

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

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2020
(with comparable totals for 2019)**

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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, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Basis for 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, 2020, 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.

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
June 29, 2021

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

*As of December 31, 2020**(with comparable totals for 2019)*

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
ASSETS				
Cash and cash equivalents	\$ 1,516,500	\$ 301,525	\$ 1,818,025	\$ 517,150
Accounts receivable	7,046	-	7,046	4,735
Grants receivable	-	21,030	21,030	-
Promises to give	-	312,476	312,476	97,458
Inventories	303,000	-	303,000	214,000
Investments	376,811	-	376,811	344,882
Prepaid expenses	15,217	-	15,217	14,494
Total current assets	2,218,574	635,031	2,853,605	1,192,719
Other assets	11,538	-	11,538	11,538
Investments in endowment	263,797	-	263,797	263,797
Beneficial interest in trusts	-	150,400	150,400	137,504
Property and equipment, net	298,602	-	298,602	275,229
Total assets	<u>\$ 2,792,511</u>	<u>\$ 785,431</u>	<u>\$ 3,577,942</u>	<u>\$ 1,880,787</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 13,516	\$ -	\$ 13,516	\$ 13,956
Current portion of capital leases payable	10,151	-	10,151	9,791
Total current liabilities	23,667	-	23,667	23,747
Long-term liabilities:				
Capital leases payable	1,782	-	1,782	11,423
Payroll protection program loan	181,004	-	181,004	-
Total liabilities	206,453	-	206,453	35,170
Net assets:				
Without donor restrictions:				
Undesignated	2,322,261	-	2,322,261	1,276,554
Designated by the Board	263,797	-	263,797	263,797
Total without donor restrictions	2,586,058	-	2,586,058	1,540,351
With donor restrictions:				
Purpose restrictions	-	635,031	635,031	167,762
Time restrictions	-	100,400	100,400	87,504
Perpetual in nature	-	50,000	50,000	50,000
Total with donor restrictions	-	785,431	785,431	305,266
Total net assets	2,586,058	785,431	3,371,489	1,845,617
Total liabilities and net assets	<u>\$ 2,792,511</u>	<u>\$ 785,431</u>	<u>\$ 3,577,942</u>	<u>\$ 1,880,787</u>

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF ACTIVITIES

*For the Year Ended December 31, 2020**(with comparable totals for 2019)*

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
Support and revenues:				
Congregation support	\$ 169,768	\$ 54,548	\$ 224,316	\$ 207,376
Foundation support	998,341	634,250	1,632,591	339,961
Government support	-	252,661	252,661	207,899
In-kind contributions	1,372,276	-	1,372,276	1,538,892
Other contributions	471,304	116,092	587,396	296,997
United Way allocation	-	130,300	130,300	109,889
Camp program fees	975	-	975	25,065
Miscellaneous	13,001	7,802	20,803	4,704
Special events	-	-	-	94,415
Investment income, net	12,729	-	12,729	15,818
Realized and unrealized gain on investments	31,964	-	31,964	72,915
Change in value of beneficial interest in trusts	-	12,896	12,896	18,067
Total support and revenues	3,070,358	1,208,549	4,278,907	2,931,998
Net assets released from restrictions	728,384	(728,384)	-	-
	3,798,742	480,165	4,278,907	2,931,998
Expenses:				
Program services	2,572,404	-	2,572,404	2,865,502
Supporting services:				
Management and general	93,188	-	93,188	124,731
Fundraising	98,035	-	98,035	107,071
Total expenses	2,763,627	-	2,763,627	3,097,304
Gain on disposal of property and equipment	10,592	-	10,592	-
Change in net assets	1,045,707	480,165	1,525,872	(165,306)
Net assets, beginning of year	1,540,351	305,266	1,845,617	2,010,923
Net assets, end of year	\$ 2,586,058	\$ 785,431	\$ 3,371,489	\$ 1,845,617

