$ 419,263 | \$ 1,629,328 | \$ 444,303 |
| Activity fees | 96,039 | - | 12,641 |
| Investment income | 23,712 | - | 10,614 |
| Other income | 30,648 | - | 30,111 |
| Total Support and Revenue | 569,662 | 1,629,328 | 497,669 |
| | | 2,198,990 | 1,683,711 |
| RECLASSIFICATION: | | | |
| Administrative assessments | 93,603 | (93,603) | 115,481 |
| Satisfaction of purpose restrictions | 1,595,205 | (1,595,205) | 1,617,509 |
| Total Reclassification | 1,688,808 | (1,688,808) | 1,732,990 |
| | | | (1,732,990) |
| EXPENSES: | | | |
| Program services | 1,593,418 | - | 1,587,112 |
| Supporting activities: | | | |
| Management and general | 370,486 | - | 350,937 |
| Fundraising | 350,848 | - | 310,243 |
| | 721,334 | - | 661,180 |
| Total Expenses | 2,314,752 | - | 2,248,292 |
| Change in Net Assets | (56,282) | (59,480) | (17,633) |
| Net Assets, Beginning of Year | 1,441,958 | 338,641 | 1,459,591 |
| Net Assets, End of Year | \$ 1,385,676 | \$ 279,161 | \$ 1,441,958 |
| | | \$ 1,664,837 | \$ 338,641 |
| | | | \$ 1,780,599 |

See notes to financial statements

CROSSOVER COMMUNICATIONS INTERNATIONAL

Statements of Cash Flows

| | Year ended December 31, | |
|--|-------------------------|------------------|
| | 2017 | 2016 Restated |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (115,762) | \$ (66,912) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 25,155 | 24,096 |
| Realized and unrealized investment gains | (22,543) | (6,161) |
| Donated stock | (14,541) | (2,065) |
| Change in: | | |
| Other assets | 2,325 | 9,726 |
| Accounts payable | 2,325 | 18,299 |
| Deferred revenue | (51,119) | 51,119 |
| Net Cash Used by Operating Activities | (174,160) | 28,102 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures for property and equipment | - | (97,263) |
| Purchase of investments | - | (84,610) |
| Proceeds from sale of investments | 71,736 | 141,113 |
| Net Cash Provided by Investing Activities | 71,736 | (40,760) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on line of credit | (345,000) | (178,018) |
| Proceeds from line of credit | 345,000 | 178,018 |
| Net Cash Provided by Financing Activities | - | - |
| Net Change in Cash and Cash Equivalents | (102,424) | (12,658) |
| Cash and Cash Equivalents, Beginning of Year | 198,990 | 211,648 |
| Cash and Cash Equivalents, End of Year | \$ 96,566 | \$ 198,990 |
| SUPPLEMENTAL DISCLOSURE: | | |
| Cash paid for interest on line of credit | \$ 3,179 | \$ 799 |

See notes to financial statements

CROSSOVER COMMUNICATIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2017 and 2016 (Restated)

1. NATURE OF ORGANIZATION:

Crossover Communications International (CCI) is a not-for-profit South Carolina corporation. CCI provides support for ministries involved in organizing evangelism around the world, mobilizing church planters from sending bases in four countries: Brazil, Moldova, Azerbaijan, and the United States. CCI also provides consulting services and informational media.

CCI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and comparable State law. Contributions to CCI are deductible from income taxes within the limitations prescribed by the Code. CCI is not a private foundation under Section 509(a)(1) of the Code.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of CCI are prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the financial statements. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of highly liquid investments with original maturity dates of less than three months. These accounts may, at times, exceed federally insured limits. CCI has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value, which is based on quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Donated securities are recorded at fair value at date of donation and thereafter carried in accordance with the above policies. Investment income and realized and unrealized gains and losses are included in unrestricted investment income unless a donor preference or law temporarily or permanently restricts their use.

