

**CHRISTIANS REACHING  
OUT TO SOCIETY, INC.**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2018  
(with comparable totals for 2017)**

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# Holyfield & Thomas, LLC

## Certified Public Accountants & Advisors

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Christians Reaching Out to Society, Inc.  
Lake Worth, Florida

We have audited the accompanying financial statements of Christians Reaching Out to Society, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christians Reaching Out to Society, Inc. as of December 31, 2018, 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.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program services on page 21, is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Report on Summarized Comparative Information**

We have previously audited the Christians Reaching Out to Society, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion of those audited financial statements in our report dated June 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
June 18, 2019

## CHRISTIANS REACHING OUT TO SOCIETY, INC.

## STATEMENT OF FINANCIAL POSITION

*As of December 31, 2018**(with comparable totals for 2017)*

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2018<br>Totals      | 2017<br>Totals      |
|---|-------------------------------|----------------------------|---------------------|---------------------|
| <b>ASSETS</b>                             |                               |                            |                     |                     |
| Cash and cash equivalents                 | \$ 558,884                    | \$ 116,865                 | \$ 675,749          | \$ 704,558          |
| Accounts receivable                       | 2,733                         | -                          | 2,733               | 14,162              |
| Grants receivable                         | -                             | -                          | -                   | 75,000              |
| Promises to give                          | -                             | 267,024                    | 267,024             | 145,113             |
| Inventories                               | 165,000                       | -                          | 165,000             | 153,000             |
| Investments                               | 271,968                       | -                          | 271,968             | 325,226             |
| Prepaid expenses                          | 16,815                        | -                          | 16,815              | 6,795               |
|   | <u>1,015,400</u>              | <u>383,889</u>             | <u>1,399,289</u>    | <u>1,423,854</u>    |
| Total current assets                      |                               |                            |                     |                     |
| Other assets                              | 11,538                        | -                          | 11,538              | 9,438               |
| Investments in endowment                  | 263,797                       | -                          | 263,797             | 263,797             |
| Beneficial interest in trusts             | -                             | 119,437                    | 119,437             | 114,419             |
| Property and equipment, net               | 257,934                       | -                          | 257,934             | 193,690             |
|   | <u>1,548,669</u>              | <u>503,326</u>             | <u>2,051,995</u>    | <u>2,005,198</u>    |
| Total assets                              |                               |                            |                     |                     |
| <b>LIABILITIES AND NET ASSETS</b>         |                               |                            |                     |                     |
| Current liabilities:                      |                               |                            |                     |                     |
| Accounts payable and accrued expenses     | \$ 11,374                     | \$ -                       | \$ 11,374           | \$ 11,722           |
| Current portion of capital leases payable | 8,485                         | -                          | 8,485               | 9,436               |
|   | <u>19,859</u>                 | <u>-</u>                   | <u>19,859</u>       | <u>21,158</u>       |
| Total current liabilities                 |                               |                            |                     |                     |
| Capital leases payable                    | 21,213                        | -                          | 21,213              | 29,621              |
|   | <u>41,072</u>                 | <u>-</u>                   | <u>41,072</u>       | <u>50,779</u>       |
| Total liabilities                         |                               |                            |                     |                     |
| Net assets:                               |                               |                            |                     |                     |
| Without donor restrictions:               |                               |                            |                     |                     |
| Undesignated                              | 1,243,800                     | -                          | 1,243,800           | 1,217,216           |
| Designated by the Board                   | 263,797                       | -                          | 263,797             | 263,797             |
|   | <u>1,507,597</u>              | <u>-</u>                   | <u>1,507,597</u>    | <u>1,481,013</u>    |
| Total without donor restrictions          |                               |                            |                     |                     |
| With donor restrictions:                  |                               |                            |                     |                     |
| Purpose restrictions                      | -                             | 283,889                    | 283,889             | 358,987             |
| Time restrictions                         | -                             | 169,437                    | 169,437             | 64,419              |
| Perpetual in nature                       | -                             | 50,000                     | 50,000              | 50,000              |
|   | <u>-</u>                      | <u>503,326</u>             | <u>503,326</u>      | <u>473,406</u>      |
| Total with donor restrictions             |                               |                            |                     |                     |
| Total net assets                          | <u>1,507,597</u>              | <u>503,326</u>             | <u>2,010,923</u>    | <u>1,954,419</u>    |
| Total liabilities and net assets          | <u>\$ 1,548,669</u>           | <u>\$ 503,326</u>          | <u>\$ 2,051,995</u> | <u>\$ 2,005,198</u> |

See accompanying notes to financial statements.

