

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

CROSS SERVICES, INC.

MARCH 31, 2023 AND 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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.

Correction of an Error

As discussed in Note B to the financial statements, an error resulting in understatement of amounts previously reported for prepaid expenses and overstatement of program service expenses as of March 31, 2021, was discovered by management of the Organization during the current year. Accordingly, amounts reported for prepaid expenses and the opening balance of unrestricted net assets have been restated in the 2022 financial statements now presented, and an adjustment has been made to unrestricted net assets as of April 1, 2021, to correct the error. Our opinion is not modified with respect to that matter.



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 RockIsland

Mendota Heights, Minnesota
September 15, 2023



CROSS Services, Inc.

STATEMENTS OF FINANCIAL POSITION

March 31

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,115,724	\$ 1,271,732
Certificates of deposit, short term	-	20,360
Grants receivable	-	71,600
ERC receivable	206,178	-
Prepaid expenses	109,345	150,625
Inventory	<u>224,497</u>	<u>316,161</u>
Total current assets	1,655,744	1,830,478
PROPERTY AND EQUIPMENT - AT COST		
Buildings	800,834	800,834
Vehicles	334,529	159,383
Equipment	157,643	151,727
Furniture and fixtures	<u>96,331</u>	<u>95,464</u>
	1,389,337	1,207,408
Less accumulated depreciation	<u>609,510</u>	<u>565,577</u>
	779,827	641,831
Land	<u>223,683</u>	<u>223,683</u>
	<u>1,003,510</u>	<u>865,514</u>
 TOTAL ASSETS	 \$ <u><u>2,659,254</u></u>	 \$ <u><u>2,695,992</u></u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable	\$ 41,473	\$ 9,995
Accrued payroll liabilities	27,480	23,543
Long-term obligations, current portion	23,812	19,163
Total current liabilities	92,765	52,701
DEFERRED REVENUE	206,178	-
LONG-TERM OBLIGATIONS, less current maturities	126,900	159,674
Total liabilities	425,843	212,375
NET ASSETS		
Net assets without donor restriction		
Undesignated	1,526,588	1,521,134
Designated for financial assurance	149,720	438,391
Total without donor restriction	1,676,308	1,959,525
Net assets with donor restriction	557,103	524,092
Total net assets	2,233,411	2,483,617
TOTAL LIABILITIES AND NET ASSETS	\$ 2,659,254	\$ 2,695,992

CROSS Services, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended March 31, 2023

CHANGES IN NET ASSETS	Without Donor	With Donor Restriction	Total
	<u> </u>	<u> </u>	<u> </u>
Public support and other revenue:			
Public support:			
Grants	\$ 361,950	\$ -	\$ 361,950
Contributions	476,282	597,257	1,073,539
Special event income	124,783	-	124,783
Net assets released from restrictions	564,246	(564,246)	-
Total fundraising	<u>1,527,261</u>	<u>33,011</u>	<u>1,560,272</u>
Donated goods and services	4,007,489	-	4,007,489
Total public support	<u>5,534,750</u>	<u>33,011</u>	<u>5,567,761</u>
Other revenue:			
Program service revenue	139,695	-	139,695
Interest income	4,393	-	4,393
Other income	840	-	840
Total public support and other revenue	<u>5,679,678</u>	<u>33,011</u>	<u>5,712,689</u>
Expenses:			
Program services	5,592,980	-	5,592,980
Supporting services:			
Management and general	79,137	-	79,137
Fundraising	290,778	-	290,778
Total expenses	<u>5,962,895</u>	<u>-</u>	<u>5,962,895</u>
CHANGE IN NET ASSETS	(283,217)	33,011	(250,206)
2022 Beginning of year - as restated	<u>1,959,525</u>	<u>524,092</u>	<u>2,483,617</u>
End of year	<u>\$ 1,676,308</u>	<u>\$ 557,103</u>	<u>\$ 2,233,411</u>

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, 2022

	Donor Restriction	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	<u>1,292,015</u>	<u>315,563</u>	<u>1,607,578</u>
Donated goods and services	<u>4,008,055</u>	<u>-</u>	<u>4,008,055</u>
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	<u>5,441,321</u>	<u>315,563</u>	<u>5,756,884</u>
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	<u>5,117,742</u>	<u>-</u>	<u>5,117,742</u>
CHANGE IN NET ASSETS	323,579	315,563	639,142
2021 Beginning of year - as previously stated	1,502,454	208,529	1,710,983
2021 prior period adjustment	133,492	-	133,492
2021 Beginning of year - as restated	<u>1,635,946</u>	<u>208,529</u>	<u>1,844,475</u>
2022 End of year - as restated	<u>\$ 1,959,525</u>	<u>\$ 524,092</u>	<u>\$ 2,483,617</u>

The accompanying notes are an integral part of this statement.

