

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

CROSS SERVICES, INC.

MARCH 31, 2022 AND 2021



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Independent Auditor's Report

To the Board of Directors
CROSS Services, Inc.

Opinion

We have audited the accompanying financial statements of CROSS Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CROSS Services, Inc. as of March 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CROSS Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CROSS Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CROSS Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CROSS Services, Inc. ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

DSB Rock Island

Minneapolis, Minnesota
July 19, 2022



CROSS Services, Inc.

STATEMENTS OF FINANCIAL POSITION

March 31

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,271,732	\$ 893,146
Certificates of deposit, short term	20,360	20,311
Grants receivable	71,600	-
Prepaid expenses	17,133	7,114
Inventory	<u>316,161</u>	<u>276,830</u>
Total current assets	1,696,986	1,197,401
PROPERTY AND EQUIPMENT - AT COST		
Buildings	800,834	800,834
Vehicles	159,383	62,992
Equipment	151,727	141,522
Furniture and fixtures	<u>95,464</u>	<u>62,690</u>
	1,207,408	1,068,038
Less accumulated depreciation	<u>565,577</u>	<u>546,138</u>
	641,831	521,900
Land	<u>223,683</u>	<u>223,683</u>
	<u>865,514</u>	<u>745,583</u>
Total Assets	<u>\$ 2,562,500</u>	<u>\$ 1,942,984</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	\$ 9,995	\$ 8,017
Accrued payroll liabilities	23,543	20,742
Long-term obligations, current portion	19,163	20,549
Total current liabilities	52,701	49,308
LONG-TERM OBLIGATIONS, less current maturities	159,674	182,693
Total liabilities	212,375	232,001
 COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Net assets without donor restriction		
Undesignated	1,387,642	1,020,391
Designated for financial assurance	438,391	482,063
Total without donor restriction	1,826,033	1,502,454
Net assets with donor restriction	524,092	208,529
Total net assets	2,350,125	1,710,983
Total liabilities and net assets	\$ 2,562,500	\$ 1,942,984

CROSS Services, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended March 31, 2022

	Without Donor	With Donor Restriction	Total
CHANGES IN NET ASSETS			
Public support and other revenue:			
Public support:			
Grants	\$ 592,880	\$ -	\$ 592,880
Contributions	284,431	630,509	914,940
Special event income	99,758	-	99,758
Net assets released from restrictions	314,946	(314,946)	-
Total fundraising	1,292,015	315,563	1,607,578
Donated goods and services	4,008,055	-	4,008,055
Total public support	5,300,070	315,563	5,615,633
Other revenue:			
Program service revenue	132,095	-	132,095
Interest income	1,408	-	1,408
Other income	7,748	-	7,748
Total public support and other revenue	5,441,321	315,563	5,756,884
Expenses:			
Program services	4,921,707	-	4,921,707
Supporting services:			
Management and general	47,581	-	47,581
Fundraising	148,454	-	148,454
Total expenses	5,117,742	-	5,117,742
CHANGE IN NET ASSETS	323,579	315,563	639,142
Beginning of year	1,502,454	208,529	1,710,983
End of year	\$ 1,826,033	\$ 524,092	\$ 2,350,125

The accompanying notes are an integral part of these statements.

CROSS Services, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

Year ended March 31, 2021

CHANGES IN NET ASSETS	Without Donor Restriction	With Donor Restriction	Total
Public support and other revenue:			
Public support:			
Grants	\$ 580,511	\$ -	\$ 580,511
Contributions	352,272	695,897	1,048,169
Special event income	28,094	-	28,094
Net assets released from restrictions	576,599	(576,599)	-
Total fundraising	<u>1,537,476</u>	<u>119,298</u>	<u>1,656,774</u>
Donated goods and services	3,406,608	-	3,406,608
Total public support	<u>4,944,084</u>	<u>119,298</u>	<u>5,063,382</u>
Other revenue:			
Program service revenue	74,192	-	74,192
Interest income	1,341	-	1,341
Other income	107,935	-	107,935
Total public support and other revenue	<u>5,127,552</u>	<u>119,298</u>	<u>5,246,850</u>
Expenses:			
Program services	4,413,513	-	4,413,513
Supporting services:			
Management and general	77,180	-	77,180
Fundraising	156,300	-	156,300
Total expenses	<u>4,646,993</u>	<u>-</u>	<u>4,646,993</u>
CHANGE IN NET ASSETS	480,559	119,298	599,857
Beginning of year	<u>1,021,895</u>	<u>89,231</u>	<u>1,111,126</u>
End of year	<u>\$ 1,502,454</u>	<u>\$ 208,529</u>	<u>\$ 1,710,983</u>

The accompanying notes are an integral part of these statements.