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF CASH FLOWS

*For the Year Ended December 31, 2020**(with comparable totals for 2019)*

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from:		
Contributions and support	\$ 2,620,870	\$ 1,401,599
Camp program fees	975	25,065
Special events	-	94,415
Investment income	(19,200)	(57,096)
Cash paid to vendors and employees	(1,403,181)	(1,534,860)
Miscellaneous income	20,803	5,705
Net cash provided by (used in) operating activities	<u>1,220,267</u>	<u>(65,172)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(104,115)	(84,945)
Proceeds from sale of equipment	13,000	-
Net cash used in investing activities	<u>(91,115)</u>	<u>(84,945)</u>
Cash flows from financing activities:		
Proceeds from payroll protection program loan	181,004	-
Principal payments on obligations under capital lease	(9,281)	(8,482)
Net cash provided by (used in) financing activities	<u>171,723</u>	<u>(8,482)</u>
Net change in cash	1,300,875	(158,599)
Cash and cash equivalents, beginning of year	<u>517,150</u>	<u>675,749</u>
Cash and cash equivalents, end of year	<u>\$ 1,818,025</u>	<u>\$ 517,150</u>

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF CASH FLOWS

*For the Year Ended December 31, 2020**(with comparable totals for 2019)*

	<u>2020</u>	<u>2019</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 1,525,872	\$ (165,306)
Adjustments to reconcile change in net cash to net cash provided (used in) by operating activities:		
Depreciation	78,333	67,650
Realized and unrealized (gain) loss on investments	(31,929)	(72,915)
Gain on disposal of property and equipment	(10,592)	-
Change in value of beneficial interest in trusts	(12,896)	(18,067)
(Increase) decrease in certain assets:		
Accounts receivable	(2,311)	(2,002)
Grants receivable	(21,030)	-
Promises to give	(215,018)	169,566
Inventories	(89,000)	(49,000)
Prepaid expenses	(722)	2,320
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(440)	2,582
Net cash provided by (used in) operating activities	<u>\$ 1,220,267</u>	<u>\$ (65,172)</u>

See accompanying notes to financial statements.

*For the Year Ended December 31, 2020**(with comparable totals for 2019)*

	Program Services	Supporting Activities		2020 Totals	2019 Totals
		Management and General	Fundraising		
Salaries	\$ 658,846	\$ 47,994	\$ 51,359	\$ 758,199	\$ 776,389
Payroll taxes	43,913	3,249	2,407	49,569	53,399
Health benefits	47,599	3,990	4,011	55,600	80,737
Other employee benefits	23,354	1,532	3,681	28,567	27,425
Total salaries and related benefits	773,712	56,765	61,458	891,935	937,950
Advertising and promotion	1,224	90	97	1,411	1,252
Building rent expense	87,426	6,367	1,682	95,475	97,862
Casual labor	9,572	-	-	9,572	31,892
Computer maintenance	327	17	18	362	6,051
Conferences and meetings	1,841	249	123	2,213	10,950
Depreciation expense	76,102	1,071	1,160	78,333	67,650
Insurance	10,190	521	564	11,275	9,373
Interest expense	1,195	226	112	1,533	2,329
IT services	21,671	4,095	2,031	27,797	25,543
Office expense	9,616	462	8,762	18,840	14,390
Other expenses	10,663	2,911	5,053	18,627	22,862
Photocopying and printing	450	383	7,544	8,377	13,498
Postage and delivery	346	1,478	3,229	5,053	6,637
Professional fees	12,000	10,800	-	22,800	22,300
Program expenses:					
Food	154,515	-	-	154,515	130,072
Operations	53,570	-	-	53,570	115,360
Repairs and maintenance	23,093	692	183	23,968	32,077
Special events venue	-	-	2,500	2,500	14,899
Telephone and Internet	10,585	420	1,407	12,412	12,123
Travel	6,554	221	144	6,919	14,933
Utilities	16,078	851	225	17,154	17,027
Volunteer expense	398	-	-	398	6,494
Website expense	-	5,569	1,743	7,312	1,559
Total expenses before In-kind expenses	1,281,128	93,188	98,035	1,472,351	1,615,083
In-kind expenses:					
Facilities	43,345	-	-	43,345	102,558
Food	1,245,531	-	-	1,245,531	1,374,232
Other	2,400	-	-	2,400	5,431
Total expenses	\$ 2,572,404	\$ 93,188	\$ 98,035	\$ 2,763,627	\$ 3,097,304

See accompanying notes to financial statements.