## CHRISTIANS REACHING OUT TO SOCIETY, INC.

## STATEMENT OF ACTIVITIES

*For the Year Ended December 31, 2018**(with comparable totals for 2017)*

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2018<br>Totals | 2017<br>Totals |
|---|-------------------------------|----------------------------|----------------|----------------|
| Support and revenues:                                 |                               |                            |                |                |
| Congregation support                                  | \$ 178,446                    | \$ 47,280                  | \$ 225,726     | \$ 202,880     |
| Foundation support                                    | 233,900                       | 467,700                    | 701,600        | 373,580        |
| Government support                                    | -                             | 98,097                     | 98,097         | 214,760        |
| In-kind contributions                                 | 1,275,184                     | -                          | 1,275,184      | 1,299,932      |
| Other contributions                                   | 187,198                       | 92,862                     | 280,060        | 549,344        |
| United Way allocation                                 | -                             | 189,050                    | 189,050        | 70,350         |
| Camp program fees                                     | 25,075                        | -                          | 25,075         | 25,215         |
| Miscellaneous   | 1,255                         | 500                        | 1,755          | 5,292          |
| Special events  | 84,186                        | 250                        | 84,436         | 93,083         |
| Investment income, net                                | 14,477                        | -                          | 14,477         | 7,878          |
| Realized and unrealized<br>gain (loss) on investments | (53,743)                      | -                          | (53,743)       | 57,840         |
| Change in value of<br>beneficial interest in trusts   | -                             | 5,018                      | 5,018          | 3,215          |
| Total support and revenues                            | 1,945,978                     | 900,757                    | 2,846,735      | 2,903,369      |
| Net assets released from restrictions                 | 870,837                       | (870,837)                  | -              | -              |
|   | 2,816,815                     | 29,920                     | 2,846,735      | 2,903,369      |
| Expenses:   |                               |                            |                |                |
| Program services                                      | 2,568,520                     | -                          | 2,568,520      | 2,514,049      |
| Supporting services:                                  |                               |                            |                |                |
| Management and general                                | 115,966                       | -                          | 115,966        | 85,011         |
| Fundraising   | 93,020                        | -                          | 93,020         | 91,345         |
| Total expenses  | 2,777,506                     | -                          | 2,777,506      | 2,690,405      |
| Loss on disposal of<br>property and equipment         | (12,725)                      | -                          | (12,725)       | -              |
| Change in net assets                                  | 26,584                        | 29,920                     | 56,504         | 212,964        |
| Net assets, beginning of year                         | 1,481,013                     | 473,406                    | 1,954,419      | 1,741,455      |
| Net assets, end of year                               | \$ 1,507,597                  | \$ 503,326                 | \$ 2,010,923   | \$ 1,954,419   |

See accompanying notes to financial statements.

## CHRISTIANS REACHING OUT TO SOCIETY, INC.

## STATEMENT OF CASH FLOWS

*For the Year Ended December 31, 2018**(with comparable totals for 2017)*

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Cash flows from operating activities:                 |                   |                   |
| Cash received from:                                   |                   |                   |
| Contributions and support                             | \$ 1,459,051      | \$ 1,473,977      |
| Camp program fees                                     | 25,075            | 25,215            |
| Special events  | 84,436            | 93,083            |
| Investment income                                     | 17,832            | 11,335            |
| Cash paid to vendors and employees                    | (1,482,537)       | (1,457,920)       |
| Cash paid in interest                                 | 2,979             | 4,396             |
| Miscellaneous income                                  | 1,755             | 5,292             |
|   | <u>108,591</u>    | <u>155,378</u>    |
| Cash flows from investing activities:                 |                   |                   |
| Purchase of property and equipment                    | (128,292)         | (9,820)           |
| Contributions to beneficial interest in trusts        | -                 | (25,000)          |
| Proceeds from sale of equipment                       | 250               | -                 |
| Proceeds from sale of investments                     | -                 | 2,404             |
|   | <u>(128,042)</u>  | <u>(32,416)</u>   |
| Cash flows from financing activities:                 |                   |                   |
| Principal payments on obligations under capital lease | (9,358)           | (15,550)          |
|   | <u>(9,358)</u>    | <u>(15,550)</u>   |
| Net change in cash                                    | (28,809)          | 107,412           |
| Cash and cash equivalents, beginning of year          | 704,558           | 597,146           |
| Cash and cash equivalents, end of year                | <u>\$ 675,749</u> | <u>\$ 704,558</u> |

See accompanying notes to financial statements.

## CHRISTIANS REACHING OUT TO SOCIETY, INC.

## STATEMENT OF CASH FLOWS

*For the Year Ended December 31, 2018**(with comparable totals for 2017)*

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Reconciliation of change in net assets to net cash provided by operating activities:      |                   |                   |
| Change in net assets  | \$ 56,504         | \$ 212,964        |
| Adjustments to reconcile change in net cash to net cash provided by operating activities: |                   |                   |
| Depreciation  | 51,072            | 56,612            |
| Realized and unrealized (gain) loss on investments  | 53,107            | (57,840)          |
| Loss on disposal of property and equipment  | 12,725            | -                 |
| Contributions to beneficial interest in trust   | -                 | (25,000)          |
| Change in value of beneficial interest in trusts  | (5,018)           | (3,215)           |
| In-kind contribution of property and equipment  | -                 | (14,700)          |
| (Increase) decrease in certain assets:  |                   |                   |
| Accounts receivable   | 11,580            | (5,823)           |
| Grants receivable   | 75,000            | (75,000)          |
| Promises to give  | (121,911)         | 168,886           |
| Inventories   | (12,000)          | (75,000)          |
| Prepaid expenses  | (10,020)          | 7,219             |
| Other assets  | (2,100)           | -                 |
| Increase (decrease) in certain liabilities:   |                   |                   |
| Accounts payable and accrued expenses   | (348)             | (33,725)          |
| Net cash provided by operating activities   | <u>\$ 108,591</u> | <u>\$ 155,378</u> |

See accompanying notes to financial statements.