Investments are also composed of certificates of deposit and variable life insurance policies. The certificates of deposit have original maturity dates exceeding 90 days and are recorded at cost plus accrued interest. The variable life insurance policies are held at cash surrender value.

CROSSOVER COMMUNICATIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2017 and 2016 (Restated)

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

LAND, BUILDING, AND EQUIPMENT

Items capitalized as property and equipment are stated at cost or, if donated, at market value on the date of donation. CCI reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, CCI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years. CCI generally capitalizes and reports property and equipment acquisitions in excess of \$5,000.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets. The net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CCI and changes therein are classified and reported as follows:

Unrestricted net assets are currently available at the direction of the board for use in CCI's operations or invested in property and equipment.

Temporarily restricted net assets are stipulated by donors for specific operating purposes, for the acquisition of property and equipment, or are time restricted.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

SUPPORT, REVENUE, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to CCI.

CCI reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of purpose restrictions. General administrative assessments are charged to support contributions to assist in general funding and administrative activities and functions of CCI.

Gifts-in-kind include contributions of noncash assets such as property or equipment and securities. Gifts-in-kind that can be used or sold are measured at fair value. During the years ended December 31, 2017 and 2016, CCI received donations of corporate stock in the amount of \$69,380 and \$67,490, respectively.

Expenses are reported when costs are incurred. The costs of providing the various program services and supporting activities of CCI have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and the supporting activities benefitted.

CROSSOVER COMMUNICATIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2017 and 2016 (Restated)

3. INVESTMENTS:

Investments consist of:

| | December 31, | |
|---|--------------|------------|
| | 2017 | 2016 |
| Cash and cash equivalents | \$ 17,639 | \$ 4,422 |
| Cash surrender value of life insurance policies | 158,999 | 138,606 |
| Certificates of deposit | 145,079 | 229,819 |
| | 321,717 | 372,847 |
| Investments at fair value: | | |
| Exchange traded funds | 82,573 | 78,104 |
| Mutual funds | 49,032 | 37,023 |
| | 131,605 | 115,127 |
| | \$ 453,322 | \$ 487,974 |

Investment income consists of:

| | December 31, | |
|-------------------------------|--------------|-----------|
| | 2017 | 2016 |
| Interest and dividends | \$ 1,480 | \$ 5,536 |
| Unrealized and realized gains | 22,543 | 6,161 |
| Management fees | (311) | (1,083) |
| | \$ 23,712 | \$ 10,614 |

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

| | December 31, | |
|-------------------------------|--------------|--------------|
| | 2017 | 2016 |
| Land | \$ 422,599 | \$ 422,599 |
| Building | 980,855 | 980,855 |
| Equipment | 4,184 | 4,184 |
| | 1,407,638 | 1,407,638 |
| Less accumulated depreciation | (289,581) | (264,426) |
| | \$ 1,118,057 | \$ 1,143,212 |

CROSSOVER COMMUNICATIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2017 and 2016 (Restated)

5. LINE OF CREDIT:

CCI maintains a revolving line of credit of \$125,000 with a financial institution. Interest accrues monthly at the bank's prime rate plus 0.500% per annum. As of December 31, 2017 and 2016, there were no outstanding borrowings under this line of credit. The line of credit was renewed during June 2017 for twelve months. The indebtedness is collateralized by CCI's land and building.

6. EMPLOYEE BENEFIT PLAN:

CCI offers their eligible employees the opportunity to participate in a Section 403(b) Tax Deferred Annuity Plan (Plan). The Plan allows voluntary employee contributions. CCI contributes 2% of compensation for all eligible employees. CCI made employer contributions of \$24,462 and \$27,496 to the Plan for the years ended December 31, 2017 and 2016, respectively.

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for:

| | December 31, | |
|------------------------|-------------------|-------------------|
| | 2017 | 2016 |
| Missionary staff funds | \$ 220,281 | \$ 241,929 |
| Church planting | 24,205 | 51,645 |
| Brazil activity | 20,699 | 31,921 |
| Projects | 12,547 | 7,309 |
| Mobilization | 1,429 | 5,837 |
| | <u>\$ 279,161</u> | <u>\$ 338,641</u> |

8. DISCLOSURE OF FAIR VALUE AND FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. CCI uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, CCI measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The table on the following page presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016.

