

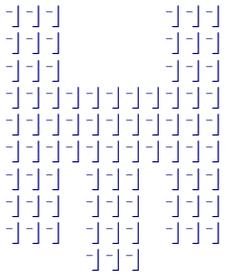
**CHRISTIANS REACHING
OUT TO SOCIETY, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2019
(with comparable totals for 2018)**

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion of those audited financial statements in our report dated June 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 29, 2020

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

*As of December 31, 2019**(with comparable totals for 2018)*

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
ASSETS				
Cash and cash equivalents	\$ 441,176	\$ 75,974	\$ 517,150	\$ 675,749
Accounts receivable	4,735	-	4,735	2,733
Promises to give	5,670	91,788	97,458	267,024
Inventories	214,000	-	214,000	165,000
Investments	344,882	-	344,882	271,968
Prepaid expenses	14,494	-	14,494	16,815
	<u>1,024,957</u>	<u>167,762</u>	<u>1,192,719</u>	<u>1,399,289</u>
Total current assets				
Other assets	11,538	-	11,538	11,538
Investments in endowment	263,797	-	263,797	263,797
Beneficial interest in trusts	-	137,504	137,504	119,437
Property and equipment, net	275,229	-	275,229	257,934
	<u>1,575,521</u>	<u>305,266</u>	<u>1,880,787</u>	<u>2,051,995</u>
Total assets				
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 13,956	\$ -	\$ 13,956	\$ 11,374
Current portion of capital leases payable	9,791	-	9,791	8,485
	<u>23,747</u>	<u>-</u>	<u>23,747</u>	<u>19,859</u>
Total current liabilities				
Capital leases payable	11,423	-	11,423	21,213
	<u>35,170</u>	<u>-</u>	<u>35,170</u>	<u>41,072</u>
Total liabilities				
Net assets:				
Without donor restrictions:				
Undesignated	1,276,554	-	1,276,554	1,243,800
Designated by the Board	263,797	-	263,797	263,797
	<u>1,540,351</u>	<u>-</u>	<u>1,540,351</u>	<u>1,507,597</u>
Total without donor restrictions				
With donor restrictions:				
Purpose restrictions	-	167,762	167,762	283,889
Time restrictions	-	87,504	87,504	169,437
Perpetual in nature	-	50,000	50,000	50,000
	<u>-</u>	<u>305,266</u>	<u>305,266</u>	<u>503,326</u>
Total with donor restrictions				
Total net assets	<u>1,540,351</u>	<u>305,266</u>	<u>1,845,617</u>	<u>2,010,923</u>
Total liabilities and net assets	<u>\$ 1,575,521</u>	<u>\$ 305,266</u>	<u>\$ 1,880,787</u>	<u>\$ 2,051,995</u>

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF ACTIVITIES

*For the Year Ended December 31, 2019**(with comparable totals for 2018)*

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
Support and revenues:				
Congregation support	\$ 153,632	\$ 53,744	\$ 207,376	\$ 225,726
Foundation support	148,725	191,236	339,961	701,600
Government support	-	207,899	207,899	98,097
In-kind contributions	1,538,892	-	1,538,892	1,275,184
Other contributions	251,492	45,505	296,997	280,060
United Way allocation	1,076	108,813	109,889	189,050
Camp program fees	25,065	-	25,065	25,075
Miscellaneous	1,561	3,143	4,704	1,755
Special events	93,915	500	94,415	84,436
Investment income, net	15,818	-	15,818	14,477
Realized and unrealized gain (loss) on investments	72,915	-	72,915	(53,743)
Change in value of beneficial interest in trusts	-	18,067	18,067	5,018
Total support and revenues	<u>2,303,091</u>	<u>628,907</u>	<u>2,931,998</u>	<u>2,846,735</u>
Net assets released from restrictions	<u>826,967</u>	<u>(826,967)</u>	<u>-</u>	<u>-</u>
	<u>3,130,058</u>	<u>(198,060)</u>	<u>2,931,998</u>	<u>2,846,735</u>
Expenses:				
Program services	2,865,502	-	2,865,502	2,568,520
Supporting services:				
Management and general	124,731	-	124,731	115,966
Fundraising	107,071	-	107,071	93,020
Total expenses	<u>3,097,304</u>	<u>-</u>	<u>3,097,304</u>	<u>2,777,506</u>
Loss on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,725)</u>
Change in net assets	32,754	(198,060)	(165,306)	56,504
Net assets, beginning of year	<u>1,507,597</u>	<u>503,326</u>	<u>2,010,923</u>	<u>1,954,419</u>
Net assets, end of year	<u>\$ 1,540,351</u>	<u>\$ 305,266</u>	<u>\$ 1,845,617</u>	<u>\$ 2,010,923</u>