CROSS Services, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended March 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Auto and van expense	\$ 36,643	\$ -	\$ -	\$ 36,643
Client services	262,565	-	-	262,565
Depreciation	73,058	2,332	2,331	77,721
Food and supplies	149,752	-	-	149,752
Fundraising and marketing	2,866	2,866	51,595	57,327
In-kind donations	4,099,153	-	-	4,099,153
Insurance	22,008	2,589	1,295	25,892
Interest	6,694	214	213	7,121
Meals on Wheels	72,873	-	-	72,873
Occupancy	78,379	2,501	2,502	83,382
Office expenses	82,749	3,929	9,426	96,104
Other expenses	40,807	-	-	40,807
Payroll taxes	36,282	2,864	8,593	47,739
Professional fees	87,897	19,533	87,897	195,327
Travel	5,342	-	-	5,342
Wages	535,912	42,309	126,926	705,147
Total expense	\$ <u>5,592,980</u>	\$ <u>79,137</u>	\$ <u>290,778</u>	\$ <u>5,962,895</u>

The accompanying notes are an integral part of these statements.

CROSS Services, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended March 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Supporting Activities</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 CASH FLOWS

Years ending March 31

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (250,206)	\$ 639,142
Net asset opening balance restatement		
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	77,721	45,342
Noncash contributions of goods and services	(4,007,489)	(4,008,055)
Noncash donations of goods and services	4,099,153	3,968,724
Gain on disposal of fixed assets	3,810	(5,312)
Changes in current assets and liabilities:		
Grants receivable	71,600	(71,600)
Prepaid expenses	41,280	(10,019)
Accounts payable	31,478	1,978
Accrued expenses	<u>3,937</u>	<u>2,801</u>
Net cash provided by operating activities	71,284	563,001
Cash flows from investing activities		
Purchases of property and equipment and other	(252,427)	(166,260)
Proceeds from asset sale	32,900	6,250
Sale of CD's	<u>20,360</u>	<u>-</u>
Net cash used in investing activities	(199,167)	(160,010)
Cash flows from financing activities		
Payments on long-term debt	<u>(28,125)</u>	<u>(24,405)</u>
NET (DECREASE) INCREASE IN CASH	(156,008)	378,586
Cash and cash equivalents, beginning of year	<u>1,271,732</u>	<u>893,146</u>
Cash and cash equivalents, end of year	<u>\$ 1,115,724</u>	<u>\$ 1,271,732</u>

The accompanying notes are an integral part of these statements.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

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

Nature of Business

CROSS Services (the Organization) provides direct basic needs assistance and support services to individuals and families experiencing financial hardship. The Organization serves residents of Champlin, Corcoran, Dayton, Maple Grove, Osseo, St. Michael and Rogers. CROSS also partners with alternative high schools in the Osseo/Maple Grove School District providing healthy food support to students and their families.

The Organization's program focus is fourfold: Addressing food insecurity, addressing housing and job instability, addressing children's needs, and partnering with other organizations to bring complimentary services in-house to better support the needs of the families and individuals served.

Food Insecurity:

- Food Market: 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. Eighty percent of the food provided is fresh whole foods, including meat, produce, and dairy products.
- Mobile Food Pantries: The Organization partners with schools, senior housing, and manufactured home parks to deliver food out into the community where families with transportation barriers can get the food they need.
- CROSS' Let's Do Lunch (an affiliate of Meals on Wheels): The Organization's program volunteers delivered 15,225 hot meals to area seniors annually.
- In total, CROSS Services provided over 1,872,300 pounds of food during 19,365 family visits annually. Staff and volunteers work with approximately 500 households per week.

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 provided more than \$257,000 in assistance to more than 200 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 62,700 pounds of these goods to local families annually.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

**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. Maple Grove Quilters make a new quilt for each child given a bed.
- Special Event & Holiday Programs: The Organization provides holiday toys, school supplies, birthday gifts and party supplies to families so their kids can enjoy special occasions. The Organization distributes more than \$145,400 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, swimming, dance, driver's education, and tutoring.

