

Financial Statements

CROSS

Rogers, Minnesota

For the Year Ended
March 31, 2014

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 March 31, 2014, and the related statements of activities, functional expenses, and cash flows for the three months 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 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 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 March 31, 2014, and the changes in its net assets and its cash flows for the three months then ended in accordance with accounting principles generally accepted in the United States of America.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
October 23, 2014

FINANCIAL STATEMENTS

CROSS
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 252,579
Investments	184
Grants receivable	32,935
Inventory	<u>60,745</u>

TOTAL CURRENT ASSETS 346,443

PROPERTY AND EQUIPMENT

Building	748,352
Vehicles	27,310
Equipment	44,366
Land	223,683
Furniture and fixtures	<u>33,479</u>

TOTAL PROPERTY AND EQUIPMENT 1,077,190

LESS: ACCUMULATED DEPRECIATION (258,786)

TOTAL PROPERTY AND EQUIPMENT, NET 818,404

TOTAL ASSETS \$ 1,164,847

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 4,375
Accrued payroll liabilities	2,851
Long-term debt, current portion	<u>20,682</u>

TOTAL CURRENT LIABILITIES 27,908

LONG-TERM DEBT, less current portion 337,412

TOTAL LIABILITIES 365,320

NET ASSETS

UNRESTRICTED NET ASSETS

Undesignated	655,832
Designated for financial assurance	<u>90,750</u>

TOTAL UNRESTRICTED NET ASSETS 746,582

TEMPORARILY RESTRICTED NET ASSETS 52,945

TOTAL NET ASSETS 799,527

TOTAL LIABILITIES AND NET ASSETS \$ 1,164,847

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

CROSS
STATEMENT OF ACTIVITIES
FOR THE THREE MONTHS ENDED MARCH 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Grants and contracts	\$ 18,074	\$ 2,581	\$ 20,655
Contributions	101,342	-	101,342
Program service revenue	33,707	-	33,707
Special event income	6,534	-	6,534
Noncash contributions	201,546	-	201,546
Interest income	112	-	112
Other income	230	-	230
Net assets released from restrictions	14,257	(14,257)	-
	375,802	(11,676)	364,126
EXPENSES			
Program services	345,041	-	345,041
Supporting services			
Management and general	19,374	-	19,374
Fundraising	8,200	-	8,200
	372,615	-	372,615
INCREASE (DECREASE) IN NET ASSETS	3,187	(11,676)	(8,489)
NET ASSETS, BEGINNING	743,395	64,621	808,016
NET ASSETS, ENDING	\$ 746,582	\$ 52,945	\$ 799,527

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

CROSS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE THREE MONTHS ENDED MARCH 31, 2014

	Program Services	Management and General	Fundraising	Total Expenses
EXPENSES				
Auto and van expenses	\$ 1,178	\$ 66	\$ 28	\$ 1,272
Client services	39,208	2,202	931	42,341
Depreciation	6,926	389	165	7,480
Food and supplies	186,620	10,480	4,434	201,534
Insurance	3,175	178	76	3,429
Interest	5,611	315	133	6,059
Meals on Wheels	10,294	578	245	11,117
Occupancy	7,593	426	181	8,200
Office expenses	5,953	334	142	6,429
Other expenses	7,057	396	168	7,621
Payroll taxes	5,072	285	120	5,477
Professional fees	92	5	2	99
Travel	1,202	67	29	1,298
Wages	65,060	3,653	1,546	70,259
	<u>65,060</u>	<u>3,653</u>	<u>1,546</u>	<u>70,259</u>
TOTAL EXPENSES	<u>\$ 345,041</u>	<u>\$ 19,374</u>	<u>\$ 8,200</u>	<u>\$ 372,615</u>

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

CROSS
STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (8,489)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,480
Noncash contribution goods and services	(201,546)
Noncash donations of goods and services	207,451
Change in assets:	
Accounts receivable	18,098
Change in liabilities:	
Accounts payable	2,582
Accrued expenses	<u>2,851</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>28,427</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(6,586)
Sales of investments	<u>6,328</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(258)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on long-term debt	<u>(2,975)</u>
 INCREASE IN CASH AND CASH EQUIVALENTS	 25,194
CASH AND CASH EQUIVALENTS, BEGINNING	<u>227,385</u>
 CASH AND CASH EQUIVALENTS, ENDING	 <u><u>\$ 252,579</u></u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u><u>\$ 6,059</u></u>
 Income taxes	 <u><u>\$ -</u></u>