## CHRISTIANS REACHING OUT TO SOCIETY, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

*For the Year Ended December 31, 2018**(with comparable totals for 2017)*

|  | Supporting Activities |                           |                  | 2018<br>Totals      | 2017<br>Totals      |
|--|-----------------------|---------------------------|------------------|---------------------|---------------------|
|  | Program<br>Services   | Management<br>and General | Fundraising      |                     |                     |
| Salaries                               | \$ 631,398            | \$ 63,867                 | \$ 34,981        | \$ 730,246          | \$ 674,447          |
| Payroll taxes                          | 43,284                | 3,503                     | 2,605            | 49,392              | 45,631              |
| Health benefits                        | 53,256                | 7,526                     | 4,148            | 64,930              | 59,025              |
| Other employee benefits                | 23,035                | 4,241                     | 1,303            | 28,579              | 28,779              |
| Total salaries and related benefits    | 750,973               | 79,137                    | 43,037           | 873,147             | 807,882             |
| Advertising and promotion              | 3,228                 | 90                        | 393              | 3,711               | 1,770               |
| Building rent expense                  | 65,110                | 5,942                     | 1,541            | 72,593              | 68,078              |
| Casual labor                           | 27,039                | -                         | -                | 27,039              | 30,206              |
| Computer maintenance                   | 1,950                 | -                         | -                | 1,950               | 2,174               |
| Conferences and meetings               | 4,439                 | 669                       | 866              | 5,974               | 6,236               |
| Depreciation expense                   | 48,491                | 1,672                     | 909              | 51,072              | 56,612              |
| Insurance                              | 7,675                 | 627                       | 341              | 8,643               | 8,106               |
| Interest expense                       | 2,170                 | 550                       | 259              | 2,979               | 4,396               |
| IT services                            | 17,118                | 4,337                     | 2,040            | 23,495              | 21,632              |
| Office expense                         | 10,353                | 615                       | 2,045            | 13,013              | 17,669              |
| Other expenses                         | 11,716                | 2,039                     | 9,569            | 23,324              | 18,182              |
| Photocopying and printing              | 1,636                 | 2,120                     | 9,821            | 13,577              | 13,697              |
| Postage and delivery                   | 776                   | 1,894                     | 4,888            | 7,558               | 8,282               |
| Professional fees                      | 16,000                | 2,500                     | -                | 18,500              | 25,250              |
| Program expenses:                      |                       |                           |                  |                     |                     |
| Food                                   | 171,194               | -                         | -                | 171,194             | 121,388             |
| Operations                             | 83,887                | -                         | -                | 83,887              | 144,902             |
| Relocation and remodeling              | 3,090                 | -                         | -                | 3,090               | -                   |
| Repairs and maintenance                | 32,879                | 640                       | 166              | 33,685              | 33,738              |
| Special events venue                   | -                     | -                         | 15,940           | 15,940              | 6,702               |
| Telephone and Internet                 | 14,943                | 558                       | 512              | 16,013              | 16,598              |
| Travel                                 | 13,990                | 995                       | 517              | 15,502              | 14,182              |
| Utilities                              | 19,555                | 678                       | 176              | 20,409              | 35,364              |
| Volunteer expense                      | 4,124                 | 903                       | -                | 5,027               | 3,631               |
| Website expense                        | -                     | 10,000                    | -                | 10,000              | -                   |
| Total expenses before In-kind expenses | 1,312,336             | 115,966                   | 93,020           | 1,521,322           | 1,466,677           |
| In-kind expenses:                      |                       |                           |                  |                     |                     |
| Facilities                             | 88,700                | -                         | -                | 88,700              | 101,448             |
| Food                                   | 1,144,333             | -                         | -                | 1,144,333           | 1,103,869           |
| Other                                  | 23,151                | -                         | -                | 23,151              | 18,411              |
| Total expenses                         | <u>\$ 2,568,520</u>   | <u>\$ 115,966</u>         | <u>\$ 93,020</u> | <u>\$ 2,777,506</u> | <u>\$ 2,690,405</u> |

See accompanying notes to financial statements.

***For the Year Ended December 31, 2018***

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1. **Business and Summary of Significant Accounting Policies**

*Organization*

Christians Reaching Out to Society, Inc. ("CROS Ministries") is a Florida nonprofit entity that was incorporated in 1978 and has an affiliation with the United Methodist Church. CROS Ministries serves the hungry in Palm Beach and Martin Counties through community collaborations. CROS Ministries is supported primarily through donor contributions, grants and governmental financial assistance. Some of the programs offered by CROS Ministries include:

*CROS Camp*

CROS Camp is a nine-week summer day camp program for children, from kindergarten through 8th grade, living in Title I zip codes (neighborhoods receiving federal funding for schools where at least 40% of the students are from families with low incomes) in Boynton Beach and Lake Worth. The camp program promotes school readiness, ensuring proper nutrition, and guaranteeing a safe nurturing place for campers to call "home" during the day. CROS campers receive lunch, and snacks daily from Palm Beach County's Summer BreakSpot program and breakfast as needed. Camp activities include: laying the foundation of Christian values, on site or off-site field trips, academics, music, sports, arts and crafts.