CROSS Services, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended March 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Auto and van expense	\$ 21,562	\$ -	\$ -	\$ 21,562
Client services	82,162	-	-	82,162
Depreciation	42,622	1,360	1,360	45,342
Food and supplies	64,146	-	-	64,146
Fundraising and marketing	1,293	1,293	23,266	25,852
In-kind donations	3,968,724	-	-	3,968,724
Insurance	10,428	1,227	613	12,268
Interest	7,870	251	251	8,372
Meals on Wheels	63,027	-	-	63,027
Occupancy	62,535	1,996	1,996	66,527
Office expenses	37,051	2,233	5,358	44,642
Other expenses	30,345	-	-	30,345
Payroll taxes	50,139	3,020	7,250	60,409
Professional fees	46,030	10,229	46,029	102,288
Travel	2,645	-	-	2,645
Wages	431,128	25,972	62,331	519,431
Total expense	\$ <u>4,921,707</u>	\$ <u>47,581</u>	\$ <u>148,454</u>	\$ <u>5,117,742</u>

The accompanying notes are an integral part of these statements.

CROSS Services, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended March 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Supporting Activities</u>	<u>Total</u>
Auto and van expense	\$ 14,441	\$ -	\$ -	\$ 14,441
Client services	362,048	-	-	362,048
Depreciation	38,295	1,222	1,222	40,739
Food and supplies	162,953	-	-	162,953
Fundraising and marketing	438	438	7,878	8,754
In-kind donations	3,259,323	-	-	3,259,323
Insurance	18,735	598	598	19,931
Interest	13,316	425	425	14,166
Meals on Wheels	48,173	-	-	48,173
Occupancy	48,136	1,536	1,536	51,208
Office expenses	30,218	965	965	32,148
Other expenses	9,740	311	311	10,362
Payroll taxes	21,969	3,138	6,277	31,384
Professional fees	37,711	18,855	37,711	94,277
Travel	228	8	8	244
Wages	347,789	49,684	99,369	496,842
Total expense	\$ <u>4,413,513</u>	\$ <u>77,180</u>	\$ <u>156,300</u>	\$ <u>4,646,993</u>

The accompanying notes are an integral part of these statements.

CROSS Services, Inc.

STATEMENTS OF CASH FLOWS

Years ending March 31

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 639,142	\$ 599,857
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,342	40,739
Grant reduction	-	40,000
Noncash contributions of goods and services	(4,008,055)	(3,406,608)
Noncash donations of goods and services	3,968,724	3,259,323
Gain on disposal of fixed assets	(5,312)	-
PPP loan forgiveness	-	(107,900)
Changes in current assets and liabilities:		
Grants receivable	(71,600)	46,066
Prepaid expenses	(10,019)	(1,091)
Accounts payable	1,978	1,613
Accrued expenses	2,801	4,993
Net cash provided by operating activities	<u>563,001</u>	<u>476,992</u>
Cash flows from investing activities		
Purchases of property and equipment and other	(166,260)	(18,560)
Proceeds from asset sale	6,250	-
Net cash used in investing activities	<u>(160,010)</u>	<u>(18,560)</u>
Cash flows from financing activities		
Proceeds on long-term debt	-	107,900
Payments on long-term debt	(24,405)	(19,097)
Net cash provided by (used in) financing activities	<u>(24,405)</u>	<u>88,803</u>
NET INCREASE IN CASH	378,586	547,235
Cash and cash equivalents, beginning of year	<u>893,146</u>	<u>345,911</u>
Cash and cash equivalents, end of year	<u>\$ 1,271,732</u>	<u>\$ 893,146</u>

The accompanying notes are an integral part of these statements.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

CROSS Services, Inc. (the “Organization”) is a not-for-profit Minnesota organization who provides direct basic needs assistance and support services to individuals and families experiencing financial hardship. The Organization services residents of Champlin, Corcoran, Dayton, Maple Grove, Osseo, and Rogers. CROSS also partners with schools and churches in Brooklyn Park and St. Michael to provide food support to students and families living in these cities.

The Organization’s program focus is threefold: Addressing food insecurity, addressing housing instability, and addressing children’s’ needs.

