

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

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2017  
(with comparable totals for 2016)**

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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, 2017, 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, 2017, 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 22, 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 2016 financial statements, and we expressed an unmodified audit opinion of those audited financial statements in our report dated June 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 12, 2018

## CHRISTIANS REACHING OUT TO SOCIETY, INC.

## STATEMENT OF FINANCIAL POSITION

*As of December 31, 2017**(with comparable totals for 2016)*

<b>ASSETS</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Cash and cash equivalents	\$ 490,684	\$ 213,874	\$ -	\$ 704,558	\$ 597,146
Accounts receivable	14,162	-	-	14,162	8,339
Grants receivable	75,000	-	-	75,000	-
Promises to give, current portion	-	145,113	-	145,113	263,999
Inventories	153,000	-	-	153,000	78,000
Prepaid expenses	6,795	-	-	6,795	14,014
<b>Total current assets</b>	<b>739,641</b>	<b>358,987</b>	<b>-</b>	<b>1,098,628</b>	<b>961,498</b>
Promises to give	-	-	-	-	50,000
Other assets	9,438	-	-	9,438	9,438
Investments	589,023	-	-	589,023	533,587
Beneficial interest in trusts	-	64,419	50,000	114,419	61,204
Property and equipment, net	193,690	-	-	193,690	225,782
<b>Total assets</b>	<b>\$ 1,531,792</b>	<b>\$ 423,406</b>	<b>\$ 50,000</b>	<b>\$ 2,005,198</b>	<b>\$ 1,841,509</b>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 11,722	\$ -	\$ -	\$ 11,722	\$ 45,447
Current portion of capital leases payable	9,436	-	-	9,436	15,473
<b>Total current liabilities</b>	<b>21,158</b>	<b>-</b>	<b>-</b>	<b>21,158</b>	<b>60,920</b>
Capital leases payable	29,621	-	-	29,621	39,134
<b>Total liabilities</b>	<b>50,779</b>	<b>-</b>	<b>-</b>	<b>50,779</b>	<b>100,054</b>
Net assets:					
Unrestricted					
Board designated	263,797	-	-	263,797	263,797
Undesignated	1,217,216	-	-	1,217,216	921,799
<b>Total unrestricted</b>	<b>1,481,013</b>	<b>-</b>	<b>-</b>	<b>1,481,013</b>	<b>1,185,596</b>
Restricted	-	423,406	50,000	473,406	555,859
<b>Total net assets</b>	<b>1,481,013</b>	<b>423,406</b>	<b>50,000</b>	<b>1,954,419</b>	<b>1,741,455</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,531,792</b>	<b>\$ 423,406</b>	<b>\$ 50,000</b>	<b>\$ 2,005,198</b>	<b>\$ 1,841,509</b>

See accompanying notes to financial statements.

## CHRISTIANS REACHING OUT TO SOCIETY, INC.

## STATEMENT OF ACTIVITIES

*For the Year Ended December 31, 2017**(with comparable totals for 2016)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
Support and revenues:					
Congregation support	\$ 171,581	\$ 31,299	\$ -	\$ 202,880	\$ 592,470
Foundation support	141,980	206,600	25,000	373,580	242,550
Government support	143,760	71,000	-	214,760	172,413
In-kind contributions	1,299,932	-	-	1,299,932	1,152,734
Other contributions	393,593	155,751	-	549,344	379,415
United Way allocation	5,350	65,000	-	70,350	68,000
Camp program fees	25,215	-	-	25,215	25,531
Miscellaneous	5,292	-	-	5,292	16,546
Special events	93,083	-	-	93,083	87,424
Investment income, net	7,878	-	-	7,878	8,736
Realized and unrealized gains on investments	57,840	-	-	57,840	25,718
Change in value of beneficial interest in trusts	-	3,215	-	3,215	-
<b>Total support and revenues</b>	<b>2,345,504</b>	<b>532,865</b>	<b>25,000</b>	<b>2,903,369</b>	<b>2,771,537</b>
Net assets released from restrictions	665,318	(665,318)	-	-	-
	<b>3,010,822</b>	<b>(132,453)</b>	<b>25,000</b>	<b>2,903,369</b>	<b>2,771,537</b>
Expenses:					
Program services	2,514,049	-	-	2,514,049	2,348,687
Supporting services:					
Management and general	85,011	-	-	85,011	82,593
Fundraising	91,345	-	-	91,345	120,823
<b>Total expenses</b>	<b>2,690,405</b>	<b>-</b>	<b>-</b>	<b>2,690,405</b>	<b>2,552,103</b>
Change in net assets	320,417	(132,453)	25,000	212,964	219,434
Net assets, beginning of year	1,185,596	555,859	-	1,741,455	1,522,019
Transfer among funds	(25,000)	-	25,000	-	-
<b>Net assets, end of year</b>	<b>\$ 1,481,013</b>	<b>\$ 423,406</b>	<b>\$ 50,000</b>	<b>\$ 1,954,419</b>	<b>\$ 1,741,453</b>