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF CASH FLOWS

*For the Year Ended December 31, 2019**(with comparable totals for 2018)*

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from:		
Contributions and support	\$ 1,401,599	\$ 1,459,051
Camp program fees	25,065	25,075
Special events	94,415	84,436
Investment income	(57,096)	17,832
Cash paid to vendors and employees	(1,534,860)	(1,482,537)
Cash paid in interest	-	2,979
Miscellaneous income	5,705	1,755
	<u>(65,172)</u>	<u>108,591</u>
Cash flows from investing activities:		
Purchase of property and equipment	(84,945)	(128,292)
Proceeds from sale of equipment	-	250
	<u>(84,945)</u>	<u>(128,042)</u>
Cash flows from financing activities:		
Principal payments on obligations under capital lease	(8,482)	(9,358)
	<u>(8,482)</u>	<u>(9,358)</u>
Net change in cash	(158,599)	(28,809)
Cash and cash equivalents, beginning of year	<u>675,749</u>	<u>704,558</u>
Cash and cash equivalents, end of year	<u>\$ 517,150</u>	<u>\$ 675,749</u>

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF CASH FLOWS

*For the Year Ended December 31, 2019**(with comparable totals for 2018)*

	<u>2019</u>	<u>2018</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (165,306)	\$ 56,504
Adjustments to reconcile change in net cash to net cash provided (used in) by operating activities:		
Depreciation	67,650	51,072
Realized and unrealized (gain) loss on investments	(72,915)	53,107
Loss on disposal of property and equipment	-	12,725
Change in value of beneficial interest in trusts	(18,067)	(5,018)
(Increase) decrease in certain assets:		
Accounts receivable	(2,002)	11,580
Grants receivable	-	75,000
Promises to give	169,566	(121,911)
Inventories	(49,000)	(12,000)
Prepaid expenses	2,320	(10,020)
Other assets	-	(2,100)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	2,582	(348)
Net cash provided by (used in) operating activities	<u>\$ (65,172)</u>	<u>\$ 108,591</u>

See accompanying notes to financial statements.

*For the Year Ended December 31, 2019**(with comparable totals for 2018)*

	Program Services	Supporting Activities		2019 Totals	2018 Totals
		Management and General	Fundraising		
Salaries	\$ 654,706	\$ 72,645	\$ 49,038	\$ 776,389	\$ 730,246
Payroll taxes	45,591	4,156	3,652	53,399	49,392
Health benefits	67,936	8,599	4,202	80,737	64,930
Other employee benefits	21,539	4,612	1,274	27,425	28,579
Total salaries and related benefits	789,772	90,012	58,166	937,950	873,147
Advertising and promotion	1,252	-	-	1,252	3,711
Building rent expense	89,910	6,420	1,532	97,862	72,593
Casual labor	31,892	-	-	31,892	27,039
Computer maintenance	4,709	125	1,217	6,051	1,950
Conferences and meetings	8,743	1,299	908	10,950	5,974
Depreciation expense	64,736	1,770	1,144	67,650	51,072
Insurance	8,321	639	413	9,373	8,643
Interest expense	1,720	470	139	2,329	2,979
IT services	18,864	5,155	1,524	25,543	23,495
Office expense	9,615	691	4,084	14,390	13,013
Other expenses	16,258	2,121	4,483	22,862	23,324
Photocopying and printing	1,691	2,113	9,694	13,498	13,577
Postage and delivery	550	1,611	4,476	6,637	7,558
Professional fees	13,000	9,300	-	22,300	18,500
Program expenses:					
Food	130,072	-	-	130,072	171,194
Operations	115,360	-	-	115,360	83,887
Relocation and remodeling	-	-	-	-	3,090
Repairs and maintenance	31,249	612	216	32,077	33,685
Special events venue	-	-	14,899	14,899	15,940
Telephone and Internet	10,409	561	1,153	12,123	16,013
Travel	12,757	928	1,248	14,933	15,502
Utilities	15,907	904	216	17,027	20,409
Volunteer expense	6,494	-	-	6,494	5,027
Website expense	-	-	1,559	1,559	10,000
Total expenses before In-kind expenses	1,383,281	124,731	107,071	1,615,083	1,521,322
In-kind expenses:					
Facilities	102,558	-	-	102,558	88,700
Food	1,374,232	-	-	1,374,232	1,144,333
Other	5,431	-	-	5,431	23,151
Total expenses	\$ 2,865,502	\$ 124,731	\$ 107,071	\$ 3,097,304	\$ 2,777,506

See accompanying notes to financial statements.