*The Caring Kitchen*

The Caring Kitchen is a hot meal program located in Delray Beach, FL. The program serves the homeless, individuals and families with low-incomes, people with disabilities, and senior citizens. Volunteers and staff provide hot lunches six days a week, meals to the homebound five days a week, and bagged lunches on the weekend.

*Community Food Pantries*

CROS Ministries operates seven community food pantries, located in low-income communities in Palm Beach and Martin Counties, which distribute food to families and individuals. Two of the food pantries are open five days a week. The others are open one to three days a week.

Under the umbrella of the food pantry program is *Nutrition in a Knapsack (NIK)*. The program distributes weekend backpacks filled with food to children from Title I Schools (40% of the total student enrollment must come from families with low incomes) during the school year.

*Gleaning and Food Recovery*

Gleaning revives the biblical initiative that involves volunteers picking produce from farmers' fields that has been left after commercial harvesting methods. The produce gleaned is distributed through community partners to local agencies that work to feed the hungry in the community. Gleaning occurs from November to July.

*For the Year Ended December 31, 2018*

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1. **Business and Summary of Significant Accounting Policies, continued**

*Basis of Accounting*

The accompanying financial statements of CROS Ministries have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

*Financial Statement Presentation*

CROS Ministries follows Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, *Not-for-Profit Entities, Revenue Recognition*. Under this standard, CROS Ministries is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net Assets Without Donor Restrictions* – are those currently available for use in the current operations of CROS Ministries under the direction of the Board of Directors.
- *Net Assets With Donor Restrictions* – are those subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

*Use of Estimates*

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

*Fair Value of Financial Instruments*

CROS Ministries follows FASB ASC 820-10, *Fair Value Measurements and Disclosures*, which provides a common definition of fair value, establishes a framework to measure fair value within accounting principles generally accepted in the United States of America, and expands the disclosures about fair value measurements. The standard does not create any new fair value measurements. Instead, it applies under existing accounting pronouncements that require or permit fair value measurements.

For assets and liabilities measured at fair value on a recurring basis, entities should disclose information that allows financial statement users to assess (1) the inputs used to develop such measurements, such as Level 1 (i.e., quoted price in an active market for an identical asset or liability), Level 2 (i.e., quoted price for similar assets or liabilities in active markets), or Level 3 (i.e., unobservable inputs); and (2) the effect on changes in net assets of recurring measurements that use significant unobservable (Level 3) inputs.

*For the Year Ended December 31, 2018*

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1. **Business and Summary of Significant Accounting Policies, continued**

*Comparative Financial Information*

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CROS Ministries' financial statements for the year ended December 31, 2017, from which the summarized information was derived. Certain 2017 amounts may have been reclassified to conform to 2018 classifications. Such reclassifications had no effect on the change in net assets as previously reported.

*Cash and Cash Equivalents*

For purposes of statement of cash flows, CROS Ministries considers cash in banks and money market funds, other than amounts in its endowment account, to be cash and cash equivalents. Cash accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time balances of these cash accounts exceed federally insured limits. CROS Ministries has not experienced any loss on such accounts and management believes CROS Ministries is not exposed to any significant credit risk arising from such balances. As of December 31, 2018, there was approximately \$362,000 in excess of the FDIC limit.

*Investments*

Pursuant to FASB ASC 958-320, *Investments – Debt and Equity Securities*, CROS Ministries' investments are stated at market value, based on quoted bid prices on a national stock exchange. Investments are principally held in asset growth funds and a cash management fund for the benefit of CROS Ministries. Securities transactions are recorded on a trade date basis. Interest income is recorded on the accrual basis and dividend income is recorded on the ex-dividend date.

*Accounts Receivable*

Accounts receivable consist of amounts owed to CROS Ministries by various organizations and individuals. Substantially all of the recorded accounts receivable are deemed collectible by management and no allowance is required.

*Grants Receivable*

Grants receivable are recorded when services have been rendered and the granting authority has been billed. If events or changes in circumstances indicate that specific receivable balances may be disallowed by the granting authority, the receivable balances are written-off as an operating expense.

Unconditional promises to give are recognized as support in the period received, at the estimated amount to be ultimately realized.

*For the Year Ended December 31, 2018*

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1. **Business and Summary of Significant Accounting Policies, continued**

*Inventories*

Inventories consist of food received as in-kind contributions or purchased that is used in the Community Food Pantries and The Caring Kitchen programs. Inventories are stated at the estimated fair value at the date of the donation. The estimated fair value used during the year was \$1.68 per pound, which is the average wholesale value as determined by a national network of food banks.

*Property and Equipment*

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Donations of property and equipment are recorded as support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, CROS Ministries reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, ranging from 5 to 10 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

*Support and Revenues*

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received, including unconditional promises, are recognized as support when the donor's commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or with restricted by the donor for specific purposes are reported as support with donor restrictions that increase that net asset class. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Program service fees are recognized as revenue in the period in which the related services commence.