See accompanying notes to financial statements.

## CHRISTIANS REACHING OUT TO SOCIETY, INC.

## STATEMENT OF CASH FLOWS

*For the Year Ended December 31, 2017**(with comparable totals for 2016)*

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from:		
Contributions and support	\$ 1,473,977	\$ 1,477,197
Program revenue	25,215	24,406
Special events	93,083	88,254
Investment income, net	7,878	8,736
Cash paid to vendors and employees	(1,450,067)	(1,314,687)
Other income	5,292	16,546
	<u>155,378</u>	<u>300,452</u>
Cash flows from investing activities:		
Purchase of property and equipment	(9,820)	(133,316)
Purchase of investments in endowments, net	-	(111,926)
Contributions to beneficial interest in trusts	(25,000)	-
Proceeds from sale of investments in endowments	2,404	-
	<u>(32,416)</u>	<u>(245,242)</u>
Cash flows from financing activities:		
Principal payments on obligations under capital lease	(15,550)	(8,146)
	<u>(15,550)</u>	<u>(8,146)</u>
Net change in cash	107,412	47,064
Cash and cash equivalents, beginning of year	597,146	550,082
Cash and cash equivalents, end of year	<u>\$ 704,558</u>	<u>\$ 597,146</u>

*See accompanying notes to financial statements.*

## CHRISTIANS REACHING OUT TO SOCIETY, INC.

## STATEMENT OF CASH FLOWS

*For the Year Ended December 31, 2017**(with comparable totals for 2016)*

	<u>2017</u>	<u>2016</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 212,964	\$ 219,434
Adjustments to reconcile change in net cash to net cash provided by operating activities:		
Depreciation	56,612	35,576
Realized and unrealized gain in investments	(57,840)	(25,718)
Contributions to beneficial interest in trust	(25,000)	-
Change in value of beneficial interest in trusts	(3,215)	-
In-kind contribution of property and equipment	(14,700)	-
In-kind facility usage from promises to give	-	29,606
(Increase) decrease in certain assets:		
Accounts receivable	(5,823)	(525)
Grants receivable	(75,000)	11,099
Promises to give	168,886	11,480
Inventory	(75,000)	(1,000)
Prepaid expenses	7,219	2,840
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(33,725)	27,098
Net cash provided by operating activities	<u>\$ 155,378</u>	<u>\$ 300,452</u>