Food Insecurity:

- CROSS Food Warehouse: The Organization’s grocery-store-style food warehouse allows clients to choose from a wide variety of healthy food that their families will actually eat.
- Mobile Food Pantries: The Organization sends food out into the community at six locations, where families can get the food they need without having to travel to the warehouse.
- CROSS’ Meals on Wheels: The Organization’s program volunteers deliver almost 8,000 hot meals to area seniors annually.
- CROSS Partnerships: The Organization provides food to three YMCA locations, the Humanity Alliance, and various individual churches to assist them in their outreach to at-risk youth and families.
- In total, CROSS provides approximately one million meals to approximately 5,000 individuals annually.

Housing Instability:

- Peace of Mind Financial Assistance: The Organization provides funds for rent, mortgage, utilities, car repairs, and other pressing financial needs so that individuals and families can get caught up without losing their homes while they work toward financial stability. The Organization provides assistance to more than 100 families annually.
- CROSS’ Sweet Repeats Boutique: The Organization’s thrift shop provides clothing and household goods, including furniture, to families at very low or no cost. This allows families to put their budget dollars toward stable housing and other necessary areas. The Organization distributes more than 60,000 pounds of donated goods annually.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

Nature of Business - Continued

Children's Needs

- Peaceful Dreams for CROSS Kids: In partnership with the Maple Grove Rotary Club, the Organization provides beds, bedding, and books to children in our area.
- Special Event & Holiday Programs: The Organization provides holiday toys, Easter baskets, school supplies, and birthday gifts and supplies to families so their kids can enjoy special occasions. The Organization distributes more than \$100,000 in new toys and school supplies annually.
- CROSS-Over Scholarship Program: The organization provides funds for children to participate in community enrichment programs such as sports, dance, driver's education, that their families could not otherwise afford. Approximately 15 kids take advantage of this program each year.

Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Basis of Presentation

The accompanying financial statements of the Organization have been prepared on the accrual method of accounting, whereby support and revenue are recognized in the period earned and expenses are recognized when incurred. The Organization follows accounting and reporting standards applicable to nonprofit organizations.

For financial reporting purposes, contributions received are recorded as increases in net assets without donor restriction or net assets with donor restriction, depending on the existence and nature of any donor restrictions. Net assets of the Organization are classified and reported as follows:

Net Assets without Donor Restriction

Those resources over which the Organization has discretionary control. Designated amounts represent those revenues that the Board of Directors has set aside for a particular purpose.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Basis of Presentation - Continued

Net Assets with Donor Restriction

Resources subject to donor-imposed restrictions, which are satisfied by actions of the Organization or passage of time, or are to be maintained permanently. As of March 31, 2022 and 2021, net assets with donor restriction consisted of \$524,092 and \$208,529, respectively.

2. 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 the FDIC. The balances, at times, may exceed federally insured limits.

3. Grants Receivable

Grants receivable is composed primarily of reimbursement requests under grant awards. Grants receivable are recorded at awarded grant cost and adjusted for all known uncollectible amounts. Adjustments to estimated grants receivable balances are made in the period the change in estimate occurs, which may occur when the estimated costs associated with the grant change. 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, 2022 and 2021, since management expects all receivables to be collectible.

4. Inventory

Inventory consists mainly of donated food, clothing, and non-food supplies and are stated at estimated values based on management prepared cost studies and estimates. Management's current estimate per pound of inventory type is as follows:

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Inventory - Continued

	March 31,	
	2022	2021
Food	\$ 1.70	\$ 1.70
Clothing and household	1.00	1.00
School supplies	6.00	5.00
Toys	10.00	9.00

5. Property and Equipment

Property and equipment is recorded at cost, or fair value, if donated, and depreciated generally on a straight-line basis over the estimated useful lives of each asset which range from five to thirty-nine years. Cost of maintenance and repairs that do not improve or extend the lives of the respective assets are expenses.

The Organization periodically evaluates the recoverability of the carrying value of long-lived assets, including property and equipment, whenever events or circumstances indicate the carrying amount may not be recoverable. An impairment in the carrying value of an asset is recognized when the fair value of the asset is less than its carrying value.

6. Public Support and Other Revenue

Grant Revenue

Grant revenue arises under agreements with local government agencies. These agreements normally represent transactions between the Organization and the grantors. Revenue from grants is recognized according to the terms of the agreements, which commonly is when expenditures are incurred.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

6. Public Support and Other Revenue - Continued

Contribution Revenue

The Organization receives support from individuals, foundations, corporations and other nonprofit organizers in support of the Organization's mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, the Organization receives promises to give that have certain conditions such as meeting specific performance-related barriers or limiting the Organization's discretion on use of the funds. Other contributions may have revocable features to the promise to give. Such conditional promises to give are recognized when the conditions are substantially met.

Special Events Revenue

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs.

