

CROSS
(A NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2013

CROSS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
CROSS
Rogers, Minnesota

We have audited the accompanying financial statements of CROSS (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, 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.

Auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CROSS as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
September 24, 2014

FINANCIAL STATEMENTS

CROSS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 227,385
Investments	6,512
Grants receivable	51,033
Inventory	<u>66,650</u>

TOTAL CURRENT ASSETS	<u>351,580</u>
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PROPERTY AND EQUIPMENT

Building	748,352
Vehicles	27,310
Equipment	44,366
Land	223,683
Furniture and fixtures	<u>26,893</u>

TOTAL PROPERTY AND EQUIPMENT	1,070,604
LESS: ACCUMULATED DEPRECIATION	<u>(251,306)</u>

TOTAL PROPERTY AND EQUIPMENT, NET	<u>819,298</u>
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TOTAL ASSETS	<u><u>\$ 1,170,878</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,793
Long-term debt, current portion	<u>20,456</u>

TOTAL CURRENT LIABILITIES	22,249
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LONG-TERM DEBT, less current portion	<u>340,613</u>
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TOTAL LIABILITIES	<u>362,862</u>
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NET ASSETS

UNRESTRICTED NET ASSETS

Undesignated	652,645
Designated for financial assurance	<u>90,750</u>

TOTAL UNRESTRICTED NET ASSETS	743,395
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TEMPORARILY RESTRICTED NET ASSETS	<u>64,621</u>
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TOTAL NET ASSETS	<u>808,016</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,170,878</u></u>
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See Independent Auditor's Report and Notes to Financial Statements.

CROSS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Grants and contracts	\$ 53,290	\$ 53,673	\$ 106,963
Contributions	455,013	-	455,013
Program service revenue	138,938	-	138,938
Special event income	46,439	-	46,439
Noncash contributions	1,100,169	-	1,100,169
Interest income	340	-	340
Other income	3,432	-	3,432
Net assets released from restrictions	6,997	(6,997)	-
TOTAL REVENUE AND OTHER SUPPORT	1,804,618	46,676	1,851,294
EXPENSES			
Program services	1,511,263	-	1,511,263
Supporting services			
Management and general	84,866	-	84,866
Fundraising	35,905	-	35,905
TOTAL EXPENSES	1,632,034	-	1,632,034
INCREASE (DECREASE) IN NET ASSETS	172,584	46,676	219,260
NET ASSETS, BEGINNING	554,684	17,945	572,629
PRIOR PERIOD ADJUSTMENT	16,127	-	16,127
NET ASSETS, ENDING	\$ 743,395	\$ 64,621	\$ 808,016

See Independent Auditor's Report and Notes to Financial Statements.

CROSS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013			
	Program Services	Management and General	Fundraising	Total Expenses
EXPENSES				
Auto and van expenses	\$ 4,474	\$ 251	\$ 107	\$ 4,832
Client services	393,282	22,085	9,344	424,711
Depreciation	24,166	1,357	574	26,097
Food and supplies	684,284	38,426	16,258	738,968
Insurance	5,928	333	141	6,402
Interest	21,702	1,219	515	23,436
Meals on Wheels	36,421	2,045	865	39,331
Occupancy	37,537	2,108	892	40,537
Office expenses	21,163	1,188	503	22,854
Other expenses	31,916	1,792	758	34,466
Payroll taxes	17,017	956	404	18,377
Professional fees	24,568	1,380	583	26,531
Travel	2,421	136	58	2,615
Wages	206,384	11,590	4,903	222,877
	\$ 1,511,263	\$ 84,866	\$ 35,905	\$ 1,632,034
TOTAL EXPENSES	\$ 1,511,263	\$ 84,866	\$ 35,905	\$ 1,632,034

See Independent Auditor's Report and Notes to Financial Statements.

CROSS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 219,260
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	26,097
Noncash contribution goods and services	(1,069,939)
Noncash contributions of property and equipment	(30,230)
Noncash donations of goods and services	1,047,847
(Increase) decrease in assets:	
Grants receivable	(40,782)
Prepays	3,752
Increase (decrease) in liabilities:	
Accounts payable	(3,419)
Accrued expenses	(7,945)
	<u>144,641</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(6,512)
Redemption of certificates of deposit	35,845
	<u>29,333</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on long-term debt	(42,988)
	<u>130,986</u>
INCREASE IN CASH AND CASH EQUIVALENTS	130,986
CASH AND CASH EQUIVALENTS, BEGINNING	96,399
	<u>227,385</u>
CASH AND CASH EQUIVALENTS, ENDING	\$ 227,385
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ 23,436</u>
Income taxes	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:	
Prior period adjustment for revenue to be recognized in current year	<u>\$ 10,251</u>
Prior period adjustment for inventory expense to be recognized in prior year	<u>\$ 495</u>
Prior period adjustment for mortgage balance to be recognized in prior year	<u>\$ 5,079</u>
Acquisition of property and equipment through in-kind donations	<u>\$ 30,230</u>

See Independent Auditor's Report and Notes to Financial Statements.