*See accompanying notes to financial statements.*



*For the Year Ended December 31, 2017**(with comparable totals for 2016)*

	Program Services	Supporting Activities		2017 Totals	2016 Totals
		Management and General	Fundraising		
Salaries	\$ 593,112	\$ 43,213	\$ 38,122	\$ 674,447	\$ 673,441
Payroll taxes	39,659	3,254	2,718	45,631	45,345
Health benefits	48,803	5,360	4,862	59,025	64,317
Other employee benefits	25,874	1,416	1,489	28,779	28,187
<b>Total salaries and related benefits</b>	<b>707,448</b>	<b>53,243</b>	<b>47,191</b>	<b>807,882</b>	<b>811,290</b>
Advertising & Promotion	1,565	109	96	1,770	-
Building rent expense	60,755	5,599	1,724	68,078	28,327
Casual labor	30,206	-	-	30,206	21,583
Computer maintenance	1,904	143	127	2,174	2,174
Conferences and meetings	4,554	774	908	6,236	5,693
Depreciation expense	53,542	1,586	1,484	56,612	35,576
Insurance	7,312	421	373	8,106	9,302
Interest expense	3,118	783	495	4,396	1,887
IT Network maintenance	17,733	1,285	2,614	21,632	1,790
Office expense	13,557	792	3,320	17,669	11,923
Miscellaneous	6,756	1,665	9,761	18,182	21,054
Photocopying and printing	2,265	1,712	9,720	13,697	13,507
Postage and delivery	1,274	1,783	5,225	8,282	8,046
Professional fees	15,000	10,250	-	25,250	17,608
Program expenses:					
Food	121,388	-	-	121,388	139,533
Operations	144,902	-	-	144,902	124,431
Relocation and modeling	-	-	-	-	4,004
Repairs and maintenance	32,448	986	304	33,738	18,976
Special events	-	-	6,702	6,702	7,257
Telephone, fax, and internet	15,621	518	459	16,598	19,992
Travel expenses	12,549	973	660	14,182	16,451
Utilities	34,591	591	182	35,364	45,949
Volunteer expense	1,833	1,798	-	3,631	3,411
<b>Total expenses before In-kind expenses</b>	<b>1,290,321</b>	<b>85,011</b>	<b>91,345</b>	<b>1,466,677</b>	<b>1,369,764</b>
In-kind expenses:					
Facilities	101,448	-	-	101,448	131,975
Food	1,103,869	-	-	1,103,869	1,031,561
Other	18,411	-	-	18,411	18,803
<b>Total expenses</b>	<b>\$ 2,514,049</b>	<b>\$ 85,011</b>	<b>\$ 91,345</b>	<b>\$ 2,690,405</b>	<b>\$ 2,552,103</b>

See accompanying notes to financial statements.

*For the Year Ended December 31, 2017*

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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 auxiliary 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 breakfast and hot lunches five days a week, evening hot meals four nights a week, meals to the home-bound three 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*. 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 a local food bank to local agencies that work to feed the hungry in the community. Gleaning occurs from November to July.

*For the Year Ended December 31, 2017*

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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 has adopted FASB Accounting Standard Codification (FASB ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under the standard, CROS Ministries is required to report information regarding its activities according to three classifications of net assets: unrestricted, temporarily restricted, and permanently restricted.

The following paragraphs describe the three classes of net assets:

Unrestricted Net Assets: this classification includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted class.

Temporarily Restricted Net Assets: this classification includes those net assets whose use by CROS Ministries has been limited by donors to either later periods of time, or after specified dates, or for a specified purpose.

Permanently Restricted Net Assets: this classification includes those net assets that must be maintained by CROS Ministries in perpetuity. Permanently restricted net assets increase when CROS Ministries receives contributions for which donor-imposed restrictions limiting CROS Ministries' use of an asset or its economic benefits neither expire with the passage of time nor can be removed by CROS Ministries meeting certain requirements.

*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 the Year Ended December 31, 2017***

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**1. Business and Summary of Significant Accounting Policies, continued***Fair Value of Financial Instruments, continued*

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.

*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, 2016, from which the summarized information was derived. Certain 2016 amounts may have been reclassified to conform to 2017 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, 2017, there was approximately \$389,000 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.

*For the Year Ended December 31, 2017*

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

*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.

*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 lower of cost or market or, if donated, at an estimated fair value at the date of the donation.

*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, *Not-for-Profit Entities, Revenue Recognition*, contributions received, including unconditional promises, are recognized as revenues 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 restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets 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.

*For the Year Ended December 31, 2017*

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**1. Business and Summary of Significant Accounting Policies, continued***In-Kind Contributions*

CROS Ministries reports the contributions of noncash assets, food, materials, property and equipment, and transportation services at their estimated fair value at date of donation. In-kind food, materials and transportation services was \$1,122,280 for the year ended December 31, 2017. In-kind contributions of property and equipment was \$14,700 for the year ended December 31, 2017.

The donated use of facilities is recorded as contributions at their estimated fair market rental value. In-kind facilities use was \$101,448 for the year ended December 31, 2017.

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 60,000 volunteer hours in support of its program services and special events.

*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 nonprofit corporation that is exempt from income taxes under the Internal Revenue Code Section 501(c)(3). It is exempt from filing nonprofit annual information returns with the Internal Revenue Service based upon its status as an integrated auxiliary of the United Methodist Church.

*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.

*For the Year Ended December 31, 2017*

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

*Recent Accounting Pronouncements, continued*

ASU 2016-14, *Not-for-Profit Entities* (Topic 958), imposes new requirements for the presentation and disclosure of not-for-profit financial statements, including a reduction in the number of net asset categories from 3 classes to 2 classes, a requirement to present a statement of functional expenses, a requirement to disclose the quantitative and qualitative aspects of its liquidity, in addition to other provisions. This ASU will be effective for CROS Ministries' year ending December 31, 2018, with early implementation permitted. As with the new guidance on leasing, management is evaluating the effect that this updated standard will have on the financial statements.