For the Year Ended December 31, 2019

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 eight 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. One of the pantries is mobile and serves multiple community sites.

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, 2019

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, 2019

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, 2018, from which the summarized information was derived. Certain 2018 amounts may have been reclassified to conform to 2019 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, 2019, there was approximately \$166,400 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, 2019

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 at fair value at the date of the donation. The estimated fair value used during the year was \$1.62 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 donated materials was approximately \$1,436,300 for the year ended December 31, 2019.

The donated use of facilities is recorded as in-kind contributions at their estimated fair market rental value. In-kind facilities use was approximately \$102,600 for the year ended December 31, 2019.

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 56,000 volunteer hours in support of its program services and special events.

For the Year Ended December 31, 2019

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, 2021, 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.

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	\$ 441,176
Account receivable	4,735
Investments	<u>344,882</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 790,793</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.

For the Year Ended December 31, 2019

2. Liquidity and Availability, continued

CROS Ministries investments consist of \$263,797 in a Board Designated endowment and \$344,882 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.

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, 2019

3. 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, 2019.

Beneficial interest in trust:

- *Remainder beneficiary in an irrevocable trust* – CROS Ministries values this asset using the estimated life expectancy of the income beneficiary and a discount rate that approximates current market rates.
- *Income beneficiary in a perpetual trust* – Valued by the 3rd 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, 2019.

For the Year Ended December 31, 2019**3. Fair Value Measurements, continued**

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, 2019:

	Investments Measured at NAV	Assets at Fair Value			Total
		Level 1	Level 2	Level 3	
Investments:					
Cash	\$ -	\$ 4,651	\$ -	\$ -	\$ 4,651
Asset growth funds	604,028	-	-	-	604,028
Beneficial interest in trusts	-	-	-	137,504	137,504
Total assets at fair value	<u>\$ 604,028</u>	<u>\$ 4,651</u>	<u>\$ -</u>	<u>\$ 137,504</u>	<u>\$ 746,183</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	\$ 119,437
Change in value	<u>18,067</u>
Balance, end of year	<u>\$ 137,504</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 Value	Valuation Techniques	Unobservable Inputs
Remainder beneficiary	\$ 79,733	Discounted cash flows	Discount rate; life expectancy of income beneficiary
Income beneficiary	\$ 57,771	Discounted cash flows; 3 rd Party valuation pricing	Fair value of the assets held in the trust reported by the trustee.

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, 2019, are collectible through December 2020. Management considers these promises to give to be fully collectible and, therefore, no allowance for doubtful accounts was considered necessary. As of December 31, 2019, a total of \$97,458 is to be received in connection with these promises.

5. Prepaid expenses

Prepaid expenses consisted of prepaid for rent, postage, maintenance contract, and miscellaneous. As December 31, 2019, the prepaid expenses were approximately \$14,500.

For the Year Ended December 31, 2019

6. Other Assets

Other assets consisted of security and utility deposits, and last month's rent. As December 31, 2019, the other assets were approximately \$11,540.

7. Investments

The fair value of CROS Ministries' investments as of December 31, 2019 is summarized as follows:

	<u>Fair Value</u>	<u>Historical Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash management fund	\$ 4,651	\$ 4,651	\$ -
Asset growth funds	<u>604,028</u>	<u>582,308</u>	<u>21,720</u>
Total	<u>\$ 608,679</u>	<u>\$ 586,959</u>	<u>\$ 21,720</u>

Investments are reported in the Statement of Financial Position as investments, \$344,882 and investments in endowments, \$263,797.

8. Endowment Funds

As of December 31, 2019, 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.

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, 2019***8. Endowment Funds, continued**

Changes in the board designated endowment net assets for the year ended December 31, 2019, consist of the following:

Endowment net assets, beginning of year	\$ 263,797
Investment returns:	
Investment income	8,168
Investment expenses	(1,570)
Net appreciation	<u>31,378</u>
Net investment return (loss)	37,975
Contributions	-
Appropriation of endowment assets for expenditure	<u>(37,975)</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.

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.

For the Year Ended December 31, 2019

9. Beneficial Interest in Trusts, continued

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, Inc. (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, 2019, CROS Ministries did not receive any distributions from the Fund.

10. Property and Equipment

Property and equipment as of December 31, 2019 consisted of the following:

Furniture and equipment	\$ 104,815
Equipment under capital lease	55,969
Software	23,520
Vehicles	245,785
Leasehold improvements	<u>98,112</u>
	528,201
Less accumulated depreciation	<u>252,972</u>
Total property and equipment	<u>\$ 275,229</u>

Depreciation expense for the year ended December 31, 2019 was approximately \$67,600.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of December 31, 2019, consist of approximately \$10,500 and \$3,500 for general expenses and accrued salaries, respectfully.