CROSS Partnerships:

- The Organization provides office space to bring supportive connections onsite for our families including a dental clinic, budgeting, job readiness, county services, local companies with job openings, and other partners as available.

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:

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

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

1. Basis of Presentation - Continued

Net Assets Without Donor Restriction

Net assets without donor restriction represent 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.

Net Assets with Donor Restriction

Net assets with donor restriction represent 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, 2023 and 2022, net assets with donor restriction consisted of \$557,103 and \$524,092, respectively.

2. Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). FASB Accounting Standards Codification (ASC) 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Organization adopted FASB ASC 842, with a date of initial application of April 1, 2022 by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): *Targeted Improvements*.

As part of the transition, the Organization evaluated existing leases as of April 1, 2022 and elected to apply the following practical expedients available under the accounting standard:

Package of practical expedients:

- Election not to reassess whether any expired or existing contracts are or contain leases
- Election not to reassess the lease classification for any expired or existing leases
- Election not to reassess initial direct costs on any existing leases

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

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

2. Recently Adopted Accounting Standards - Continued

Other practical expedient:

- Election not to record ROU assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short-term lease costs.

There were no lease-related assets or liabilities, or cumulative effect adjustment to net assets as of April 1, 2022 necessary as a result of adopting this standard. FASB ASC 842 did not have a significant effect on the changes in net assets or cash flows for the year ended March 31, 2023.

3. 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.

4. 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 2022, since management expects all receivables to be collectible.

5. 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, 2023 and 2022

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

5. Inventory - Continued

	March 31,	
	2023	2022
Food	\$ 1.70	\$ 1.70
Clothing and household	1.00	1.00
School supplies	6.00	6.00
Toys	10.00	10.00

6. 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.

7. Leases

The Organization accounts for leases in accordance with FASB ASC 842. Lease contracts are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating leases or finance leases. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes a lease liability and ROU asset at the commencement date of the lease.

As of March 31, 2023, all leases were considered short-term leases, as all had remaining terms of less than 12 months.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

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

8. Public Support and Other Revenue

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.

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.

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.

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, 2023 and 2022

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

8. 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.

9. 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.

10. 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.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

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

10. Income Taxes - Continued

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, 2023 and 2022. 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.

11. 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.

NOTE B – RESTATEMENT OF FINANCIAL STATEMENTS

As a result of an internal review of the Organization's expenses, the Organization discovered that prepaid expenses had been understated, and food and supply expense had been overstated as of March 31, 2021. This prepaid balance remained unused as of March 31, 2022, and was partially used during the year ending March 31, 2023.

The effect of the restatement on the statements of financial position and changes in net assets as of and for the year ended March 31, 2022 are as follows:

	As Previously Reported	Restated
Net assets as of April 1, 2021	\$ 1,710,983	\$ 1,844,475
Prepaid expenses, March 31, 2022	17,133	150,625
Net assets as of March 31, 2022	2,350,125	2,483,617

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

NOTE C – LEASES

The Organization had an operating lease for office equipment requiring monthly payments of approximately \$330, which was subsequently terminated early after March 31, 2023. As this lease was terminated with less than twelve months of remaining term, this lease is presented as a short-term lease as of March 31, 2023.

The Organization leases various other equipment on a month-to-month basis. Total rent expense recognized under all short-term leases was approximately \$40,000 during the year ending March 31, 2023.

Supplemental information for comparative period

Future minimum lease payments for the operating lease accounted for under FASB ASC 840 with a remaining non-cancellable lease terms in excess of one year as of March 31, 2022, and prior to the adoption of FASB ASC 842, were as follows:

<u>Years ending March 31,</u>	
2023	\$ 3,900
2024	3,900
2025	500
	<hr/>
	\$ 8,300
	<hr/>

Rent expense under operating leases was approximately \$3,900 for the year ended March 31, 2022.