*In-Kind Contributions*

CROS Ministries reports the contributions of noncash assets, food, supplies, and materials at their estimated fair value at date of donation. In-kind food, supplies, and materials was \$1,186,484 for the year ended December 31, 2018.

The donated use of facilities is recorded as in-kind contributions at their estimated fair market rental value. In-kind facilities use was \$88,700 for the year ended December 31, 2018.

In addition, many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, were not met. It is impracticable to determine the fair market value of all donated services by the volunteers of CROS Ministries beyond those required to be recognized as income, however CROS Ministries received approximately 61,000 volunteer hours in support of its program services and special events.

*For the Year Ended December 31, 2018*

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1. **Business and Summary of Significant Accounting Policies, continued**

*Functional Allocation of Expenses*

The costs of providing various programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Costs that are not directly associated with providing specific services are allocated based upon the relative time spent by employees of CROS Ministries providing those services.

*Income Taxes*

CROS Ministries is a Florida not-for-profit corporation, pursuant to Internal Revenue Code Section 501(c)(3) and, as such, is not required to pay income taxes on its exempt function income.

CROS Ministries evaluates its uncertain tax positions in accordance with FASB ASC 740, "Income Taxes," which states that management's determination of the taxable status of an entity, including its status as a tax-exempt entity, is a tax position subject to the standards required for accounting for uncertainty in income taxes. Management does not believe that CROS Ministries has any significant uncertain tax positions that would be material to the financial statements. Furthermore, there is no Federal or State open-year tax return under audit.

*Recent Accounting Pronouncements*

The Financial Accounting Standards Board (FASB) recently issued several Accounting Standards Updates (ASUs) that affect the accounting and reporting of not-for-profit entities. The FASB issued ASU 2016-02, *Leases* (Topic 842), which does not take effect until CROS Ministries' year ending December 31, 2020, and provides new guidance for leases, such that virtually all leases will be capitalized and create "right of use" assets along with associated liabilities. This standard will impact the interpretation of certain transactions, and management is evaluating the effect that the updated standard will have on the financial statements.

*Change in Accounting Principle*

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CROS Ministries Management has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

*For the Year Ended December 31, 2018*

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## **2. Liquidity and Availability**

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

|   |                   |
|---|-------------------|
| Cash and cash equivalents   | \$ 558,884        |
| Account receivable  | 2,733             |
| Investments   | <u>271,968</u>    |
| Financial assets available to meet general expenditures over the next 12 months | <u>\$ 833,585</u> |

CROS Ministries is substantially supported by contributions without donor and with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Ministries must maintain sufficient resources to meet those responsibilities to its donors.

CROS Ministries investments consists of \$263,797 in a Board Designated endowment and \$271,968 without donor restrictions. The endowment funds are designated by the board to support their mission to serve the hungry in Palm Beach and Martin Counties. Although the board desires to maintain the principal amount as an endowment, it is available to support the operation if needed.

Additionally, part of CROS Ministries' liquidity management plan is to invest cash in excess of the monthly requirements into short-term investments such as certificates deposit and money market funds.

## **3. Fair Value Measurements**

FASB ASC 820-10 establishes a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that CROS Ministries has the ability to access at the measurement date.

*Level 2* – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liabilities; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*For the Year Ended December 31, 2018*

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**3. Fair Value Measurements, continued**

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect CROS Ministries' own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

The fair value measurement of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*Fair Value of Financial Instruments:* The following methods and assumptions were used by CROS Ministries in estimating fair value of financial instruments that are not disclosed under FASB ASC 820-10.

*Cash and cash equivalents* – The carrying amount reported approximates fair value.

*Accounts and grants receivable* – The carrying amount approximates fair value due to the short-term of these receivables.

*Promises to give* – The carrying amount approximates fair value due to the relatively short-term of these promises.

*Accounts payable and accrued expenses* – The carrying amount reported approximates fair value due to the short-term duration of the instruments.

*Capital leases* – The carrying amount reported approximates fair value as the stated interest rates approximate market rates.

*Items measured at Fair Value on a Recurring Basis:* The following methods and assumptions were used by CROS Ministries in estimating the fair value of financial instruments that are measured at fair value on a recurring basis under FASB ASC 820-10:

*Investments:*

- *Cash and accrued interest receivable* – Valued at the reported brokerage amounts.
- *Asset growth funds* – Valued at the net asset value (“NAV”) as quoted by the custodian as of the close of business at year end December 31, 2018.

*Beneficial interest in trust:*

- *Remainder beneficiary in an irrevocable trust* – CROS Ministries values this asset using life expectancy of the income beneficiary and a discount rate that approximates current market rates.
- *Income beneficiary in a perpetual trust* – Valued by the 3<sup>rd</sup> party trustee at the current fair value of underlying investment assets in the account, which provides a perpetual stream of income to CROS Ministries.



***For the Year Ended December 31, 2018*****3. Fair Value Measurements, continued**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CROS Ministries believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There was no change in the methodology used for the fiscal year ended December 31, 2018.

