

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

CROSS SERVICES, INC.

MARCH 31, 2024 AND 2023



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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, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years 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 RockIsland

Mendota Heights, Minnesota
August 2, 2024



CROSS Services, Inc.

STATEMENTS OF FINANCIAL POSITION

March 31

ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 750,702	\$ 1,115,724
Grants receivable	34,670	-
ERC receivable	-	206,178
Prepaid expenses	43,896	109,345
Inventory	208,377	224,497
Total current assets	<u>1,037,645</u>	<u>1,655,744</u>
PROPERTY AND EQUIPMENT - AT COST		
Buildings	806,394	800,834
Vehicles	364,479	334,529
Equipment	160,423	157,643
Furniture and fixtures	96,331	96,331
	<u>1,427,627</u>	<u>1,389,337</u>
Less accumulated depreciation	658,687	609,510
	<u>768,940</u>	<u>779,827</u>
Land	223,683	223,683
	<u>992,623</u>	<u>1,003,510</u>
OTHER ASSETS		
Operating lease right of use assets	27,814	-
	<u>27,814</u>	<u>-</u>
TOTAL ASSETS	\$ <u>2,058,082</u>	\$ <u>2,659,254</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2024	2023
CURRENT LIABILITIES		
Accounts payable	\$ 8,864	\$ 41,473
Accrued liabilities		
Payroll	23,136	18,906
Other expenses	13,867	8,574
Long-term obligations, current portion	24,227	23,812
Current portion of lease liability	9,246	-
Total current liabilities	79,340	92,765
DEFERRED REVENUE	225,878	206,178
OPERATING LEASE LIABILITIES, less current maturities	18,568	-
LONG-TERM OBLIGATIONS, less current maturities	103,049	126,900
Total liabilities	426,835	425,843
NET ASSETS		
Net assets without donor restriction		
Undesignated	967,618	1,526,588
Designated for financial assurance	149,720	149,720
Total without donor restriction	1,117,338	1,676,308
Net assets with donor restriction	513,909	557,103
Total net assets	1,631,247	2,233,411
TOTAL LIABILITIES AND NET ASSETS	\$ 2,058,082	\$ 2,659,254

CROSS Services, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended March 31, 2024

	Without Donor Restriction	With Donor Restriction	Total
CHANGES IN NET ASSETS			
Public support and other revenue:			
Public support:			
Grants	\$ 216,297	\$ -	\$ 216,297
Contributions	642,904	252,661	895,565
Special event income	43,363	-	43,363
Net assets released from restrictions	295,855	(295,855)	-
Total fundraising	<u>1,198,419</u>	<u>(43,194)</u>	<u>1,155,225</u>
Donated goods and services	4,544,369	-	4,544,369
Total public support	<u>5,742,788</u>	<u>(43,194)</u>	<u>5,699,594</u>
Other revenue:			
Program service revenue	166,640	-	166,640
Interest income	23,927	-	23,927
Other income	10,784	-	10,784
Total public support and other revenue	<u>5,944,139</u>	<u>(43,194)</u>	<u>5,900,945</u>
Expenses:			
Program services	6,036,294	-	6,036,294
Supporting services:			
Management and general	100,710	-	100,710
Fundraising	366,105	-	366,105
Total expenses	<u>6,503,109</u>	<u>-</u>	<u>6,503,109</u>
CHANGE IN NET ASSETS	(558,970)	(43,194)	(602,164)
Beginning of year	<u>1,676,308</u>	<u>557,103</u>	<u>2,233,411</u>
End of year	<u>\$ 1,117,338</u>	<u>\$ 513,909</u>	<u>\$ 1,631,247</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, 2023

	Without Donor Restriction	With Donor Restriction	Total
CHANGES IN NET ASSETS			
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)
Beginning of year	<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 FUNCTIONAL EXPENSES

Year ended March 31, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Auto and van expense	\$ 19,923	\$ -	\$ -	\$ 19,923
Client services	73,213	-	-	73,213
Depreciation	72,093	2,301	2,301	76,695
Food and supplies	129,668	-	-	129,668
Fundraising and marketing	2,275	2,275	40,942	45,492
In-kind donations	4,560,489	-	-	4,560,489
Insurance	16,699	1,965	982	19,646
Interest	8,766	280	280	9,326
Meals on Wheels	106,945	-	-	106,945
Occupancy	61,538	1,964	1,964	65,466
Office expenses	42,529	2,563	6,149	51,241
Other expenses	53,092	-	-	53,092
Payroll taxes	47,540	3,753	11,260	62,553
Professional fees	136,203	30,267	136,203	302,673
Travel	4,328	-	-	4,328
Wages	700,993	55,342	166,024	922,359
Total expense	\$ <u>6,036,294</u>	\$ <u>100,710</u>	\$ <u>366,105</u>	\$ <u>6,503,109</u>

The accompanying notes are an integral part of these statements.