For the Year Ended December 31, 2020

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 five days a week, deliver five meals a week to the homebound, 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, 2020

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, 2019, from which the summarized information was derived. Certain 2019 amounts may have been reclassified to conform to 2020 classifications. Such reclassifications had no effect on the change in net assets as previously reported.

For the Year Ended December 31, 2020

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, 2020, there was approximately \$1,287,500 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 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 \$1.74 per pound, which is the average wholesale value as determined by a national network of food banks.

For the Year Ended December 31, 2020

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 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 \$1,328,900 for the year ended December 31, 2020.

The donated use of facilities is recorded as in-kind contributions at their estimated fair market rental value. In-kind facilities use was approximately \$43,300 for the year ended December 31, 2020.

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 23,000 volunteer hours in support of its program services and special events.

For the Year Ended December 31, 2020

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, 2022, 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	\$ 1,516,500
Account receivable	7,046
Investments	<u>376,811</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,900,357</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, 2020

2. Liquidity and Availability, continued

CROS Ministries investments consist of \$263,797 in a Board Designated endowment and \$376,811 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, 2020

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, 2020.

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, 2020.

For the Year Ended December 31, 2020**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, 2020:

	Investments Measured at NAV	Assets at Fair Value			Total
		Level 1	Level 2	Level 3	
Investments:					
Cash	\$ -	\$ 3,756	\$ -	\$ -	\$ 3,756
Asset growth funds	636,852	-	-	-	636,852
Beneficial interest in trusts	-	-	-	150,400	150,400
Total assets at fair value	<u>\$ 636,852</u>	<u>\$ 3,756</u>	<u>\$ -</u>	<u>\$ 150,400</u>	<u>\$ 791,008</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, 2020.

Balance, beginning of year	\$ 137,504
Change in value	<u>12,896</u>
Balance, end of year	<u>\$ 150,400</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	\$ 85,544	Discounted cash flows	Discount rate; life expectancy of income beneficiary
Income beneficiary	\$ 64,856	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, 2020, 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, 2020, a total of \$312,476 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, 2020, the prepaid expenses were approximately \$15,200.

For the Year Ended December 31, 2020**6. Other Assets**

Other assets consisted of security and utility deposits, and last month's rent. As December 31, 2020, the other assets were approximately \$11,500.

7. Investments

The fair value of CROS Ministries' investments as of December 31, 2020 is summarized as follows:

	<u>Fair Value</u>	<u>Historical Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash management fund	\$ 3,756	\$ 3,756	\$ -
Asset growth funds	<u>636,852</u>	<u>580,510</u>	<u>56,342</u>
Total	<u>\$ 640,608</u>	<u>\$ 584,266</u>	<u>\$ 56,342</u>

Investments are reported in the Statement of Financial Position as investments, \$376,811 and investments in endowments, \$263,797.

8. Endowment Funds

As of December 31, 2020, 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, 2020

8. Endowment Funds, continued

Changes in the board designated endowment net assets for the year ended December 31, 2020, consist of the following:

Endowment net assets, beginning of year	\$ 263,797
Investment returns:	
Investment income	6,721
Investment expenses	(1,522)
Net appreciation	<u>13,517</u>
Net investment return (loss)	18,716
Contributions	-
Appropriation of endowment assets for expenditure	<u>(18,716)</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, 2020

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, 2020, CROS Ministries did not receive any distributions from the Fund.

10. Property and Equipment

Property and equipment as of December 31, 2020 consisted of the following:

Furniture and equipment	\$ 110,486
Equipment under capital lease	55,969
Software	23,520
Vehicles	308,105
Leasehold improvements	<u>98,112</u>
	596,192
Less accumulated depreciation	<u>297,590</u>
Total property and equipment	<u>\$ 298,602</u>

Depreciation expense for the year ended December 31, 2020 was approximately \$78,300.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of December 31, 2020, consist of approximately \$10,300 and \$3,200 for general expenses and accrued salaries, respectfully.

For the Year Ended December 31, 2020**12. Net Assets with Donor Restrictions**

Unexpended net assets with donor restrictions as of December 31, 2020 were as follows:

Use restriction:	
Caring Kitchen program	\$ 154,406
Food Pantry	332,593
Gleaning program	147,658
Various other program costs	<u>374</u>
	635,031
Time restriction:	
Beneficial interest in trusts	100,400
Restricted in perpetuity:	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 785,431</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, 2020 was \$9,022.