CROSSOVER COMMUNICATIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2017 and 2016 (Restated)

8. DISCLOSURE OF FAIR VALUE AND FAIR VALUE MEASUREMENTS, continued:

| | December 31, 2017 | | | |
|---|-------------------|------------|---------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments: | | | | |
| Exchange traded funds: | | | | |
| Large value | \$ 18,589 | \$ 18,589 | \$ - | \$ - |
| Mid cap blend | 16,434 | 16,434 | - | - |
| Large growth | 14,144 | 14,144 | - | - |
| Large blend | 12,527 | 12,527 | - | - |
| High yield bond | 10,237 | 10,237 | - | - |
| Intermediate term bond | 10,642 | 10,642 | - | - |
| | 82,573 | 82,573 | - | - |
| Mutual funds: | | | | |
| Real estate | 8,486 | 8,486 | - | - |
| Short term bond | 9,025 | 9,025 | - | - |
| Long term bond | 10,103 | 10,103 | - | - |
| Foreign large blend | 7,139 | 7,139 | - | - |
| Diversified Pacific/Asia | 14,279 | 14,279 | - | - |
| | 49,032 | 49,032 | - | - |
| Total investments measured at fair value: | \$ 131,605 | \$ 131,605 | \$ - | \$ - |
| | | | | |
| | December 31, 2016 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| Investments: | | | | |
| Exchange traded funds: | | | | |
| Large value | \$ 17,773 | \$ 17,773 | \$ - | \$ - |
| Mid cap blend | 14,077 | 14,077 | - | - |
| Large growth | 11,966 | 11,966 | - | - |
| Large blend | 12,071 | 12,071 | - | - |
| Intermediate term bond | 11,048 | 11,048 | - | - |
| Intermediate government | 11,169 | 11,169 | - | - |
| | 78,104 | 78,104 | - | - |
| Mutual funds: | | | | |
| Real estate | 7,674 | 7,674 | - | - |
| Short term bond | 11,743 | 11,743 | - | - |
| Foreign large blend | 6,560 | 6,560 | - | - |
| Diversified Pacific/Asia | 11,046 | 11,046 | - | - |
| | 37,023 | 37,023 | - | - |
| Total investments measured at fair value: | \$ 115,127 | \$ 115,127 | \$ - | \$ - |

CROSSOVER COMMUNICATIONS INTERNATIONAL

Notes to Financial Statements

December 31, 2017 and 2016 (Restated)

8. DISCLOSURE OF FAIR VALUE AND FAIR VALUE MEASUREMENTS, continued:

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Exchange traded funds—Value at the closing price reported on the active market in which the individual funds are traded.

Mutual funds—The fair value of mutual funds is based on quoted net asset values of the shares held by CCI at year-end.

Change in valuation techniques—None.

9. RELATED PARTY TRANSACTIONS:

At December 31, 2017 and 2016, investments totaling \$35,400 and \$55,000, respectively, were held at a bank where a CCI board member was employed. CCI is also leasing property from a board member for \$10,000 per year.

10. PRIOR PERIOD ADJUSTMENT:

During the year ended December 31, 2017, it was determined that Crossover Communication International did not properly report certain funds as deferred revenue due to a misapplication of accounting principles generally accepted in the United States of America (GAAP). The correction of this error had the following impact on the 2016 financial statements:

| | As Previously Reported | Adjustment | As Restated |
|---|---------------------------|-------------|--------------|
| Reclassification on the December 31, 2016 | | | |
| Statements of Financial Position: | | | |
| Deferred revenue | \$ - | \$ 51,119 | \$ 51,119 |
| Net assets: unrestricted | \$ 1,493,077 | \$ (51,119) | \$ 1,441,958 |
| Statements of Activities: | | | |
| Activity fees | \$ 63,760 | \$ (51,119) | \$ 12,641 |
| Change in net assets: unrestricted | \$ 33,486 | \$ (51,119) | \$ (17,633) |
| Net assets, end of year: unrestricted | \$ 1,493,077 | \$ (51,119) | \$ 1,441,958 |
| Statements of Cash Flows: | | | |
| Change in net assets | \$ (15,793) | \$ (51,119) | \$ (66,912) |
| Deferred revenue | \$ - | \$ 51,119 | \$ 51,119 |