CROSS Services, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

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 CASH FLOWS

Years ending March 31

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ (602,164)	\$ (250,206)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	76,695	77,721
Noncash contributions of goods and services	(4,544,369)	(4,007,489)
Noncash donations of goods and services	4,560,489	4,099,153
(Gain) Loss on disposal of fixed assets	(8,033)	3,810
Changes in current assets and liabilities:		
Grants receivable	(34,670)	71,600
ERC receivable	206,178	-
Prepaid expenses	65,449	41,280
Accounts payable	(32,609)	31,478
Deferred Revenue	19,700	-
Accrued expenses	<u>9,523</u>	<u>3,937</u>
Net cash provided by (used in) operating activities	(283,811)	71,284
Cash flows from investing activities		
Purchases of property and equipment and other	(127,175)	(252,427)
Proceeds from asset sale	69,400	32,900
Sale of CD's	<u>-</u>	<u>20,360</u>
Net cash used in investing activities	(57,775)	(199,167)
Cash flows from financing activities		
Payments on long-term debt	<u>(23,436)</u>	<u>(28,125)</u>
NET DECREASE IN CASH	(365,022)	(156,008)
Cash and cash equivalents, beginning of year	<u>1,115,724</u>	<u>1,271,732</u>
Cash and cash equivalents, end of year	<u>\$ 750,702</u>	<u>\$ 1,115,724</u>

The accompanying notes are an integral part of these statements.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

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

Nature of Business

CROSS Services, Inc. (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 15,872 and 15,225 hot meals to area seniors during the years ended March 31, 2024 and 2023, respectively.
- In total, CROSS Services provided over 1,588,160 pounds of food during 15,198 family visits during the year ended March 31, 2024 and 1,872,300 pounds of food during 19,365 family visits during the year ended March 31, 2023.

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 \$72,000 in assistance to more than 42 families during the year ended March 31, 2024 and \$257,000 in assistance to more than 200 families during the year ended March 31, 2023.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

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

Housing Instability - Continued:

- 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 63,500 and 62,700 pounds of these goods to local families during the years ended March 31, 2024 and 2023, respectively.

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 distributed more than \$167,200 and \$145,400 in new toys and school supplies during the years ended March 31, 2024 and 2023, respectively.
- 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.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

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

1. Basis of Presentation - Continued

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

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, 2024 and 2023, net assets with donor restriction consisted of \$513,909 and \$557,103, 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. 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 as of March 31, 2024 and 2023:

Food	\$ 1.70
Clothing and household	1.00
School supplies	6.00
Toys	10.00

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

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

4. 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.

5. Leases

The Organization accounts for leases in accordance with Financial Accounting Standards Board Accounting Standards Codification (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.

Lessee Lease Liabilities

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Organization uses the risk-free rate. The implicit rate of the Organization's lease is not readily determinable; accordingly, the Organization uses the risk-free discount rate from the U.S. Department of the Treasury at the commencement date of each lease.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

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

5. Leases - Continued

Lessee ROU Assets

An ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued lease payments, less the unamortized balance of lease incentives received). Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Lessee Accounting Policy Election for Short-Term Leases

The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

6. 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.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

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.

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.

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.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

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

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 reported in the financial statements, perform program support including fundraising activities for the Organization.

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, 2024 and 2023. 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, 2024 and 2023

NOTE B - LEASES

The Company has two operating leases for equipment expiring on various dates through June 2028. There are no leases with an earlier termination date. There is one lease for a freezer with options to extend that management is reasonably certain to exercise.

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

The following summarizes the line items in the statements of financial position which include amounts for the operating leases as of March 31:

	<u>2024</u>	<u>2023</u>
Operating lease right of use assets	\$ <u>27,814</u>	\$ <u>-</u>
Current maturities of operating lease liabilities	\$ 9,246	\$ -
Operating lease liabilities, less current maturities	<u>18,568</u>	<u>-</u>
Total operating lease liabilities	\$ <u><u>27,814</u></u>	\$ <u><u>-</u></u>

The following summarizes the weighted average remaining lease term and discount rate for the operating leases as of March 31:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term (in years)	3.31	-
Weighted average discount rate (in %)	4.00	-