The following table sets forth by level, within the fair value hierarchy, CROS's assets at fair value, except those measured by using NAV shares as a practical expedient, as of December 31, 2018:

|                               | Investments<br>Measured<br>at NAV | Assets at Fair Value |             |                   | Total             |
|-------------------------------|-----------------------------------|----------------------|-------------|-------------------|-------------------|
|                               |                                   | Level 1              | Level 2     | Level 3           |                   |
| Investments:                  |                                   |                      |             |                   |                   |
| Cash                          | \$ -                              | \$ 5,063             | \$ -        | \$ -              | \$ 5,063          |
| Asset growth funds            | 530,702                           | -                    | -           | -                 | 530,702           |
| Beneficial interest in trusts | -                                 | -                    | -           | 119,437           | 119,437           |
| Total assets at fair value    | <u>\$ 530,702</u>                 | <u>\$ 5,063</u>      | <u>\$ -</u> | <u>\$ 119,437</u> | <u>\$ 655,202</u> |

Changes in the value of beneficial interest in trusts have been reported in the Statement of Activities as increases (decreases) in net assets with donor restrictions. The table below sets forth a summary of changes in the fair value of CROS Ministries' Level 3 assets, beneficial interest in trusts, for the year ended December 31, 2018.

|                            |                   |
|----------------------------|-------------------|
| Balance, beginning of year | \$ 114,419        |
| Change in value            | <u>5,018</u>      |
| Balance, end of year       | <u>\$ 119,437</u> |

FASB ASC 820-10 requires disclosure of quantitative information about the unobservable inputs used to measure Level 3 assets and liabilities. The following table provides information about the beneficial interest in trusts:

|                       | Fair<br>Value | Valuation<br>Techniques   | Unobservable Inputs   |
|-----------------------|---------------|---|---|
| Remainder beneficiary | \$ 68,599     | Discounted cash flows   | Discount rate; life expectancy of income beneficiary                |
| Income beneficiary    | \$ 50,838     | Discounted cash flows;<br>3 <sup>rd</sup> Party valuation pricing | Fair value of the assets held in the trust reported by the trustee. |

***For the Year Ended December 31, 2018***

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**4. Promises to Give**

Promises to give are recorded for unconditional promises to fund CROS Ministries' various programs. Promises to give, as of December 31, 2018, are collectible through December 2019. Management considers these promises to give to be fully collectible and, therefore, no allowance for doubtful accounts was considered necessary. As of December 31, 2018, a total of \$267,024 is to be received in connection with these promises.

**5. Prepaid expenses**

Prepaid as of December 31, 2018 consisted of prepaid expenses for employee health insurance, rent, postage, maintenance contract, and miscellaneous.

**6. Other Assets**

Other assets as of December 31, 2018 consisted of security and utility deposits and last month's rent.

**7. Investments**

The fair value of CROS Ministries' investments as of December 31, 2018 is summarized as follows:

|                      | <u>Fair<br/>Value</u> | <u>Historical<br/>Cost</u> | <u>Unrealized<br/>Gain (Loss)</u> |
|----------------------|-----------------------|----------------------------|-----------------------------------|
| Cash management fund | \$ 5,063              | \$ 5,063                   | \$ -                              |
| Asset growth funds   | <u>530,702</u>        | <u>579,587</u>             | <u>(48,885)</u>                   |
| Total                | <u>\$ 535,765</u>     | <u>\$ 584,650</u>          | <u>\$ (48,885)</u>                |

Investments are reported in the Statement of Financial Position as investments, \$271,968 and investments in endowments, \$263,797.

**8. Endowment Funds**

As of December 31, 2018, the Board of Directors designated \$263,797 of net assets without donor restrictions as a general endowment to support the mission of CROS Ministries. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions. The Board of Directors by a three-quarter (3/4) vote may withdraw or change such designated funds.

FASB ASC 958 provides guidance on the net asset classification of donor-restricted and board-designated endowment funds for a nonprofit organization that is subject to an enacted version of the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) to improve disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to FUPMIFA.

*For the Year Ended December 31, 2018***8. Endowment Funds, continued**

In accordance with FUPMIFA, CROS Ministries considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of CROS Ministries
- The investment policies of CROS Ministries

Changes in the board designated endowment net assets for the year ended December 31, 2018, consist of the following:

|   |                   |
|---|-------------------|
| Endowment net assets, beginning of year         | \$ 263,797        |
| Investment returns:                             |                   |
| Investment income                               | 8,565             |
| Investment expenses                             | (1,890)           |
| Net depreciation                                | <u>(26,238)</u>   |
| Net investment return (loss)                    | (19,563)          |
| Contributions                                   | -                 |
| Restoration of endowment assets for expenditure | <u>19,563</u>     |
| Endowment net assets, end of year               | <u>\$ 263,797</u> |

*Spending Policy*

CROS Ministries has a spending policy of appropriating for distribution quarterly the investment earnings less the investment expenses incurred, when available for distribution. The Board's intention is to maintain the principal amount as a designated endowment. In establishing this policy, CROS Ministries considered the long-term expected investment return on its endowment. Accordingly, over the long-term, CROS Ministries expects the current spending policy to allow its general endowment fund to maintain the principal amount of endowment.