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through April 18, 2018, which is the date the financial statements were available to be issued.

MANAGEMENT LETTER

April 18, 2018

Board of Directors
Crossover Communications International
Columbia, SC

In planning and performing our audit of the financial statements of Crossover Communications International for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the following pages, we identified certain deficiencies in internal control that we consider to be a material weakness.

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.

Professional standards define a material weakness and a significant deficiency as follows:

A material weakness is a deficiency, or 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our comments concerning internal control and other significant matters are presented as follows:

- Material Weakness
- Status of Prior Year Comment—Significant Deficiency
- Status of Prior Year Comment—Other Matter
- Audit Committee Matters

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

Board of Directors
Crossover Communications International
April 18, 2018
Page 2

The organization's written response to the deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements; accordingly, we express no opinion on it.

We will be pleased to further discuss these matters with you and want to express our sincere appreciation to Chip Atkinson and Kevin Grimes, as well as many other staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve Crossover Communications International.

Sincerely yours,

A handwritten signature in cursive script that reads "Capin Crouse LLP".

CAPIN CROUSE LLP

MATERIAL WEAKNESSES

Prior Period Adjustment

Professional standards require that restatement of previously issued financial statements to reflect the correction of a material misstatement due to error be considered an indicator of a material weakness in internal control. During the audit, we noted that the revenue for events held in 2017 was recognized as revenue in 2016 when the funds were received, rather than deferring the revenue to the period the revenue was earned. The misstatement resulted in the overstatement of revenue and unrestricted net assets as of December 31, 2016 by approximately \$51,000. The financial statements for the year ended December 31, 2016 were restated to correct the misstatement.

We recommend CCI management review all sources of revenue to verify the revenue is recorded in accordance with generally accepted accounting principles (GAAP).

Management Response

Beginning in spring of 2018, we have created a four person finance team. On a monthly basis, we will review income and expenditures of Crossover.

STATUS OF PRIOR YEAR COMMENT–SIGNIFICANT DEFICIENCY

Segregation of Duties and Safeguarding of Assets (2016)

During our audit, we noted that a single individual has control over all phases of many types of transactions. Duties are considered to be incompatible if a single person can carry out and conceal errors and/or irregularities in the course of performing day-to-day activities. Assignments of responsibilities should provide a cross-check of duties. The more negotiable the asset, the greater the need for proper separation of duties—especially when dealing with cash, negotiable checks, and credit cards. This is an issue that should be of concern to any department that accepts funds, has access to accounting records, or has control over any type of asset.

In the 2016 letter we provided an Exhibit with examples of segregation of duties regarding cash and payroll in two person offices. **We recommended** management review the examples in Exhibit A to aid in designing and implementing a strong effective internal control environment.

Prior Year Management Response

We have implemented a system of dual controls over cash receipts and cash disbursements. The administrative assistant for the finance and compliance manager and the vice president, opens the mail and posts checks that are received. There is a dual check signing policy in place. In addition, the vice president authorizes both budgetary and personal fund requests. In the event the vice president has a request, another budget manager must co-sign, giving authorization. We will also be implementing a review of the monthly bank statements for inconsistencies by the vice president.

