

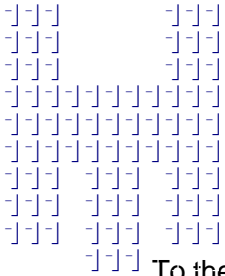
**CHRISTIANS REACHING
OUT TO SOCIETY, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2021
(with comparable totals for 2020)**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christians Reaching Out to Society, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Christians Reaching Out to Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements,

including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Supplementary Information

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.

Holyfield & Thomas, LLC

West Palm Beach, Florida
July 08, 2022

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

*As of December 31, 2021**(with comparable totals for 2020)*

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
ASSETS				
Cash and cash equivalents	\$ 1,972,960	\$ 224,466	\$ 2,197,426	\$ 1,818,025
Accounts receivable	22,497	-	22,497	7,046
Grants receivable	7,301	25,734	33,035	21,030
Promises to give	50,000	79,976	129,976	312,476
Inventories	252,000	-	252,000	303,000
Investments	457,217	-	457,217	376,811
Prepaid expenses	20,205	-	20,205	15,217
	<u>2,782,180</u>	<u>330,176</u>	<u>3,112,356</u>	<u>2,853,605</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	-	174,879	174,879	150,400
Property and equipment, net	372,161	-	372,161	298,602
	<u>3,429,676</u>	<u>505,055</u>	<u>3,934,731</u>	<u>3,577,942</u>
Total assets				
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 38,666	\$ -	\$ 38,666	\$ 13,516
Current portion of capital leases payable	6,129	-	6,129	10,151
	<u>44,795</u>	<u>-</u>	<u>44,795</u>	<u>23,667</u>
Total current liabilities				
Long-term liabilities:				
Capital leases payable	27,080	-	27,080	1,782
Payroll protection program loan	-	-	-	181,004
	<u>71,875</u>	<u>-</u>	<u>71,875</u>	<u>206,453</u>
Total liabilities				
Net assets:				
Without donor restrictions:				
Undesignated	3,094,004	-	3,094,004	2,322,261
Designated by the Board	263,797	-	263,797	263,797
	<u>3,357,801</u>	<u>-</u>	<u>3,357,801</u>	<u>2,586,058</u>
Total without donor restrictions				
With donor restrictions:				
Purpose restrictions	-	330,176	330,176	635,031
Time restrictions	-	124,879	124,879	100,400
Perpetual in nature	-	50,000	50,000	50,000
	<u>-</u>	<u>505,055</u>	<u>505,055</u>	<u>785,431</u>
Total with donor restrictions				
Total net assets	<u>3,357,801</u>	<u>505,055</u>	<u>3,862,856</u>	<u>3,371,489</u>
Total liabilities and net assets	<u>\$ 3,429,676</u>	<u>\$ 505,055</u>	<u>\$ 3,934,731</u>	<u>\$ 3,577,942</u>

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF ACTIVITIES

*For the Year Ended December 31, 2021**(with comparable totals for 2020)*

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
Support and revenues:				
Congregation support	\$ 143,760	\$ 43,495	\$ 187,255	\$ 224,316
Foundation support	443,200	323,600	766,800	1,632,591
Government support	351,012	294,873	645,885	252,661
In-kind contributions	1,394,964	-	1,394,964	1,372,276
Other contributions	333,380	72,278	405,658	587,396
United Way allocation	-	113,300	113,300	130,300
Bequest	70,835	13,600	84,435	-
Camp program fees	7,900	-	7,900	975
Miscellaneous	2,109	6,135	8,244	20,803
Special events	44,462	-	44,462	-
Investment income, net	7,754	-	7,754	12,729
Realized and unrealized gain on investments	80,406	-	80,406	31,964
Change in value of beneficial interest in trusts	-	24,479	24,479	12,896
Total support and revenues	2,879,782	891,760	3,771,542	4,278,907
Net assets released from restrictions	1,172,136	(1,172,136)	-	-
	4,051,918	(280,376)	3,771,542	4,278,907
Expenses:				
Program services	3,072,228	-	3,072,228	2,572,404
Supporting services:				
Management and general	96,391	-	96,391	93,188
Fundraising	111,285	-	111,285	98,035
Total expenses	3,279,904	-	3,279,904	2,763,627
Gain (Loss) on disposal of property and equipment	(271)	-	(271)	10,592
Change in net assets	771,743	(280,376)	491,367	1,525,872
Net assets, beginning of year	2,586,058	785,431	3,371,489	1,845,617
Net assets, end of year	\$ 3,357,801	\$ 505,055	\$ 3,862,856	\$ 3,371,489