For the Year Ended December 31, 2019**12. Net Assets with Donor Restrictions**

Unexpended net assets with donor restrictions as of December 31, 2019 were as follows:

Use restriction:	
Caring Kitchen program	\$ 41,788
Food Pantry	108,050
Gleaning program	7,500
Summer Camp program	10,050
Various other program costs	<u>374</u>
	167,762
Time restriction:	
Beneficial interest in trusts	87,504
Restricted in perpetuity:	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 305,266</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, 2019 was \$9,022.

Minimum future lease payments under capital leases as of December 31, 2019 are as follow:

Year Ended	
<u>December 31,</u>	
2020	\$ 10,812
2021	10,812
2022	<u>1,802</u>
	23,426
Less amount representing interest	<u>2,212</u>
Present value of future minimum payments	21,214
Less current portion	<u>9,791</u>
Long-term portion	<u>\$ 11,423</u>

For the Year Ended December 31, 2019

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:

<u>Year Ended December 31,</u>	
2020	\$ 69,417
2021	<u>30,260</u>
Total	<u>\$ 99,677</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, 2019, CROS Ministries contributed approximately \$10,400 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, 2019, CROS Ministries incurred an associated benefit expense of approximately \$10,300 on behalf of its clergy.

16. Subsequent Events

The COVID-19 outbreak in the United States, together with related government orders, has mandated changes that affect daily operations. CROS Ministries has adapted business operations to comply with health and safety restrictions and with the advice of legal counsel. Program operations may be modified or cancelled as the evolving situation dictates. While the pandemic has had a negative effect on business and the economy in general, CROS Ministries has experienced a significant increase in requests for service.

CROS submitted a loan application under the Paycheck Protection Program ("PPP") with its bank as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES ACT") for approximately \$181,000, which was approved and signed on May 2, 2020, and funded on May 8, 2020.

CROS Ministries is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. The effects of this government mandate, if any, upon the financial statements have not been determined.

Management has evaluated subsequent events through June 29, 2020, 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, 2019

	CROS Camp	The Caring Kitchen	Community Food Pantries	Gleaning and Food Recovery	Other	Total Program Services
Salaries	\$ 88,337	\$ 195,473	\$ 282,947	\$ 80,486	\$ 7,463	\$ 654,706
Payroll taxes	6,626	11,739	20,725	5,944	557	45,591
Health benefits	9,459	27,128	25,680	5,092	577	67,936
Other employee benefits	2,715	9,583	5,602	3,337	302	21,539
Total salaries and related benefits	107,137	243,923	334,954	94,859	8,899	789,772
Advertising & Promotion	-	-	-	1,252	-	1,252
Building rent	15,213	16,082	46,780	11,590	245	89,910
Casual labor	28,092	3,800	-	-	-	31,892
Computer maintenance	340	338	3,135	884	12	4,709
Conferences and meetings	2,141	2,077	1,955	2,311	259	8,743
Depreciation expense	2,247	11,966	41,093	9,255	175	64,736
Insurance	761	2,276	3,466	1,754	64	8,321
Interest expense	314	421	664	228	93	1,720
IT services	3,441	4,614	7,279	2,503	1,027	18,864
Office expense	1,382	2,178	4,721	1,263	71	9,615
Other expenses	1,357	5,932	7,893	911	165	16,258
Photocopying and printing	975	532	149	35	-	1,691
Postage and delivery	334	60	156	-	-	550
Professional fees	1,000	2,000	3,000	7,000	-	13,000
Program expenses:						
Food	1,373	2,950	125,749	-	-	130,072
Operations	52,137	19,113	19,687	24,423	-	115,360
Repairs and maintenance	395	5,646	21,681	3,503	24	31,249
Telephone, fax, and Internet	896	3,096	5,461	900	56	10,409
Travel	2,386	1,716	6,847	1,622	186	12,757
Utilities	513	5,871	8,516	973	34	15,907
Volunteer expense	60	1,684	3,322	1,428	-	6,494
Total expenses before In-kind expenses	222,494	336,275	646,508	166,694	11,310	1,383,281
In-kind expenses:						
Facilities	-	59,220	43,338	-	-	102,558
Food	-	306,314	1,067,918	-	-	1,374,232
Other	4,360	-	1,071	-	-	5,431
Total expenses	\$ 226,854	\$ 701,809	\$ 1,758,835	\$ 166,694	\$ 11,310	\$ 2,865,502

See independent auditor's report.