Donated Goods and Services

The Organization reports the fair value of gifts of donated food and other goods as public support, without donor restrictions, and thereafter, as expense when provided to individuals and other organizations in need of the food and other goods. The Organization does not monetize any contributed nonfinancial assets.

Contributed services are valued and are reported at the estimated fair value in the financial statements based on current market rates for similar services. For those services that do not require special expertise, the estimated fair value of such donated services has not been recorded in the financial statements.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Public Support and Other Revenue - Continued

Program Service Revenue

Program service revenue is revenue derived generally in exchange transactions with individuals or organizations for meals or clothing, which is considered revenue from contracts. This revenue is recognized at a point in time, generally when goods are purchased at point of sale, or meals are delivered to the recipient.

The Organization does not incur incremental costs of obtaining a contract and there are no significant financing components. Payment terms for program revenue is generally at the time of sale of goods, or upon delivery of meals. There were no significant judgements affecting the determination of the amount and timing of revenue recognized from the sale of goods.

Other Income

In April 2020, the Organization entered into a promissory note agreement in the amount of \$107,900 pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and governed by the Small Business Administration (SBA). The terms of this agreement provided for forgiveness of the note upon spending of the note proceeds on eligible expenditures within the timeframe stipulated by the program. The Organization met the terms of the agreement within the required time frame, and in November 2020, the note was forgiven by the lender. Proceeds of this program are included within other income on the accompanying statement of activities and changes in net assets for the year ended March 31, 2021.

7. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Personnel expenses are allocated on the basis of management's estimates of time and effort. Expenses, other than personnel expenses, which allocation is not directly identifiable are allocated on the bases of management's estimates. Volunteers, whose time is not report in the financial statements, perform program support including fundraising activities for the Organization.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

8. Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) of 1954, as amended, and the Revenue and Taxation Code of the State of Minnesota.

The Organization's policy is to evaluate the likelihood that any uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the IRC, Revenue Rulings, court decisions, and other evidence. It is the opinion of management that the Organization has no significant uncertain tax positions that would be subject to change upon examination. Accordingly, the Organization has not recorded any reserve or related accruals for interest and penalties for uncertain income tax positions as of March 31, 2022 and 2021. The federal and state income tax returns of the Organization are subject to examination by the income taxing authorities, generally for three years after they were filed. Interest and penalties, if any, assessed by income taxing authorities, will be recorded in management and general expenses.

9. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimate of time allocated to administrative personnel expense in the accompanying statements of functional expenses is considered a significant estimate. Actual results could differ from those estimates.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. New Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). This ASU modifies lease accounting to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The most significant changes for lessees will be the recognition of both a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term for those leases classified as operating leases under current GAAP.

FASB Accounting Standards Codification (ASC) Topic 842, *Leases* ("ASC 842"), supersedes current lease requirements in FASB ASC Topic 840, *Leases*. When adopted, the amendments in the ASU must be applied using a modified retrospective approach, with certain practical expedients available. The new standard is effective for nonpublic companies for annual periods beginning after December 15, 2021. The Organization has not determined the impact of this standard on its financial statements.

NOTE B - INVENTORY

Inventory consisting of donated materials is comprised of the following:

	March 31,	
	2022	2021
Food	\$ 202,358	\$ 208,242
School supplies and toys	101,816	52,695
Gift cards	7,542	12,303
Clothing and household	4,445	3,590
	<u>\$ 316,161</u>	<u>\$ 276,830</u>

NOTE C - REVOLVING LINE OF CREDIT

The Organization has a revolving line of credit agreement with a bank which expires on July 19, 2023, as amended. The revolving line of credit allows for borrowings up to \$150,000 as of March 31, 2022 and is collateralized by substantially all assets of the Organization. The interest rate on funds borrowed is 4.75 percent as of March 31, 2022. The balance on this line of credit is \$0 as of March 31, 2022 and 2021.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

NOTE D - LONG-TERM OBLIGATIONS

Long-term obligations consist of the following as of March 31:

	<u>2022</u>	<u>2021</u>
Mortgage payable, as amended, in monthly installments of \$2,468 and \$2,731, including interest fixed at 3.90% and 5.10% per annum as of March 31, 2022 and 2021, respectively; final payment due April 2029; collateralized by the real property located in Rogers, MN.	\$ 178,837	\$ 203,242
Less current maturities	<u>19,163</u>	<u>20,549</u>
	<u>\$ 159,674</u>	<u>\$ 182,693</u>

Aggregate maturities of long-term obligations for the five years following March 31, 2022, are as follows:

<u>Years ending March 31,</u>	
2023	\$ 19,163
2024	23,812
2025	24,757
2026	25,740
2027	26,762

NOTE E - COMMITMENTS

Operating Leases

The Organization has a non-cancelable equipment operating lease requiring monthly payments of approximately \$330 that expires in April 2025. Rent expense was approximately \$3,900 for the years ended March 31, 2022 and 2021.