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF CASH FLOWS

*For the Year Ended December 31, 2021**(with comparable totals for 2020)*

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from:		
Contributions and support	\$ 2,174,872	\$ 2,588,046
Camp program fees	7,900	975
Special events	44,462	-
Investment income, net	7,754	13,624
Cash paid to vendors and employees	(1,727,525)	(1,403,181)
Miscellaneous income	<u>10,744</u>	<u>20,803</u>
Net cash provided by operating activities	<u>518,207</u>	<u>1,220,267</u>
Cash flows from investing activities:		
Purchase of property and equipment	(140,903)	(104,115)
Proceeds from sale of equipment	<u>7,517</u>	<u>13,000</u>
Net cash used in investing activities	<u>(133,386)</u>	<u>(91,115)</u>
Cash flows from financing activities:		
Proceeds from payroll protection program loan	-	181,004
Principal payments on obligations under capital lease	<u>(5,420)</u>	<u>(9,281)</u>
Net cash provided by (used in) financing activities	<u>(5,420)</u>	<u>171,723</u>
Net change in cash	379,401	1,300,875
Cash and cash equivalents, beginning of year	<u>1,818,025</u>	<u>517,150</u>
Cash and cash equivalents, end of year	<u>\$ 2,197,426</u>	<u>\$ 1,818,025</u>

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF CASH FLOWS

*For the Year Ended December 31, 2021**(with comparable totals for 2020)*

	<u>2021</u>	<u>2020</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 491,367	\$ 1,525,872
Adjustments to reconcile change in net cash to net cash provided by operating activities:		
Depreciation	86,250	78,333
Forgiveness of payroll protection program loan	(181,004)	-
Realized and unrealized gain on investments	(80,406)	(31,929)
(Gain) loss on disposal of property and equipment	271	(10,592)
Change in value of beneficial interest in trusts	(24,479)	(12,896)
(Increase) decrease in certain assets:		
Accounts receivable	(15,450)	(2,311)
Grants receivable	(12,005)	(21,030)
Promises to give	182,500	(215,018)
Inventories	51,000	(89,000)
Prepaid expenses	(4,987)	(722)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	25,150	(440)
Net cash provided by operating activities	<u>\$ 518,207</u>	<u>\$ 1,220,267</u>
Supplemental cash flow information:		
During 2021 and 2020, the Organization acquired equipmet through capital lease transactions.		
Non-cash investing and financing transactions:		
Cost of equipment under capital lease	\$ 37,000	\$ -
Capital lease obligation	(37,000)	-

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

*For the Year Ended December 31, 2021**(with comparable totals for 2020)*

	Program Services	Supporting Activities		2021 Totals	2020 Totals
		Management and General	Fundraising		
Salaries	\$ 783,268	\$ 46,632	\$ 49,050	\$ 878,950	\$ 758,199
Payroll taxes	53,437	3,410	2,514	59,361	49,569
Health benefits	60,818	4,559	5,071	70,448	55,600
Other employee benefits	26,568	1,436	3,341	31,345	28,567
Total salaries and related benefits	924,091	56,037	59,976	1,040,104	891,935
Advertising and promotion	1,746	106	113	1,965	1,411
Building rent expense	97,180	6,357	1,871	105,408	95,475
Casual labor	15,643	-	-	15,643	9,572
Computer maintenance	2,826	40	155	3,021	362
Conferences and meetings	2,892	385	209	3,486	2,213
Depreciation expense	84,428	880	942	86,250	78,333
Insurance	10,932	424	454	11,810	11,275
Interest expense	1,824	333	138	2,295	1,533
IT services	19,196	3,502	1,450	24,148	27,797
Office expense	10,467	380	9,151	19,998	18,840
Other expenses	14,731	4,951	5,063	24,745	18,627
Photocopying and printing	932	901	9,246	11,079	8,377
Postage and delivery	681	1,627	4,137	6,445	5,053
Professional fees	7,000	18,300	-	25,300	22,800
Program expenses:					
Food	195,989	-	-	195,989	154,515
Operations	114,674	-	-	114,674	53,570
Repairs and maintenance	21,304	734	216	22,254	23,968
Special events venue	-	-	14,415	14,415	2,500
Telephone and Internet	15,006	393	904	16,303	12,412
Travel	11,486	165	97	11,748	6,919
Utilities	18,064	876	258	19,198	17,154
Volunteer expense	4,172	-	-	4,172	398
Website expense	-	-	2,490	2,490	7,312
Total expenses before In-kind expenses	1,575,264	96,391	111,285	1,782,940	1,472,351
In-kind expenses:					
Facilities	43,629	-	-	43,629	43,345
Food	1,453,095	-	-	1,453,095	1,245,531
Other	240	-	-	240	2,400
Total expenses	<u>\$ 3,072,228</u>	<u>\$ 96,391</u>	<u>\$ 111,285</u>	<u>\$ 3,279,904</u>	<u>\$ 2,763,627</u>

See accompanying notes to financial statements.