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

NOTE B - LEASES - CONTINUED

The future maturities of operating lease liabilities as of March 31, 2024 are as follows:

<u>Years Ending March 31,</u>	
2025	\$ 10,159
2026	10,159
2027	4,159
2028	4,159
2029	<u>1,039</u>
Total lease payments	29,675
Less amount representing interest	<u>(1,861)</u>
Present value of lease liabilities	<u>\$ 27,814</u>

The following summarizes the line items in the statement of activities and changes in net assets which include the components of lease expense for the years ended March 31:

	<u>2024</u>	<u>2023</u>
Operating lease expense included in management and general expenses and cost of sales	\$ 9,119	\$ -
Short-term operating lease expense included in management and general expenses	33,980	34,211
	<u>\$ 43,099</u>	<u>\$ 34,211</u>

The following summarizes cash flow information related to leases for the years ended March 31:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 9,119	\$ -
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$ 35,861	\$ -

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

NOTE C – INVENTORY

Inventory consisting of donated materials is comprised of the following:

	March 31,	
	2024	2023
Food	\$ 126,489	\$ 148,492
School supplies and toys	69,160	64,935
Gift cards	9,928	8,730
Clothing and household	2,800	2,340
	<u>\$ 208,377</u>	<u>\$ 224,497</u>

NOTE D – 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, 2024 and 2023, 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 8.50 and 8.25 percent as of March 31, 2024 and 2023, respectively. The balance on this line of credit is \$0 as of March 31, 2024 and 2023.

NOTE E – LONG-TERM OBLIGATIONS

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

	2024	2023
Mortgage payable in monthly installments of \$2,468, including interest fixed at 3.90% per annum as of March 31, 2024 and 2023, respectively; final payment due April 2029; collateralized by the real property located in Rogers, MN.	\$ 127,276	\$ 150,712
Less current maturities	<u>24,227</u>	<u>23,812</u>
	<u>\$ 103,049</u>	<u>\$ 126,900</u>

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

NOTE E - LONG-TERM OBLIGATIONS - CONTINUED

Aggregate maturities of long-term obligations for the five years following March 31, 2024, are as follows:

<u>Years ending March 31,</u>		
2025	\$	24,227
2026		25,740
2027		26,762
2028		27,825
2029		22,722

NOTE F - 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 and received payment in full for this credit in the year ending March 31, 2024. The Organization believes that they have met the qualifications for 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 G - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>March 31,</u>	
	<u>2024</u>	<u>2023</u>
Food Shelf	\$ 171,954	\$ 271,168
Peace of Mind	228,999	128,999
Meals on Wheels	-	9,834
Scholarships	14,177	18,182
School supplies	48,667	51,510
Home ownership	3,451	8,693
Live to Give	-	38,806
Other	46,661	29,911
	<u>\$ 513,909</u>	<u>\$ 557,103</u>

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

NOTE H - 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.

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 as of March 31, 2024 and 2023, respectively. The remaining balance of unrestricted net assets is not designated.

NOTE I - IN-KIND CONTRIBUTIONS

During the fiscal years ended March 31, 2024 and 2023 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, 2024 and 2023.

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

NOTE I - IN-KIND CONTRIBUTIONS - CONTINUED

In-kind contributions consisted of the following as of:

	March 31,	
	2024	2023
Food – Valued at \$1.70 per pound	\$ 4,226,564	\$ 3,698,521
School Supplies – Valued at \$6.00 per pound	48,444	37,717
Toys – Valued at \$10.00 per pound	83,086	70,840
Clothing and Household – Valued at \$1.00 per pound	145,114	146,760
Miscellaneous other donations	38,941	51,611
Donated services	2,220	2,040
	<u>\$ 4,544,369</u>	<u>\$ 4,007,489</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, 2024 and 2023, volunteers gave approximately 44,387 and 35,600 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 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,	
	2024	2023
Cash and cash equivalents	\$ 750,702	\$ 1,115,724
Grants receivable	34,670	206,178
Total financial assets available within one year	785,372	1,321,902
Less: amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restriction	513,909	557,103
Board designation	149,720	149,720
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 121,743</u>	<u>\$ 615,079</u>

CROSS Services, Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2024 and 2023

NOTE J - LIQUIDITY AND AVAILABILITY OF RESOURCES - CONTINUED

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 - 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 \$16,800 and \$13,800 during the years ending March 31, 2024 and 2023, respectively.

NOTE L - SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest is approximately \$9,300 and \$7,100 for the years ended March 31, 2024 and 2023, respectively.

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

NOTE M - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 2, 2024 which is the date the financial statements were available to be issued.