Current Year Status

*We noted that CCI continued to lack the proper segregation of duties in the key transactions areas of cash receipts, cash disbursements and payroll. **We continue to recommend** CCI implement segregation of duties not only to safeguard the assets of CCI but also the employees involved in these processes. **We also recommend** CCI implement the review and approval of journal entries by an individual other than the preparer.*

Current Year Management Response

We continue to address this issue understanding the need. We are currently changing donor management systems. Chip Atkinson will be increasing his involvement in viewing day to day transactions.

We continue to look for ways, with limited staff to build a stronger internal controls system. As a result, Kevin Grimes will generate a report of journal entries to be reviewed by Chip Atkinson monthly.

STATUS OF PRIOR YEAR COMMENT—OTHER MATTER

Financial Reporting (2016)

During our audit, we noted that CCI does not maintain their financial reporting in accordance with GAAP for not-for-profit entities during the fiscal year. The organization uses a for profit financial reporting model to aid management in their cash management and budget modeling. The lack of GAAP financial reporting does not allow management to monitor the net asset classifications in a timely manner throughout the fiscal year, which could result in management making financial decisions based on incomplete information.

We recommended that CCI prepares the financial statements in accordance with GAAP on a quarterly basis.

Prior Year Management Response

The finance and compliance manager will provide quarterly financial statements in accordance with GAAP.

Current Year Status

*We noted that CCI did not maintain their financial reporting in accordance with GAAP during the year and had not converted the financial reporting to GAAP as of the fiscal year end. **We continue to recommend** CCI prepare the financial statements in accordance with GAAP on a quarterly basis.*

Current Year Management Response

It is our intention to provide a GAAP report beginning in 2019. This will not replace the current accounting system used, but will be for the purpose of clearly and accurately reporting in a format more familiar to our auditors.

AUDIT COMMITTEE MATTERS

The following information about our audit, as required by professional standards, is considered to be significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

Auditors' Responsibility under U.S. Generally Accepted Auditing Standards

As independent auditors of the financial statements, we are responsible for:

- Performing the audit in accordance with U.S. generally accepted auditing standards.
- Designing the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- Forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of those charged with governance, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting.

Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is the risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

Independence

Under professional standards, including Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct and its interpretations and rulings, we are required to communicate all relationships between Capin Crouse LLP and the board that, in our professional judgment, may reasonably be thought to bear on independence.

We are not aware of any relationships or services that would jeopardize this condition. We affirm our objectivity and independence in performing our audit services in conformity with professional standards.

Qualitative Aspects of Accounting Practices

Accounting policies—Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used are described in Note 2 to the financial statements.

Changes in accounting policies—No new accounting policies were adopted, and the application of existing policies was not changed during the year.

Recently issued pronouncements—The following pronouncements have been issued by the Financial Accounting Standards Board (FASB). The following are the most significant to not-for-profit organizations. As certain pronouncements could have a significant impact on future financial statements, we encourage management to begin considering the impact.

AUDIT COMMITTEE MATTERS, continued

Qualitative Aspects of Accounting Practices, continued

Recently issued pronouncements, continued—

Effective for calendar year 2018:

- ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities:
 - This completes Phase 1 of the most significant project addressing not-for-profit (NFP) financial reporting since the 1993 issuance of FASB Statement of Financial Accounting Standards Nos. 116 and 117. Phase 2 of FASB's NFP Entity Financial Statement project is expected to address intermediate operating measures based on mission and availability, presentation of internal transfers on the statement of activities, and alignment of the statement of cash flows with the statement of activities. In addition, the Board is considering whether to address segment reporting for business-oriented health care and other "business-like" NFPs in conjunction with this project, or as a separate project.
 - With limited exceptions for certain disclosures, the amendments are required to be applied on a retrospective basis for all years reported. Early implementation is permitted.
 - The key requirements of the new ASU are:
 - Net Assets
 - Required to be reported in two categories, net assets with donor restrictions and net assets without donor restrictions, replacing the current unrestricted, temporarily restricted, and permanently restricted categories
 - Permitted to be disaggregated further
 - Continued requirement to disclose the nature and amount of donor restrictions such as time, purpose, and perpetuity
 - New disclosure requirement to communicate the amount, purpose, and type of board designations
 - Absent explicit restrictions, net assets with donor restrictions that are for the acquisition or construction of long-lived assets will be required to be released when the asset is placed in service, eliminating the alternative of recognizing the expiration of donor restrictions over time
 - "Underwater" Endowments
 - Will now be included in *net assets with donor restrictions* rather than in *net assets without donor restrictions*
 - In addition to aggregate amounts by which funds are underwater (current GAAP), new required disclosure of the aggregate of original gift amounts (or level required by donor or law), fair value, and any governing board policy, or actions taken, concerning appropriation from such funds
 - Cash Flow Statement
 - NFPs will be allowed to choose between the *direct method* and the *indirect method* in presenting operating cash flows
 - If the *direct method* is presented, an indirect reconciliation is no longer required
 - Liquidity and Availability of Resources
 - Required footnote disclosure of *qualitative* information on how an NFP manages its liquid available resources and its liquidity risk
 - Required *quantitative* disclosure on the face of the financial statements and/or in the footnotes communicating the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year
 - Examples illustrating different ways entities might report such information have been included in the ASU

AUDIT COMMITTEE MATTERS, continued

Qualitative Aspects of Accounting Practices, continued

Recently issued pronouncements, continued—

Effective for calendar year 2018, continued:

- ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, continued:
 - The key requirements of the new ASU are:
 - Expense Reporting
 - Required reporting of expenses by function and by natural classification, either on the face of the financial statements or in the footnotes
 - Required qualitative disclosures about methods used to allocate costs among program and support functions
 - Enhanced guidance provided related to allocations from management and general expenses
 - Investment Return
 - Required to be reported net of external and direct internal investment expenses (implementation guidance is provided to illustrate activities which constitute direct internal investing activities)
 - Permitted but no longer required to disclose any investment expenses that are netted against investment return
 - Investment return components are no longer required to be disaggregated in the endowment net asset rollforward
 - NFPs are precluded from including external and direct internal investment expenses that have been netted against investment return in the functional expense analysis
 - Disclosures about Operating Measures by those NFPs that Choose to Present Such a Measure
 - To the extent an operating measure is affected by internal board designations, appropriations, and similar actions, NFPs choosing to present an operating measure would be required to disaggregate and describe by type these internal transfers, either on the face of the financial statements or in the notes
 - Examples illustrating different ways entities might report such information are included in the ASU

Effective for calendar year 2019:

- ASU 2014-09, Revenue from Contracts with Customers:
 - The new guidance establishes the following core principle: Recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
 - To achieve that core principle, an organization applies the following five steps:
 - Identify the contract with a customer
 - Identify the performance obligations (promises) in the contract
 - Determine the transaction price
 - Allocate the transaction price to the performance obligations in the contract
 - Recognize revenue when (or as) the reporting organization satisfies a performance obligation
 - Contributions are not within the scope of this standard.
 - The American Institute of Certified Public Accountants (AICPA) has formed a not-for-profit revenue recognition task force to address potential implementation issues. We will be monitoring the activities of this task force and providing information to management to assist in determining the impact on the Organization's financial statements.
 - Early implementation is permitted for years beginning after December 15, 2016, and retrospective application is required.

AUDIT COMMITTEE MATTERS, continued

Qualitative Aspects of Accounting Practices, continued

Recently issued pronouncements, continued—

Effective for calendar year 2019, continued:

- ASU 2014-09, Revenue from Contracts with Customers, continued:
 - Subsequent to issuance of the Revenue Recognition ASU, the following related ASUs were issued:
 - ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations
 - ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing
 - ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients
- ASU 2016-15, Statement of Cash Flows (Topic 230)—Classification of Certain Cash Receipts and Cash Payments
 - Addresses eight specific cash flow issues in an effort to reduce this diversity in practice: (1) debt prepayment or debt extinguishment costs; (2) settlement of zero-coupon bonds; (3) contingent consideration payments made after a business combination; (4) proceeds from the settlement of insurance claims; (5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (6) distributions received from equity method investees; (7) beneficial interests in securitization transactions; and (8) separately identifiable cash flows and application of the predominance principle.
 - Early implementation is permitted and retrospective application is required, except when impracticable for certain issues.