For the Year Ended December 31, 2021

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 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 five 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.

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.

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.

For the Year Ended December 31, 2021

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

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, 2020, from which the summarized information was derived. Certain 2020 amounts may have been reclassified to conform to 2021 classifications. Such reclassifications had no effect on the change in net assets as previously reported.

For the Year Ended December 31, 2021

1. Business and Summary of Significant Accounting Policies, continued*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, 2021, there was approximately \$1,470,922 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, reported net of fees of approximately \$4,400, 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 and Promises to Give

Grants receivable relate to gleaning activities provided for the community, and 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 at fair value at the date of the donation. The estimated fair value used during the year was \$1.79 per pound, which is the average wholesale value as determined by a national network of food banks.

For the Year Ended December 31, 2021

1. Business and Summary of Significant Accounting Policies, continued*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 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 \$1,351,335 for the year ended December 31, 2021.

The donated use of facilities is recorded as in-kind contributions at their estimated fair market rental value. In-kind facilities use was approximately \$43,630 for the year ended December 31, 2021.

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 24,000 volunteer hours in support of its program services and special events.

For the Year Ended December 31, 2021

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

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding "right-of-use" assets. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2021. Management is currently evaluating the magnitude and other potential impacts on the Council's 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	\$ 1,972,960
Account receivable	22,497
Grants receivable	7,301
Promise to give	50,000
Investments	<u>457,217</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,509,975</u>

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

For the Year Ended December 31, 2021

2. Liquidity and Availability, continued

CROS Ministries investments consist of \$263,797 in a Board Designated endowment and \$457,217 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, 2021

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, 2021.

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, 2021.

For the Year Ended December 31, 2021**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, 2021:

	Investments Measured at NAV	Assets at Fair Value			Total
		Level 1	Level 2	Level 3	
Investments:					
Cash	\$ -	\$ 2,839	\$ -	\$ -	\$ 2,839
Asset growth funds	718,175	-	-	-	718,175
Beneficial interest in trusts	-	-	-	174,879	174,879
Total assets at fair value	<u>\$ 718,175</u>	<u>\$ 2,839</u>	<u>\$ -</u>	<u>\$ 174,879</u>	<u>\$ 895,893</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, 2021.

Balance, beginning of year	\$ 150,400
Change in value	<u>24,479</u>
Balance, end of year	<u>\$ 174,879</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	\$ 96,987	Discounted cash flows	Discount rate; life expectancy of income beneficiary
Income beneficiary	\$ 77,892	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, 2021, are collectible through December 2022. Management considers these promises to give to be fully collectible and, therefore, no allowance for doubtful accounts was considered necessary. As of December 31, 2021, a total of \$129,976 is to be received in connection with these promises.

5. Prepaid Expenses

Prepaid expenses consisted of prepaid rent, insurance, postage, maintenance contract, and miscellaneous. As December 31, 2021, the prepaid expenses were approximately \$20,205.

For the Year Ended December 31, 2021

6. Other Assets

Other assets consisted of security and utility deposits, and last month's rent. As December 31, 2021, the other assets were approximately \$11,538.

7. Investments

The fair value of CROS Ministries' investments as of December 31, 2021 is summarized as follows:

	<u>Fair Value</u>	<u>Historical Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash management fund	\$ 2,839	\$ 2,839	\$ -
Asset growth funds	<u>718,175</u>	<u>693,157</u>	<u>25,018</u>
Total	<u>\$ 721,014</u>	<u>\$ 695,996</u>	<u>\$ 25,018</u>

Investments are reported in the Statement of Financial Position as investments, \$457,217 and investments in endowments, \$263,797.

8. Endowment Funds

As of December 31, 2021, 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, 2021***8. Endowment Funds, continued**

Changes in the board designated endowment net assets for the year ended December 31, 2021, consist of the following:

Endowment net assets, beginning of year	\$ 263,797
Investment returns:	
Investment income	4,939
Investment expenses	(1,615)
Net appreciation	<u>28,839</u>
Net investment return (loss)	32,163
Contributions	-
Appropriation of endowment assets for expenditure	<u>(32,163)</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, 2021

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, 2021, CROS Ministries did not receive any distributions from the Fund.