*Investment Objective and Risk Parameters*

The primary objective of the endowment investment policy is to maximize total return consistent with an acceptable level of risk.

*Strategies Employed for Achieving Investment Objectives*

Endowment assets are in an asset growth fund that is primarily invested in domestic and international equity securities that target long-term growth. CROS Ministries expects this strategy to result in a consistent rate of return that has sufficient liquidity to make distributions, when appropriate. The Florida United Methodist Foundation manages the investments of the endowment fund.

*For the Year Ended December 31, 2018*

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**9. Beneficial Interest in Trusts**

CROS Ministries is the beneficiary of a donor created irrevocable charitable remainder trust, the assets of which are not in the possession of CROS Ministries. The trust provides for payments of all trust income to beneficiaries designated by the donor. Upon the death of the designated beneficiaries, CROS Ministries is to receive a percentage of the assets remaining in the trust. CROS Ministries has legally enforceable rights and claims to a percentage of the remainder interest. The remainder interest is recorded at the estimated fair value of the distributions that CROS Ministries expects to receive upon termination of the trust. Fair value measurements were used to value the remainder interest, in accordance with FASB ASC 958, *Not-for-Profit Entities*, as the trust assets are held by an independent trustee.

CROS Ministries is also the income beneficiary of a perpetual trust, whose assets are held by the Community Foundation for Palm Beach and Martin Counties (the "Foundation") as an endowed component fund ("Fund"). Under the terms of the Fund, the Foundation's Board of Directors has a variance power to modify any restriction or condition on the distribution of funds for any specific charitable purpose or to specified organizations, if in their sole judgement (without the approval of any trustee, custodian, or agent), such restriction or conditions become, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or the area served by the Foundation. The Fund is subject to the Foundation's investment and spending policies. CROS reports the fair value of the Fund as Beneficial Interest in Assets Held at the Foundation in the Statement of Financial Position. Changes in the value of the Fund are reported as change in value of beneficial interest in assets in the Statement of Activities. During the year ended December 31, 2018, CROS Ministries did not receive any distributions from the Fund.

**10. Property and Equipment**

Property and equipment as of December 31, 2018 consisted of the following:

|                               |                   |
|-------------------------------|-------------------|
| Furniture and equipment       | \$ 97,287         |
| Equipment under capital lease | 55,969            |
| Software                      | 23,520            |
| Vehicles                      | 209,954           |
| Leasehold improvements        | <u>85,710</u>     |
|                               | 472,440           |
| Less accumulated depreciation | <u>214,506</u>    |
| Total property and equipment  | <u>\$ 257,934</u> |

**11. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses as of December 31, 2018, consist of approximately \$6,400 and \$5,000 for general expenses and accrued salaries, respectfully.

***For the Year Ended December 31, 2018*****12. Net Assets with Donor Restrictions**

Unexpended net assets with donor restrictions as of December 31, 2018 were as follows:

|  |                   |
|--|-------------------|
| Use restriction:                         |                   |
| Caring Kitchen program                   | \$ 31,636         |
| Food Pantry                              | 188,271           |
| Nutrition in a Knapsack                  | 2,085             |
| Gleaning program                         | 47,878            |
| Summer Camp program                      | 12,500            |
| Various other program costs              | <u>1,519</u>      |
|  | 283,889           |
| Time restriction:                        |                   |
| Beneficial interest in trusts            | 69,437            |
| Promise to give – Bank of America        | 100,000           |
| Restricted in perpetuity:                | <u>50,000</u>     |
| Total net assets with donor restrictions | <u>\$ 503,326</u> |

**13. Capital Leases**

CROS Ministries leases certain equipment under a capital lease agreement requiring monthly payments of \$901, and maturing February 2022. The assets under the capital lease were recorded at the lower of the present value of minimum lease payments or the fair value of the assets. The assets are amortized over the lower of their lease terms or their estimated useful lives. Amortization of equipment under capital leases is included in depreciation expense in the accompanying financial statements. Depreciation of assets under capital leases charged to expense during the year ended December 31, 2018 was \$9,022.

Minimum future lease payments under capital leases as of December 31, 2018 are as follow:

|  |                  |
|--|------------------|
| Year Ended                               |                  |
| <u>December 31,</u>                      |                  |
| 2019                                     | \$ 10,812        |
| 2020                                     | 10,812           |
| 2021                                     | 10,812           |
| 2022                                     | <u>1,802</u>     |
|  | 34,238           |
| Less amount representing interest        | <u>4,540</u>     |
| Present value of future minimum payments | 29,698           |
| Less current portion                     | <u>8,485</u>     |
| Long-term portion                        | <u>\$ 21,213</u> |

***For the Year Ended December 31, 2018***

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**14. Operating Leases**

CROS Ministries leases its office and warehouse space in Lake Worth, Florida, under a non-cancelable lease arrangement that extends through June 2021. Additionally, CROS leases warehouse space under a one-year agreement.