NOTE D – INVENTORY

Inventory consisting of donated materials is comprised of the following:

	<u>March 31,</u>	
	<u>2023</u>	<u>2022</u>
Food	\$ 148,492	\$ 202,358
School supplies and toys	64,935	101,816
Gift cards	8,730	7,542
Clothing and household	2,340	4,445
	<hr/>	<hr/>
	\$ 224,497	\$ 316,161
	<hr/>	<hr/>

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

NOTE E - REVOLVING LINE OF CREDIT

The Organization has a revolving line of credit agreement with a bank which expires on July 19, 2026, as amended. The revolving line of credit allows for borrowings up to \$150,000 as of March 31, 2023 and 2022, and is collateralized by substantially all assets of the Organization. The interest rate on funds borrowed is variable based on the Wall Street Journal US Prime Rate, which is 8.25 and 4.75 percent as of March 31, 2023 and 2022, respectively. The balance on this line of credit is \$0 as of March 31, 2023 and 2022.

NOTE F - LONG-TERM OBLIGATIONS

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

	2023	2022
Mortgage payable in monthly installments of \$2,468, including interest fixed at 3.90% per annum as of March 31, 2023 and 2022, respectively; final payment due April 2029; collateralized by the real property located in Rogers, MN.	\$ 150,712	\$ 178,837
Less current maturities	23,812	19,163
	\$ 126,900	\$ 159,674

Aggregate maturities of long-term obligations for the five years following March 31, 2023, are as follows:

<u>Years ending March 31.</u>	
2024	\$ 23,812
2025	24,757
2026	25,740
2027	26,742
2028	27,825

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

NOTE G - EMPLOYER RETENTION CREDIT

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for a refundable employee retention credit subject to certain criteria. The Organization applied for credit under this program in the amount of \$206,200 during the year ended March 31, 2023. The Organization believes that they have met the qualifications for receipt of the credit under the suspension test provisions of the program, however, due to the subjective nature of the rules specific to this test, the Organization has recorded this credit as deferred revenue until expiration of the statute of limitations associated with this program.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

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

	March 31,	
	2023	2022
Food Shelf	\$ 271,168	\$ 222,067
Peace of Mind	128,999	105,673
Meals on Wheels	9,834	559
Scholarships	18,182	19,956
School supplies	51,510	24,991
Home ownership	8,693	-
Live to Give	38,806	47,338
Family Promise	-	740
Other	29,911	102,768
	<u>\$ 557,103</u>	<u>\$ 524,092</u>

NOTE I - NET ASSETS DESIGNATED FOR FINANCIAL ASSURANCE

Net assets designated for financial assurance, or "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.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

NOTE I - NET ASSETS DESIGNATED FOR FINANCIAL ASSURANCE - CONTINUED

Funds more than a minimum of 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 \$149,720 and \$438,391 as of March 31, 2023 and 2022, respectively. The remaining balance of unrestricted net assets is not designated.

NOTE J - IN-KIND CONTRIBUTIONS

During the fiscal years ended March 31, 2023 and 2022, respectively, the Organization distributed approximately 2.423 million pounds and 2.147 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, 2023 and 2022. The wholesale values determined for school supplies and toys increased by one dollar for the year ended March 31, 2023.

In-kind contributions consisted of the following as of:

	March 31,	
	2023	2022
Food – Valued at \$1.70 per pound	\$ 3,698,521	\$ 3,644,248
School Supplies – Valued at \$6.00 per pound	37,717	65,361
Toys – Valued at \$10.00 per pound	70,840	101,020
Clothing and Household – Valued at \$1.00 per pound	146,760	160,925
Miscellaneous other donations	51,611	30,886
Donated services	2,040	5,615
	\$ 4,007,489	\$ 4,008,055

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

NOTE J - IN-KIND CONTRIBUTIONS - CONTINUED

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, 2023 and 2022, volunteers gave approximately 35,600 and 28,800 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.

NOTE K - 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,	
	2023	2022
Cash and cash equivalents	\$ 1,115,724	\$ 1,271,732
Certificates of deposit	-	20,360
Grants receivable	206,178	71,600
Total financial assets available within one year	1,321,902	1,363,692

Less: amounts unavailable for general expenditures within one year, due to:

Net assets with donor restriction	557,103	524,092
Board designation	149,720	438,391
Financial assets available to meet cash needs for general expenditures within one year	\$ 615,079	\$ 401,209

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 L - 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 \$13,800 and \$6,200 during the years ending March 31, 2023 and 2022, respectively.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2023 and 2022

NOTE M – SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest is approximately \$7,100 and \$8,400 for the years ended March 31, 2023 and 2022, respectively.

ERC receivable in the amount of \$206,200 for the year ended March 31, 2023 was recorded as deferred revenue.

NOTE N – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 15, 2023 which is the date the financial statements were available to be issued.