10. Property and Equipment

Property and equipment as of December 31, 2021 consisted of the following:

Furniture and equipment	\$ 125,091
Equipment under capital lease	47,859
Software	23,520
Vehicles	405,926
Leasehold improvements	<u>104,595</u>
	706,991
Less accumulated depreciation	<u>334,830</u>
Total property and equipment	<u>\$ 372,161</u>

Depreciation expense for the year ended December 31, 2021 was approximately \$86,250.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of December 31, 2021, consist of approximately \$32,400 and \$6,300 for general expenses and accrued salaries, respectfully.

For the Year Ended December 31, 2021**12. Net Assets with Donor Restrictions**

Unexpended net assets with donor restrictions as of December 31, 2021 were as follows:

Use restriction:	
Caring Kitchen program	\$ 93,175
Food Pantry	148,944
Gleaning program	77,682
Various other program costs	<u>10,375</u>
	330,176
Time restriction:	
Beneficial interest in trusts	124,879
Restricted in perpetuity:	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 505,055</u>

13. Capital Leases

CROS Ministries leases certain equipment under a capital lease agreement requiring monthly payments of \$740, and maturing July 2026. 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, 2021 was \$7,670.

Minimum future lease payments under capital leases as of December 31, 2021 are as follow:

Year Ended	
<u>December 31,</u>	
2022	\$ 8,869
2023	8,869
2024	8,869
2025	8,869
Thereafter	<u>5,174</u>
	40,650
Less amount representing interest	<u>7,441</u>
Present value of future minimum payments	33,209
Less current portion	<u>6,129</u>
Long-term portion	<u>\$ 27,080</u>

For the Year Ended December 31, 2021

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 2024. Additionally, CROS leases warehouse space under a one-year agreement.

The future minimum lease payments are as follows:

Year Ended <u>December 31,</u>	
2022	\$ 107,131
2023	103,512
2024	<u>42,754</u>
Total	<u>\$ 253,397</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, 2021, CROS Ministries contributed approximately \$13,400 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, 2021, CROS Ministries incurred an associated benefit expense of approximately \$10,800 on behalf of its clergy.

16. Payroll Protection Program Loan

CROS submitted a loan application under the Paycheck Protection Program (the "PPP Loan") with Wells Fargo as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") for \$181,000 to fund payroll, rent, utilities, and other allowable costs. That application was approved and on May 2, 2020, funded on May 8, 2020, and fully forgiven on July 9, 2021.

The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first seven months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

17. Subsequent Events

Management has evaluated subsequent events through July 08, 2022, 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, 2021

	CROS Camp	The Caring Kitchen	Community Food Pantries	Gleaning and Food Recovery	Other	Total Program Services
Salaries	\$ 83,287	\$ 167,109	\$ 409,356	\$ 112,294	\$ 11,222	\$ 783,268
Payroll taxes	6,096	11,484	27,366	7,673	818	53,437
Health benefits	6,520	17,916	28,220	7,412	750	60,818
Other employee benefits	2,564	6,171	12,677	4,696	460	26,568
Total salaries and related benefits	98,467	202,680	477,619	132,075	13,250	924,091
Advertising & Promotion	186	383	902	250	25	1,746
Building rent	9,567	17,082	52,504	17,582	445	97,180
Casual labor	10,583	2,630	2,430	-	-	15,643
Computer maintenance	90	144	2,489	94	9	2,826
Conferences and meetings	402	503	1,322	557	108	2,892
Depreciation expense	1,791	13,329	55,047	14,053	208	84,428
Insurance	746	1,952	4,996	3,136	102	10,932
Interest expense	347	413	699	271	94	1,824
IT services	3,656	4,350	7,362	2,857	971	19,196
Office expense	1,346	1,679	6,043	1,306	93	10,467
Other expenses	3,207	2,635	6,975	1,609	305	14,731
Photocopying and printing	592	154	133	53	-	932
Postage and delivery	256	55	370	-	-	681
Professional fees	-	-	-	7,000	-	7,000
Program expenses:						
Food	1,007	36,559	158,423	-	-	195,989
Operations	28,051	18,175	48,948	19,500	-	114,674
Repairs and maintenance	458	6,785	11,073	2,937	51	21,304
Telephone, fax, and Internet	899	4,862	6,801	2,353	91	15,006
Travel	354	620	9,624	841	47	11,486
Utilities	547	6,318	10,027	1,111	61	18,064
Volunteer expense	578	830	1,308	1,456	-	4,172
Total expenses before In-kind expenses	163,130	322,138	865,095	209,041	15,860	1,575,264
In-kind expenses:						
Facilities	-	3,000	40,629	-	-	43,629
Food	1,015	127,075	1,319,379	5,626	-	1,453,095
Other	-	-	-	240	-	240
Total expenses	\$ 164,145	\$ 452,213	\$ 2,225,103	\$ 214,907	\$ 15,860	\$ 3,072,228

See independent auditor's report.