CROSS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

CROSS (Christians Reaching Out in Social Service) (the Organization) provides direct assistance and support services to residents of Champlin, Corcoran, Dayton, Maple Grove, Osseo, and Rogers targeting households with low incomes and those faced with a financial crisis.

The Organization's programs are as follows:

- Food shelf program provides food and personal products to eligible households. Social work services are available along with these goods and services and include crisis counseling, general support and guidance, advocacy, and referral. During this fiscal year, the Organization distributed 666,274 pounds of food among 7,410 household Food Shelf visits. There were 23,000 individual Food Shelf visits with the average size of 3.1 people per household. An average of 29 pounds of food was distributed to each individual during each visit to the food shelf.
- Housing assistance is provided for families who are in danger of losing their homes, but do not qualify for emergency assistance funding. The Peace of Mind Housing Assistance program also works with families living in shelters to secure them housing for a 6-month period. During this fiscal year, \$82,167 was distributed to 251 households, and 23 homeless families were found housing.
- Meals on Wheels and Senior Food Shelf Deliveries offers residents assistance accessing fresh, nutritious meals, and wellness safety checks typically via volunteer drivers. Those eligible under this program include seniors, individuals with disabilities, and homebound individuals. Meals on Wheels served 65 individuals delivering 8,330 meals. 10,400 pounds of food were delivered in food bags to 31 seniors as well.
- CROSS Food for Youth provides weekend food and hygiene packs for students in the Osseo School District along with healthy snack bars for hungry students before lunch. 14,400 pounds of food delivered to the schools have served 1,200 children per month.
- Special Event/Holiday Programs supply toys during the holidays, Easter baskets, school supplies, and birthday gifts for families throughout the year. The Organization distributed \$131,000 worth of goodies for 2013. 883 children received toys, 793 received Easter baskets, 861 received school supplies, and 21 children received birthday gifts.
- Clothes Closet provides used clothing and household items to 2,046 eligible families and individuals. The Organization distributed 36,739 pounds of clothing during the 2013 fiscal year.

CROSS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Financial Statement Presentation

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Resources over which the Board of Directors has discretionary control. Designated amounts represent revenue, which the Board has set aside for a particular purpose.

Temporarily restricted net assets – Resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Permanently restricted net assets are those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. There were no permanently restricted net assets at December 31, 2013.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same period are recorded as unrestricted contributions.

C. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

D. Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

The Organization considers all short-term debt instruments purchased with maturity of three months or less to be cash equivalents. The Organization maintains cash in bank deposit accounts at high credit quality financial institutions. Cash accounts are insured by FDIC. The balances, at times, may exceed federally insured limits.

F. Certificates of Deposit

Certificates of deposit are generally purchased with maturity of two years or less. Certificates of deposit are recorded at original cost plus accrued interest which is estimated to approximate of fair value.

CROSS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Grants Receivable

Grants receivable generally consists of reimbursement requests under grant awards. These receivables have been adjusted for all known uncollectible accounts. Management considers historical write-off and recovery information in determining the estimated bad debt provision. No allowance for doubtful accounts has been provided as of December 31, 2013, since management expects all receivables to be collectible.

H. Inventory

Inventory consisting of donated food, clothing, and non-food supplies, is stated at estimated values based on management prepared cost studies and estimates. Management's current estimate as of December 31, 2013 is \$1 per pound for food and clothing and \$9 per pound for non-food supplies.

I. Property and Equipment

Property and equipment is recorded at cost or estimated fair value at the date of contribution. The Organization capitalizes all property and equipment acquisitions in excess of \$1,500. Depreciation is recognized using the straight-line and accelerated methods based on estimated useful lives of five to thirty-nine years.

J. Financial Instruments

The Organization has determined the carrying value of their investments approximates fair value based on the assumption that the fair values of investments are estimated based on quoted market prices for those investments. See fair value measurement disclosure below for additional information on valuing investments.

K. In-Kind Contributions

Donated goods and services that meet the recognition criteria for measurement of ASC 958-605-25 are recorded at estimated values.

See Note 7 for additional information on in-kind contributions and other volunteers and their support.

L. Functional Expenses

Salary and related payroll expenses are allocated to the program or supporting services based upon payroll records and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management. Volunteers, whose time is not reported in these financial statements, perform program support including fundraising activities for the Organization.

M. Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is not a private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

The Organization has evaluated for uncertain tax positions. Management has expressed that there are no uncertain tax positions as of December 31, 2013. The Organization's tax returns are subject to possible examination by the taxing authorities. For federal tax purposes the tax returns essentially remain open for possible examination for a period of three years after the date on which those returns are filed. The Organization believes it is no longer subject to federal and state income tax examinations for the years prior to 2010.

During the year ended December 31, 2013, the Organization has not incurred any interest or penalties on its tax returns.

CROSS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. Subsequent Events

In preparing these financial statements the Organization has evaluated events and transactions for potential recognition or disclosure through September 24, 2014, the date the financial statements were available to be issued.

Note 2: FAIR VALUE MEASUREMENTS

The Organization has adopted ASC Topic 820, *Fair Value Measurements and Disclosures*. ASC Topic 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. It emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that the market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value, as follows:

- Level 1: Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2: Inputs that included quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- Level 3: Inputs that are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls into is based on the lowest level input that is significant to the fair value measurement in its entity.

Investments recorded at fair value on a recurring basis are as follows:

Certificates of deposit:

Level 1	\$ 6,512
Level 2	-
Level 3	-
	-
Total certificates of deposit	\$ <u>6,512</u>

For the year ended December 31, 2013, \$340 of interest was earned on the Organization's investments. Gain on investments for the period ending December 31, 2013 was \$17.

Note 3: INVENTORY

Inventory consists of the following as of December 31, 2013:

Food and non-food supplies	\$ 60,943
School supplies and toys	3,878
Clothing	1,829
	1,829
Total	\$ <u>66,650</u>

CROSS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2013:

Note payable to 21st Century Bank, originally dated April 8, 2009 with an original maturity date of April 8, 2029. Payable in monthly installments of \$3,011.53 with variable interest equal to the WSJP + 1.00% but never lower than 5.89% per annum and secured by real property located at 12915 Weinand Circle, Rogers, MN. This note was amended on July 26, 2013 modifying the interest rate as of the date of the amendment until paid in full to variable interest equal to the WSJP + 1.00% but never lower than 4.39% per annum. All other terms remained the same.	\$ 361,069
Less current portion	<u>(20,456)</u>
Total long-term debt portion	<u><u>\$ 340,613</u></u>

Interest expense was \$23,436 for the year ended December 31, 2013.

Future maturities of long-term debt are as follows:

Year Ended December 31,		
2014	\$	20,456
2015		21,388
2016		22,323
2017		23,380
2018		24,445
Thereafter		<u>249,077</u>
Total	<u>\$</u>	<u><u>361,069</u></u>

Note 5: TEMPORARILY RESTRICTED NET ASSETS

Temporary restricted net assets consist of the following as of December 31, 2013:

Food	\$ 10,000
Funds to purchase equipment	12,309
Housing	21,987
Program manager and recycling	15,228
School supplies	<u>5,097</u>
Total	<u><u>\$ 64,621</u></u>

Note 6: DESIGNATED NET ASSETS

It is the Organization's policy to maintain a fund for items for which the Board will determine, as needed, for capital improvements, major repairs and maintenance, or any other use as designated by the Board. Based on the Organization's policy for the year ended December 31, 2013, the Organization has designated \$90,750. The remaining balance of unrestricted net assets is not designated.

CROSS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 7: IN-KIND CONTRIBUTIONS

The Organization receives donations from public and private sources. Donated goods and services are recorded at estimated values based on various studies and are included in the contributions and expenses in the statement of activities.

Food:		
787,398 lbs. of food and non-food supplies valued at \$1.00/lb.	\$	787,398
Clothes:		
80,379 lbs. of various clothing valued at \$1.00/lb		80,379
School Supplies - valued at \$9.00/lb		20,592
Purchased in-kind donations		77,511
Miscellaneous other donations		34,400
Donated services:		
Weighing scale modification		2,327
Advertising		2,153
Holiday Program Toys - valued at \$9.00/lb		<u>95,409</u>
	<u>\$</u>	<u><u>1,100,169</u></u>

The Organization receives significant services from unpaid volunteers who support the Organization's primary programs and its management and fundraising activities. During the year ended December 31, 2013, approximately 1,144 volunteers and volunteer groups gave approximately 28,000 hours of service to CROSS. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under ASC Subtopic 958-605 *Not-for-Profit Entities Revenue Recognition* has not been satisfied.

Note 8: PRIOR PERIOD ADJUSTMENT

Certain prior year items have been reclassified to conform to the current year presentation. These items include the following:

Adjustment for depreciation recognized in current period attributable to prior period	\$	302
Adjustment for revenue recognized in current period attributable to prior period		10,251
Adjustment for mortgage balance recognized in current period attributable to prior period		5,079
Adjustment for inventory expensed in current year attributable to prior period		<u>495</u>
Total adjustment to retained earnings	<u>\$</u>	<u><u>16,127</u></u>