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

CROSS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

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 162,881 pounds of food among 1,653 household Food Shelf visits. There were 7,194 individual Food Shelf visits with the average size of 4.4 people per household. An average of 23 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, \$22,263 was distributed to 35 households, and 24 were homeless families for which the Organization assisted with finding a home.
- 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 133 individuals delivering 2,420 meals as well as 2,600 pounds of food in food bags to 31 seniors.
- 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. The program has delivered 5,400 pounds of food to the schools and has 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 \$2,745 worth of goodies for the 2014 fiscal period. 234 received Easter baskets and 71 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 2014 fiscal year.

CROSS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

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 March 31, 2014.

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. Grants Receivable

Accounts 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 March 31, 2014, since management expects all receivables to be collectible.

CROSS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. 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 March 31, 2014 and is \$1 per pound for food, \$5 per pound for school supplies, and \$9 per pound for clothing and other non-food supplies.

H. 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.

I. 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.

J. In-Kind Contributions

Contributions of donated services that create or enhance non-financial 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.

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

K. 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.

L. 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 March 31, 2014. 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 2011.

For the three months ended March 31, 2014, the Organization has not incurred any interest or penalties on its tax returns.

CROSS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

M. Subsequent Events

In preparing these financial statements the Organization has evaluated events and transactions for potential recognition or disclosure through October 23, 2014, the date the financial statements were available to be issued.

During June 2014, the Organization changed its financial year end from December 31 to March 31 with effect from the financial period ended March 31, 2014. The financial statements for the current financial period are made up from January 1, 2014 to March 31, 2014.

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 liability, 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	\$ 184
Level 2	-
Level 3	-
	-
Total certificates of deposit	\$ 184

For the three month period ended March 31, 2014, \$112 of interest was earned on the Organization’s investments. Gain on investments for the three month period ending March 31, 2014 was \$87.

CROSS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

Note 3: INVENTORY

Inventory consists of the following as of March 31, 2014:

Food and non-food supplies	\$ 47,833
School supplies and toys	4,212
Clothing	<u>8,700</u>
 Total	 <u><u>\$ 60,745</u></u>

Note 4: LONG-TERM DEBT

Long-term debt consists of the following at March 31, 2014:

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.

	\$ 358,094
Less current portion	<u>(20,682)</u>
 Total long-term debt portion	 <u><u>\$ 337,412</u></u>

Interest expense was \$6,059 for the three months ended March 31, 2014.

Future maturities of long-term debt are as follows:

<u>Period Ended</u> <u>March 31,</u>	
2015	\$ 20,682
2016	21,586
2017	22,608
2018	23,638
2019	24,715
Thereafter	<u>244,865</u>
 Total	 <u><u>\$ 358,094</u></u>

CROSS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

Note 5: TEMPORARILY RESTRICTED NET ASSETS

Temporary restricted net assets consist of the following as of March 31, 2014:

Computers	\$ 7,861
Furniture and fixtures	3,862
Housing	21,676
Program manager and recycling	10,000
School supplies	2,787
Weekend food for kids program	<u>6,759</u>
 Total	 <u><u>\$ 52,945</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 three months ended March 31, 2014, the Organization has designated \$90,750. The remaining balance of unrestricted net assets is not designated.

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:	
165,876 pounds of food and non-food supplies valued at \$1.00 per pound	\$ 165,876
 Clothes:	
14,679 pounds of various clothing valued at \$1.00 per pound	14,679
 School Supplies - valued at \$5.00 per pound	1,655
 Purchased in-kind donations	10,484
 Miscellaneous other donations	500
 Holiday Program Toys - valued at \$9.00 per pound	<u>8,352</u>
	<u><u>\$ 201,546</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 three month period ended March 31, 2014, 397 volunteers gave 4,402 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* have not been satisfied.