**2. 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.

*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.

*For the Year Ended December 31, 2017*

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**2. Fair Value Measurements, continued**

*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, 2017.

*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.

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, 2017.



***For the Year Ended December 31, 2017*****2. Fair Value Measurements, continued**

The following table sets forth by level within the fair value hierarchy, the fair value of CROS Ministries' financial assets measured at fair value on a recurring basis at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ -	\$ 589,023	\$ -	\$ 589,023
Beneficial interest in trusts	-	-	114,419	114,419
Total assets at fair value	<u>\$ -</u>	<u>\$ 589,023</u>	<u>\$ 114,419</u>	<u>\$ 703,442</u>

Changes in the value of beneficial interest in trusts have been reported in the Statement of Activities as increases (decreases) in temporarily restricted net assets. 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, 2017.

Balance, beginning of year	\$ 61,204
Change in value	3,215
Contributions	50,000
Settlements	-
Balance, end of year	<u>\$ 114,419</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:

	<u>Fair Value</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>
Remainder beneficiary	\$ 61,204	Discounted cash flows	Discount rate; life expectancy of income beneficiary
Income beneficiary	\$ 53,215	Discounted cash flows	Fair value of the assets held in the trust reported by the trustee.

**3. Promises to Give**

Promises to give are recorded for unconditional promises to fund CROS Ministries' various programs. Promises to give, as of December 31, 2017, are collectible through June 2018. Management considers these promises to give to be fully collectible and, therefore, no allowance for doubtful accounts was considered necessary. As of December 31, 2017, a total of \$145,113 is to be received in connection with these promises.

***For the Year Ended December 31, 2017***

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**4. Other assets**

Other assets as of December 31, 2017 consisted of rent and security deposits.

**5. Investments**

The fair value of CROS Ministries' investments as of December 31, 2017 is summarized as follows:

	<u>Fair Value</u>	<u>Historical Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash management fund	\$ 4,107	\$ 4,107	\$ -
Asset growth funds	<u>584,916</u>	<u>577,160</u>	<u>7,756</u>
Total	<u>\$ 589,023</u>	<u>\$ 581,267</u>	<u>\$ 7,756</u>

Investments consist of \$325,226 unrestricted investments and \$263,797 board designated investments in endowments. Investment return, as of December 31, 2017, is summarized as follows:

Investment earnings	\$ 12,667
Investment expenses	(3,457)
Net appreciation	<u>57,840</u>
Total	<u>\$ 67,050</u>

**6. Endowment Funds**

As of December 31, 2017, the Board of Directors had designated \$263,797 of unrestricted net assets as a general endowment fund 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 unrestricted net assets. The Board of Directors by a three-quarter (3/4) vote may withdraw 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.

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

*For the Year Ended December 31, 2017*

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**6. Endowment Funds, continued**

Changes in the board designated endowment net assets for the year ended December 31, 2017, consist of the following:

Endowment net assets, beginning of year	\$ 263,797
Investment returns:	
Investment income	5,673
Investment expenses	(1,548)
Net appreciation	<u>25,904</u>
Total investment returns	30,029
Contributions	-
Appropriation of endowment assets for expenditure	<u>(30,029)</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 targets 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, 2017*

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**7. 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 a fixed percentage of trust assets 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 becomes, 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. During the year ended December 31, 2017, CROS Ministries did not receive any distributions from the Fund.

**8. Property and Equipment**

Property and equipment as of December 31, 2017 consisted of the following:

Furniture and equipment	\$ 84,252
Equipment under capital lease	80,469
Software	23,520
Vehicles	126,090
Leasehold improvements	<u>102,208</u>
	416,539
Less accumulated depreciation	<u>222,849</u>
Total property and equipment	<u>\$ 193,690</u>

**9. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses as of December 31, 2017, consist of vendor payments due for general expenses and accrued salaries.