Effective for calendar year 2020:

- ASU 2016-02, Leases:
 - The ASU will require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. A lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months.
 - The accounting by organizations that own the assets leased by the lessee (lessor accounting) will remain largely unchanged.
 - Early implementation is permitted and a modified retrospective approach is required.

Effective for CY 2021:

- ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments
 - The new guidance requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts.
 - Early implementation is permitted for years beginning after December 15, 2018, and a modified retrospective approach is required.

Significant and unusual transactions—Under professional standards, we are required to inform you about transactions we noted that were both significant and unusual, or transactions for which there is a lack of authoritative guidance or consensus. We noted no such transactions entered into by the organization during the year.

AUDIT COMMITTEE MATTERS, continued

Qualitative Aspects of Accounting Practices, continued

Uncorrected misstatements—Entry to record the accounts payable at the end of the year, which resulted in an understatement of liabilities and expenses by approximately \$19,000.

Material corrected prior year misstatements—Entry to reduce revenue and unrestricted net assets and to increase deferred revenue by approximately \$51,000 for the year ended December 31, 2016.

Other corrected misstatements—See the attached list of the other corrected misstatements.

Accounting estimates—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.

Issues concerning significant estimates made by management include:

- Management’s identification of significant accounting estimates
- Management’s process for making significant accounting estimates
- Risks of material misstatement
- Indicators of possible management bias
- Disclosure of estimation uncertainty in the financial statements

The most significant estimates include:

- Depreciation of property and equipment
- Valuation of donated securities
- Allocation of expenses on a functional basis

We reviewed the process and basis for management’s judgments and estimates impacting key accounting and financial reporting areas and concluded they are reasonable in relation to the financial statements taken as a whole.

Financial statements disclosures and related matters—We considered issues involved and related judgments made, in formulating sensitive financial statements disclosures and believe they are presented with overall neutrality, consistency, and clarity.

Representations requested from management—A copy of the letter containing representations requested from management is attached.

Significant Difficulties Encountered During the Audit

We are pleased to report that there were no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

Professional standards define disagreements with management, whether or not resolved to our satisfaction, as a matter concerning financial accounting, reporting, or auditing that could be significant to the financial statements or the independent auditors’ report.

We are pleased to report that no such disagreements arose during the course of our audit.

AUDIT COMMITTEE MATTERS, continued

Management's Consultations with Other 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 financial statements or a determination of the type of auditors' 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.

Significant Issues Discussed with Management

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 independent auditors. However, any discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Crossover Communications International

December 31, 2017

Other corrected misstatement

| Account | Description | Debit | Credit |
|---------|-------------|-------|--------|
|---------|-------------|-------|--------|

Reclassifying Journal Entries JE # 1

RJE from 2016 audit that was not entered into the GL by the client. Recorded to agree the trial balance to the rollforward and footnote disclosure.

| | | | |
|------|--------------------------|--------|--------|
| 1308 | Accumulated Depreciation | 30,273 | |
| 1309 | USA Land | 80,000 | |
| 1251 | USA Ministry Center | | 80,000 |
| 1305 | Machinery & Equip | | 15,812 |
| 1306 | Furniture & Fixture | | 14,461 |

Reclassifying Journal Entries JE # 2

PBC to correct coding of expense

| | | | |
|------|----------------------|-------|-------|
| 5214 | Insurance - Personal | 7,050 | |
| 5101 | Salary B. Jones | | 7,050 |

Reclassifying Journal Entries JE # 3

PBC to correct expense recorded in the incorrect account

| | | | |
|------|--------------------------------|--------|--------|
| 5182 | Coello Support | 12,727 | |
| 4444 | Turkic World Staff Support Inc | | 12,727 |

