

Financial Statements

CROSS
(A Nonprofit Organization)
Rogers, Minnesota

For the Year Ended
March 31, 2015

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, 2015, 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 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, 2015, 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
July 15, 2015

FINANCIAL STATEMENTS

CROSS
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 321,967
Accounts receivable	10,749
Grants receivable	11,595
Prepays	4,800
Inventory	<u>119,571</u>

TOTAL CURRENT ASSETS	<u>468,682</u>
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PROPERTY AND EQUIPMENT

Building	748,352
Vehicles	27,310
Equipment	66,775
Land	223,683
Furniture and fixtures	<u>39,763</u>

TOTAL PROPERTY AND EQUIPMENT	1,105,883
LESS: ACCUMULATED DEPRECIATION	<u>(291,881)</u>

TOTAL PROPERTY AND EQUIPMENT, NET	<u>814,002</u>
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TOTAL ASSETS	<u><u>\$ 1,282,684</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 5,296
Accrued payroll liabilities	811
Long-term debt, current portion	<u>23,445</u>

TOTAL CURRENT LIABILITIES	29,552
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LONG-TERM DEBT, less current portion	<u>310,939</u>
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TOTAL LIABILITIES	<u>340,491</u>
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NET ASSETS

UNRESTRICTED NET ASSETS

Undesignated	745,288
Designated for financial assurance	<u>126,863</u>

TOTAL UNRESTRICTED NET ASSETS	872,151
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TEMPORARILY RESTRICTED NET ASSETS	<u>70,042</u>
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TOTAL NET ASSETS	<u>942,193</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,282,684</u></u>
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See Independent Auditor's Report and Notes to Financial Statements.

CROSS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Grants and contracts	\$ 122,400	\$ -	\$ 122,400
Contributions	460,210	69,424	529,634
Program service revenue	151,188	-	151,188
Special event income	61,813	-	61,813
Noncash contributions	1,314,835	-	1,314,835
Interest income	559	-	559
Other income	1,192	-	1,192
Net assets released from restrictions	52,327	(52,327)	-
TOTAL REVENUE AND OTHER SUPPORT	2,164,524	17,097	2,181,621
EXPENSES			
Program services	1,979,530	-	1,979,530
Supporting services			
Management and general	22,241	-	22,241
Fundraising	37,184	-	37,184
TOTAL EXPENSES	2,038,955	-	2,038,955
CHANGE IN NET ASSETS	125,569	17,097	142,666
NET ASSETS, BEGINNING	746,582	52,945	799,527
NET ASSETS, ENDING	\$ 872,151	\$ 70,042	\$ 942,193

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

CROSS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2015

EXPENSES	Program Services	Management and General	Fundraising	Total Expenses
Auto and van expenses	\$ 6,462	\$ 208	\$ 278	\$ 6,948
Client services	109,586	3,535	4,713	117,834
Depreciation	31,771	662	662	33,095
Food and supplies	45,251	-	-	45,251
Fundraising and marketing	-	3,018	12,074	15,092
In-kind donations	1,257,817	-	-	1,257,817
Insurance	6,387	206	275	6,868
Interest	8,758	283	376	9,417
Meals on Wheels	54,046	-	-	54,046
Occupancy	43,066	897	897	44,860
Office expenses	30,535	985	1,313	32,833
Other expenses	20,263	654	871	21,788
Payroll taxes	24,932	804	1,073	26,809
Professional fees	28,134	908	1,210	30,252
Travel	4,622	149	199	4,970
Wages	307,900	9,932	13,243	331,075
 TOTAL EXPENSES	 <u>\$ 1,979,530</u>	 <u>\$ 22,241</u>	 <u>\$ 37,184</u>	 <u>\$ 2,038,955</u>

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

CROSS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 142,666
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	33,095
Noncash contributions of goods and services	(1,319,845)
Noncash donations of goods and services	1,257,817
Change in assets:	
Accounts receivable	22,186
Grants receivable	(11,595)
Prepays	(4,800)
Inventory	(1,808)
Change in liabilities:	
Accounts payable	921
Accrued expenses	(2,040)
NET CASH PROVIDED BY OPERATING ACTIVITIES	116,597