Minimum rental payments under the lease agreement are approximately as follows for the years ending March 31:

2023	\$ 3,900
2024	3,900
2025	<u>500</u>
	<u>\$ 8,300</u>

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

NOTE F - DEFINED CONTRIBUTION PLAN

The Organization sponsors a Simple IRA Plan (the "Plan"). The Plan covers substantially all of its employees. Contributions are determined as a dollar for dollar match of each eligible employee's deferrals limited to 3% of the employee's salary. Contributions totaled approximately \$6,160 and \$6,120 during the years ending March 31, 2022 and 2021, respectively.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction consist of the following as of:

	March 31,	
	2022	2021
Food Shelf	\$ 222,067	\$ 41,791
Peace of Mind	105,673	91,444
Meals on Wheels	559	2,831
Scholarships	19,956	3,991
School supplies	24,991	9,153
Weekend Food for Kids Program	-	6,598
Live to Give	47,338	39,328
Family Promise	740	2,793
Other	102,768	10,600
	<u>\$ 524,092</u>	<u>\$ 208,529</u>

NOTE H - DESIGNATED NET ASSETS

A Board Designated Fund shall be maintained to be used at the Board's discretion to fund capital improvements, major repairs and maintenance, other strategic plan initiatives, or any other use as designated by the board. Board Designated Funds can be withdrawn and used at the request of the board for capital expenses, strategic initiatives, and to repay mortgage principal balances.

Only funds in excess of a minimum or three months of operating reserve, defined as Unrestricted Cash, may be designated to the Board Designated Fund. The Board also desires to establish a maximum amount to be designated in the account at an amount equal to the cumulative total of the prior two (2) years capital and fixed asset maintenance expenses incurred, inclusive of mortgage principal payments made.

Based on the Organization's policy, the Organization has designated \$438,391 and \$482,063 as of March 31, 2022 and 2021, respectively. The remaining balance of unrestricted net assets is not designated.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

NOTE I - IN-KIND CONTRIBUTIONS

During the fiscal years ended March 31, 2022 and 2021, respectively, the Organization distributed approximately 2.147 million pounds and 1.504 million pounds, respectively, of donated product received from individuals and local businesses and organizations. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. A description of the programs and activities for which donated food and other goods was utilized is found in Note A.

The fair value of one pound of donated food or other goods was estimated based on the approximate wholesale value that would be received by selling similar product in the United States, as well as the use of comparable rates obtained from similar leading organizations throughout the nation. There was no change in wholesale values determined for donated food or clothing and household goods for years ended March 31, 2022 and 2021. The wholesale values determined for school supplies and toys increased by one dollar for the year ended March 31, 2022.

In-kind contributions consisted of the following as of:

	March 31,	
	2022	2021
Food – Valued at \$1.70 per pound	\$ 3,644,248	\$ 3,126,468
School Supplies – Valued at \$6.00 and \$5.00 per pound as of March 31, 2022 and 2021, respectfully	65,361	25,100
Toys – Valued at \$10.00 and \$9.00 per pound as of March 31, 2022 and 2021, respectfully.	101,020	58,581
Clothing and Household – Valued at \$1.00 per pound	160,925	160,181
Miscellaneous other donations	30,886	28,819
Donated services	5,615	7,459
	<u>\$ 4,008,055</u>	<u>\$ 3,406,608</u>

The Organization receives significant services from unpaid volunteers who support the Organization's primary programs and its management and fundraising activities. During the years ended March 31, 2022 and 2021, volunteers gave approximately 28,800 and 26,460 hours of service, respectively. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022 and 2021

NOTE J - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of:

	March 31,	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,271,732	\$ 893,146
Certificates of deposit	20,360	20,311
Grants receivable	<u>71,600</u>	<u>-</u>
Total financial assets available within one year	1,363,692	913,457
Less: amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restriction	524,092	208,529
Board designation	<u>438,391</u>	<u>482,063</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>386,000</u>	\$ <u>222,865</u>

As part of our liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization invests cash in excess of monthly requirements in certificates of deposit with maturity terms of 12 months or less.

NOTE K - SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest is approximately \$8,372 and \$14,166 for the years ended March 31, 2022 and 2021, respectively.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 19, 2022, which is the date the financial statements were available to be issued.