Minimum future lease payments under capital leases as of December 31, 2020 are as follow:

Year Ended	
<u>December 31,</u>	
2021	\$ 10,812
2022	<u>1,803</u>
	12,615
Less amount representing interest	<u>682</u>
Present value of future minimum payments	11,933
Less current portion	<u>10,151</u>
Long-term portion	<u>\$ 1,782</u>

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 2022. Additionally, CROS leases warehouse space under a one-year agreement.

For the Year Ended December 31, 2020

14. Operating Leases, continued

The future minimum lease payments are as follows:

Year Ended <u>December 31,</u>	
2021	\$ 71,955
2022	<u>31,471</u>
Total	<u>\$ 103,426</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, 2020, CROS Ministries contributed approximately \$12,300 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, 2020, CROS Ministries incurred an associated benefit expense of approximately \$9,200 on behalf of its clergy.

16. Payroll Protection Program Loan

On March 11, 2020, the World Health Organization characterized Coronavirus (COVID-19) as a pandemic, and on March 13, 2020, the President of the United States of America declared a national emergency relating to the disease. This unprecedented situation has resulted in the temporary contraction of activities and operating hours for many individuals and organizations. The COVID-19 pandemic and resulting global disruptions have also caused economic uncertainty and volatility in financial markets. As a response, the Paycheck Protection Program (the "PPP Loan") became available as part of the CARES Act. While the Organization was not negatively affected operationally or financially by the pandemic declaration, the Organization submitted a PPP Loan application with Wells Fargo to fund payroll, rent utilities, and other allowable costs. That application was approved for \$181,000 and signed on May 2, 2020 and funded on May 8, 2020.

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 June 29, 2021, 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, 2020

	CROS Camp	The Caring Kitchen	Community Food Pantries	Gleaning and Food Recovery	Other	Total Program Services
Salaries	\$ 54,191	\$ 165,077	\$ 360,183	\$ 74,128	\$ 5,267	\$ 658,846
Payroll taxes	3,801	11,197	23,662	4,870	383	43,913
Health benefits	5,167	16,632	22,842	2,602	356	47,599
Other employee benefits	1,746	6,225	11,397	3,774	212	23,354
Total salaries and related benefits	64,905	199,131	418,084	85,374	6,218	773,712
Advertising & Promotion	103	315	661	135	10	1,224
Building rent	3,146	16,833	50,516	16,718	213	87,426
Casual labor	1,313	1,571	6,688	-	-	9,572
Computer maintenance	19	58	222	25	3	327
Conferences and meetings	226	565	703	318	29	1,841
Depreciation expense	1,365	14,091	52,241	8,287	118	76,102
Insurance	596	2,220	5,015	2,302	57	10,190
Interest expense	100	304	620	145	26	1,195
IT services	1,808	5,507	11,246	2,626	484	21,671
Office expense	952	1,769	5,679	1,165	51	9,616
Other expenses	821	2,137	6,407	1,170	128	10,663
Photocopying and printing	-	195	255	-	-	450
Postage and delivery	55	55	236	-	-	346
Professional fees	1,000	2,000	3,000	6,000	-	12,000
Program expenses:						
Food	105	17,494	136,916	-	-	154,515
Operations	673	12,505	32,398	7,994	-	53,570
Repairs and maintenance	342	4,597	17,089	1,041	24	23,093
Telephone, fax, and Internet	690	3,056	5,952	841	46	10,585
Travel	97	973	4,619	839	26	6,554
Utilities	420	6,325	8,428	876	29	16,078
Volunteer expense	-	26	334	38	-	398
Total expenses before In-kind expenses	78,736	291,727	767,309	135,894	7,462	1,281,128
In-kind expenses:						
Facilities	-	16,075	27,270	-	-	43,345
Food	6,654	248,382	975,504	14,991	-	1,245,531
Other	-	-	-	2,400	-	2,400
Total expenses	\$ 85,390	\$ 556,184	\$ 1,770,083	\$ 153,285	\$ 7,462	\$ 2,572,404

See independent auditor's report.