*For the Year Ended December 31, 2017*

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**10. Restricted Net Assets**

Unexpended temporarily restricted and permanently restricted net assets as of December 31, 2017 were restricted as follows:

Temporarily restricted:

Use restriction:	
Caring Kitchen program	\$ 100,137
Food Pantry	188,718
Nutrition in a Knapsack	30,284
Gleaning program	25,506
Summer Camp program	12,825
Various other program costs	<u>1,517</u>
	358,987
Time restriction:	
Beneficial interest in trusts	<u>64,419</u>
Total temporarily restricted net assets	<u>\$ 423,406</u>

Permanently restricted:

Time restriction:	
Beneficial interest in trusts	<u>\$ 50,000</u>
Total permanently restricted net assets	<u>\$ 50,000</u>

**11. Capital Leases**

CROS Ministries leases certain equipment under various capital lease agreements requiring monthly payments ranging from \$761 to \$901, and maturing at various dates through December 2022. The assets and liabilities 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, 2017 was \$16,093.

***For the Year Ended December 31, 2017***

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**11. Capital Leases, continued**

Minimum future lease payments under capital leases as of December 31, 2017 for each of the next five years and in the aggregate are:

<u>Year Ended December 31,</u>	
2018	\$ 13,095
2019	10,812
2020	10,812
2021	10,812
Thereafter	<u>1,802</u>
	47,333
Less amount representing interest	<u>8,276</u>
Present value of future minimum payments	39,057
Less current portion	<u>9,436</u>
Long-term portion	<u>\$ 29,621</u>

**12. 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.

The future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	
2018	\$ 55,541
2019	57,485
2020	59,497
2021	<u>30,260</u>
Total	<u>\$ 202,783</u>

**13. 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, 2017, 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, 2017, CROS Ministries on behalf of its clergy incurred benefit expense of approximately \$10,000.

*For the Year Ended December 31, 2017*

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**14. Subsequent Events**

Management has evaluated subsequent events through June 12, 2018, 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**



## CHRISTIANS REACHING OUT TO SOCIETY, INC.

## SCHEDULE OF PROGRAM SERVICES

*For the Year Ended December 31, 2017*

	CROS Camp	The Caring Kitchen	Community Food Pantries	Gleaning and Food Recovery	Other	Total Program Services
Salaries	\$ 93,303	\$ 194,155	\$ 215,303	\$ 74,776	\$ 15,575	\$ 593,112
Payroll taxes	7,086	12,052	14,209	5,153	1,159	39,659
Health benefits	7,712	11,698	18,686	9,798	909	48,803
Other employee benefits	2,614	10,316	8,626	3,737	581	25,874
Total salaries and related benefits	110,715	228,221	256,824	93,464	18,224	707,448
Advertising & Promotion	226	466	525	311	37	1,565
Building rent expense	15,938	2,457	40,349	1,627	384	60,755
Casual labor	28,406	1,800	-	-	-	30,206
Computer maintenance	298	614	691	252	49	1,904
Conferences and meetings	860	1,021	962	1,560	151	4,554
Depreciation expense	3,594	13,321	21,066	15,018	543	53,542
Insurance	875	2,196	2,476	1,621	144	7,312
Interest expense	558	892	964	551	153	3,118
IT Network maintenance	4,520	3,266	6,989	2,707	251	17,733
Office expense	2,104	3,574	5,778	1,910	191	13,557
Miscellaneous	1,724	1,166	2,852	904	110	6,756
Photocopying and printing	543	1,034	653	35	-	2,265
Postage and delivery	238	252	147	637	-	1,274
Professional fees	-	3,000	3,000	9,000	-	15,000
Program expenses:						
Food	1,006	3,454	116,928	-	-	121,388
Operations	30,394	44,845	19,975	49,688	-	144,902
Relocation and modeling	-	-	-	-	-	-
Repairs and maintenance	569	13,418	15,857	2,536	68	32,448
Special events	-	-	-	-	-	-
Telephone, fax, and internet	1,602	7,604	4,908	1,330	177	15,621
Travel expenses	2,532	1,372	6,400	2,055	190	12,549
Utilities	341	27,857	6,181	172	40	34,591
Volunteer expense	100	244	253	1,236	-	1,833
Total expenses before In-kind expenses	207,143	362,074	513,778	186,614	20,712	1,290,321
In-kind expenses:						
Facilities	2,940	36,468	62,040	-	-	101,448
Food	600	430,442	670,619	-	2,208	1,103,869
Other	4,254	14,072	85	-	-	18,411
Total expenses	\$ 214,937	\$ 843,056	\$ 1,246,522	\$ 186,614	\$ 22,920	\$ 2,514,049

*See independent auditor's report.*