The future minimum lease payments are as follows:

| Year Ended<br><u>December 31,</u> |                   |
|-----------------------------------|-------------------|
| 2019                              | \$ 67,085         |
| 2020                              | 59,497            |
| 2021                              | <u>30,260</u>     |
| Total                             | <u>\$ 156,842</u> |

**15. Retirement Benefits**

CROS Ministries has a defined contribution pension plan (Plan) allowed under Section 403(b) of the Internal Revenue Code that covers all full-time employees who are at least eighteen years old. Under this plan, CROS Ministries contributes 3% of the participant's compensation, after one year of service and if the participant is contributing a minimum 3%. For the year ended December 31, 2018, CROS Ministries contributed approximately \$11,000 to this plan.

In addition to the employee retirement plan, CROS Ministries contributes up to 15% of clergy salaries to the United Methodist Church benefit plan with which the contracted clergy is associated. For the year ended December 31, 2018, CROS Ministries incurred an associated benefit expense of approximately \$10,000 on behalf of its clergy.

**16. Subsequent Events**

Management has evaluated subsequent events through June 18, 2019, the date on which the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.

**SUPPLEMENTARY INFORMATION**

***For the Year Ended December 31, 2018***

|  | CROS<br>Camp | The<br>Caring<br>Kitchen | Community<br>Food<br>Pantries | Gleaning<br>and Food<br>Recovery | Other     | Total<br>Program<br>Services |
|--|--------------|--------------------------|-------------------------------|----------------------------------|-----------|------------------------------|
| Salaries                               | \$ 85,240    | \$ 176,769               | \$ 280,831                    | \$ 79,105                        | \$ 9,453  | \$ 631,398                   |
| Payroll taxes                          | 6,386        | 9,914                    | 20,437                        | 5,855                            | 692       | 43,284                       |
| Health benefits                        | 8,800        | 12,720                   | 26,217                        | 4,984                            | 535       | 53,256                       |
| Other employee benefits                | 2,627        | 11,111                   | 5,561                         | 3,325                            | 411       | 23,035                       |
| Total salaries and related benefits    | 103,053      | 210,514                  | 333,046                       | 93,269                           | 11,091    | 750,973                      |
| Advertising & Promotion                | 117          | 240                      | 2,702                         | 156                              | 13        | 3,228                        |
| Building rent                          | 11,096       | 4,356                    | 42,929                        | 6,493                            | 236       | 65,110                       |
| Casual labor                           | 23,539       | 3,500                    | -                             | -                                | -         | 27,039                       |
| Computer maintenance                   | 650          | 1,300                    | -                             | -                                | -         | 1,950                        |
| Conferences and meetings               | 1,333        | 1,087                    | 1,394                         | 500                              | 125       | 4,439                        |
| Depreciation expense                   | 2,317        | 8,819                    | 22,994                        | 14,127                           | 234       | 48,491                       |
| Insurance                              | 817          | 2,061                    | 3,087                         | 1,622                            | 88        | 7,675                        |
| Interest expense                       | 391          | 663                      | 701                           | 312                              | 103       | 2,170                        |
| IT services                            | 3,085        | 5,229                    | 5,532                         | 2,460                            | 812       | 17,118                       |
| Office expense                         | 1,420        | 2,505                    | 5,024                         | 1,333                            | 71        | 10,353                       |
| Other expenses                         | 1,644        | 2,391                    | 6,220                         | 1,302                            | 159       | 11,716                       |
| Photocopying and printing              | 769          | 195                      | 590                           | 82                               | -         | 1,636                        |
| Postage and delivery                   | 439          | 138                      | 49                            | 150                              | -         | 776                          |
| Professional fees                      | 1,000        | 2,000                    | 3,000                         | 10,000                           | -         | 16,000                       |
| Program expenses:                      |              |                          |                               |                                  |           |                              |
| Food                                   | 907          | 797                      | 169,490                       | -                                | -         | 171,194                      |
| Operations                             | 30,994       | 15,574                   | 30,614                        | 6,705                            | -         | 83,887                       |
| Relocation and remodeling              | -            | 3,090                    | -                             | -                                | -         | 3,090                        |
| Repairs and maintenance                | 682          | 8,415                    | 20,981                        | 2,776                            | 25        | 32,879                       |
| Telephone, fax, and Internet           | 1,598        | 6,186                    | 5,605                         | 1,476                            | 78        | 14,943                       |
| Travel                                 | 2,679        | 1,825                    | 7,200                         | 2,100                            | 186       | 13,990                       |
| Utilities                              | 599          | 11,232                   | 7,216                         | 481                              | 27        | 19,555                       |
| Volunteer expense                      | 50           | 818                      | 1,685                         | 1,571                            | -         | 4,124                        |
| Total expenses before In-kind expenses | 189,179      | 292,935                  | 670,059                       | 146,915                          | 13,248    | 1,312,336                    |
| In-kind expenses:                      |              |                          |                               |                                  |           |                              |
| Facilities                             | -            | 31,895                   | 56,805                        | -                                | -         | 88,700                       |
| Food                                   | 1,834        | 311,522                  | 830,977                       | -                                | -         | 1,144,333                    |
| Other                                  | 6,915        | 16,158                   | 78                            | -                                | -         | 23,151                       |
| Total expenses                         | \$ 197,928   | \$ 652,510               | \$ 1,557,919                  | \$ 146,915                       | \$ 13,248 | \$ 2,568,520                 |

*See independent auditor's report.*