Adjusting Journal Entries JE # 1

To reclassify activity out of temp restricted net asset accounts

| | | | |
|------|--------------------------------------|--------|--------|
| 4505 | Undesignated Contributions | 58,902 | |
| 2xxx | Temp Restricted Net Asset Audit Acct | | 58,902 |

Adjusting Journal Entries JE # 2

To adjust life insurance investments to reflect CSV

| | | | |
|------|----------------------|-------|-------|
| 1129 | CSV Northwestern | 4,191 | |
| 1134 | CSV Hartford | 1,123 | |
| 5911 | Unrealized Gain/Loss | | 5,314 |



April 18, 2018

Capin Crouse LLP:

This representation letter is provided in connection with your audit of the financial statements of Crossover Communications International, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 12, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Organization's ability to record, process, summarize, and report financial data.
6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. In that regard, adequate provisions have been made:
 - a. To reduce receivables, including contributions, to their estimated net collectable amounts.
 - b. For pension obligations, postretirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through December 31, 2017.
 - c. For any material loss to be sustained in the fulfillment of or from the inability to fulfill any commitment, including promises to give.
 - d. For amounts held for others under agency and/or split interest agreements.
 - e. To ensure the appropriateness and consistency of the measurement processes used by management in determining accounting estimates.
 - f. To ensure that the assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
 - g. To ensure that the disclosures related to accounting estimates are complete and appropriate.

- h. To ensure that no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.

7. The methods and significant assumptions used to determine fair values of financial instruments are as follows:

Certificate of deposit—Valued at cost, which approximates fair value; Exchange traded funds—Value at the closing price reported on the active market in which the individual funds are traded; Mutual funds—The fair value of mutual funds is based on quoted net asset values of the shares held by CCI at year-end; Cash surrender value of life insurance—The fair value of the cash surrender value of life insurance is based on CCI's share of the cash surrender value of the respective life insurance policy as represented by the insurance company.

The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
10. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the company's accounts.
11. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
12. The following, if any, have been properly recorded or disclosed in the financial statements in accordance with U.S. GAAP:
 - a. Material concentrations.
 - b. Guarantees, whether written or oral, under which the organization is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
 - d. Loans to executive officers.
 - e. Lines of credit or similar arrangements.
 - f. Agreements to repurchase assets previously sold.
 - g. Security agreements in effect under the Uniform Commercial Code.
 - h. All other liens or encumbrances on assets and all other pledges of assets.
 - i. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets and intangibles.
 - j. Investments in debt and equity securities, including their classification.
 - k. All liabilities which are subordinated to any other actual or possible liabilities of the Organization.
 - l. All leases and material amounts of rental obligations under long-term leases.
 - m. Concentrations of credit risk.
 - n. All recordable contributions, by appropriate net asset class including contributed services required to be recorded as contributions.
 - o. Reclassifications between net asset classes.
 - p. Allocations of functional expenses based on reasonable basis.
 - q. Composition of assets in amounts needed to comply with all donor restrictions.

- r. The fair value of financial instruments.
 - s. Tax status.
13. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances. In that regard:
- a. The Organization has no significant amounts of idle property and equipment or permanent excess plant capacity.
 - b. The Organization has no plans or intentions to discontinue the operations of any subsidiary or branch or to discontinue any significant services or activities.
 - c. Provision has been made to reduce all investments, intangibles, and other assets which have permanently declined in value to their realizable values.

Information Provided

14. We have provided you with:
- a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes were not yet prepared.
 - e. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices
15. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
- a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
19. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
20. We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
21. We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.
22. The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
24. Crossover Communications International is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's

tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

25. We have completed and reviewed the Tax Checklist you have provided to us and have answered all questions to the best of our knowledge and belief.
26. As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved and accepted responsibility for those financial statements and related notes.

Signature: _____

Name: Ken Katayama

Title: President

Signature: _____

Name: Kevin Grimes

Title: Compliance Manager