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(23,683)
Sales of investments	184
NET CASH USED BY INVESTING ACTIVITIES	(23,499)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on long-term debt	(23,710)
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INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, BEGINNING	69,388
	252,579

CASH AND CASH EQUIVALENTS, ENDING

	\$ 321,967
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:	
Interest	\$ 9,417
Income taxes	\$ -

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:

Acquisition of property and equipment paid directly by donor	\$ 5,010
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See Independent Auditor's Report and Notes to Financial Statements.

CROSS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

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 815,565 pounds of food among 8,347 household Food Shelf visits. There were 47,309 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, \$114,985 was distributed to 323 households, and 56 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 over 100 individuals delivering 10,634 meals as well as 11,250 pounds of food in food bags to 45 seniors.
- CROSS KidPack – Weekend Food for Kids 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 38,000 pounds of food to the schools and has served 2,600 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 \$118,727 worth of goodies during the fiscal period. 902 received Christmas toys, 771 received Easter baskets, and 404 children received birthday gifts.
- Clothes Closet provides used clothing and household items to 4,416 eligible families and individuals. The Organization distributed 54,219 pounds of clothing during the 2015 fiscal year.

CROSS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

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, 2015.

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. Accounts Receivable

Accounts receivable generally consists of fees charged under the Meals on Wheels program. 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, 2015, since management expects all receivables to be collectible.

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 March 31, 2015, since management expects all receivables to be collectible.

CROSS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 March 31, 2015 and is \$1 per pound for food, clothing, and household items, \$5 per pound for school supplies, and \$9 per pound for toy donations.

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. 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, 2015. 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 2012.

For the year ended March 31, 2015, the Organization has not incurred any interest or penalties on its tax returns.

M. Subsequent Events

In preparing these financial statements the Organization has evaluated events and transactions for potential recognition or disclosure through July 15, 2015, the date the financial statements were available to be issued.

CROSS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

Note 2: CASH IN EXCESS OF FDIC INSURED LIMITS

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At March 31, 2015, the Company had \$71,833 in excess of FDIC insured limits. The Company has not experienced any losses in such accounts.

Note 3: INVENTORY

Inventory consisted of the following as of March 31, 2015:

Food and supplies	\$ 72,813
Gift cards and other	2,581
Household items	6,990
School supplies and toys	<u>37,187</u>
 Total	 <u><u>\$ 119,571</u></u>

Note 4: LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2015:

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.	\$ 334,384
Less current portion	<u>(23,445)</u>
Total long-term debt portion	<u><u>\$ 310,939</u></u>

Interest expense was \$9,417 for the year ended March 31, 2015.

Future maturities of long-term debt are as follows:

Period Ended March 31	
2016	\$ 23,445
2017	22,608
2018	23,638
2019	24,715
2020	25,814
Thereafter	<u>214,164</u>
Total	<u><u>\$ 334,384</u></u>

CROSS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

Note 5: TEMPORARILY RESTRICTED NET ASSETS

Temporary restricted net assets consisted of the following as of March 31, 2015:

Facility	\$ 4,500
Food shelf	778
Housing	25,109
Meals on Wheels	27,590
School supplies	2,461
Weekend Food for Kids program	<u>9,604</u>
 Total	 <u><u>\$ 70,042</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, the Organization has designated \$126,863 as of March 31, 2015. 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.

In-kind contributions consisted of the following as of March 31, 2015:

Food - valued at \$1.00 per pound	\$ 994,231
Clothes - valued at \$1.00 per pound	111,745
School supplies - valued at \$5.00 per pound	20,968
Purchased in-kind donations	70,358
Miscellaneous other donations	11,106
Donated services:	
Advertising	9,950
Other services	375
Holiday program toys - valued at \$9.00 per pound	<u>96,102</u>
 Total	 <u><u>\$ 1,314,835</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 March 31, 2015, 1,834 volunteers gave 21,577 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.