CHRISTIANS REACHING OUT TO SOCIETY, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

For the Year Ended December 31, 2025 (with comparable totals for 2024)

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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. (CROS) (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2025, 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 CROS as of December 31, 2025, 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 CROS 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 CROS'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 Responsibilities 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 CROS'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 CROS'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.

Report on Summarized Comparative Information

We have previously audited Christians Reaching Out to Society Inc.'s December 31, 2024 financial statements, and we expressed an unmodified audit opinion in our report dated June 24 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on 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 23 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 18, 2026

As of December 31, 2025 ***(with comparable totals for 2024)***

	Without Donor Restrictions	With Donor Restrictions	2025 Totals	2024 Totals
ASSETS				
Cash and cash equivalents	$ 316,086	$ 279,939	$ 596,025	$ 539,840
Accounts receivable	2,760	-	2,760	1,000
Employee Retention Credit receivable	-	-	-	495,968
Grants receivable	-	12,829	12,829	-
Contributions receivable	-	56,250	56,250	275,000
Investments	799,212	-	799,212	700,612
Inventories	268,000	-	268,000	293,000
Prepaid expenses	37,516	-	37,516	30,842
Total current assets	1,423,574	349,018	1,772,592	2,336,262
Other assets	4,656	-	4,656	4,656
Investments in endowment	263,797	-	263,797	263,797
Beneficial interests	-	197,297	197,297	176,158
Property and equipment, net	1,533,343	-	1,533,343	1,515,722
Right-of-use assets:				
Operating leases, net	16,272	-	16,272	53,655
Finance lease, net	2,290	-	2,290	9,338
Total assets	$ 3,243,932	$ 546,315	$ 3,790,247	$ 4,359,588
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	$ 33,725	$ -	$ 33,725	$ 76,426
Mortgage payable, current portion	34,773	-	34,773	26,729
Lease obligations, current portion:				
Operating leases	17,014	-	17,014	37,680
Finance lease	5,022	-	5,022	8,021
Total current liabilities	90,534	-	90,534	148,856
Long-term liabilities:				
Mortgage payable	993,433	-	993,433	1,033,568
Lease obligations:				
Operating leases	-	-	-	17,014
Finance lease	-	-	-	5,022
Total liabilities	1,083,967	-	1,083,967	1,204,460
Net assets:				
Without donor restrictions:				
Undesignated	1,896,168	-	1,896,168	2,115,966
Designated by the Board	263,797	-	263,797	263,797
Total without donor restrictions	2,159,965	-	2,159,965	2,379,763
With donor restrictions:				
Purpose restrictions	-	349,018	349,018	599,207
Time restrictions	-	147,297	147,297	126,158
Perpetual in nature	-	50,000	50,000	50,000
Total with donor restrictions	-	546,315	546,315	775,365
Total net assets	2,159,965	546,315	2,706,280	3,155,128
Total liabilities and net assets	$ 3,243,932	$ 546,315	$ 3,790,247	$ 4,359,588

See accompanying notes to financial statements.

For the Year Ended December 31, 2025 ***(with comparable totals for 2024)***

	Without Donor Restrictions	With Donor Restrictions	2025 Totals	2024 Totals
Support and revenues:				
Congregation support	$ 112,337	$ 120,200	$ 232,537	$ 245,842
Foundation support	129,600	460,000	589,600	854,550
Government support	-	87,829	87,829	641,690
Donated goods and services:				
Food	1,902,222	-	1,902,222	2,817,461
Facility usage	143,215	-	143,215	137,025
Supplies and equipment	13,095	-	13,095	-
Other contributions	569,397	132,345	701,742	464,488
United Way allocation	3,165	96,800	99,965	75,766
Miscellaneous	2,072	6,139	8,211	10,214
Special events	56,353	-	56,353	71,363
Interest and dividends, net	29,326	-	29,326	106,487
Realized and unrealized gain on investments	82,063	-	82,063	56,227
Change in value of beneficial interests	-	21,139	21,139	11,309
Total support and revenues	3,042,845	924,452	3,967,297	5,492,422
Net assets released from restrictions	1,153,502	(1,153,502)	-	-
	4,196,347	(229,050)	3,967,297	5,492,422
Expenses:				
Program services	3,871,772	-	3,871,772	4,683,951
Supporting services:				
Management and general	323,095	-	323,095	270,217
Fundraising	221,278	-	221,278	161,412
Total expenses	4,416,145	-	4,416,145	5,115,580
Change in net assets	(219,798)	(229,050)	(448,848)	376,842
Net assets, beginning of year	2,379,763	775,365	3,155,128	2,778,286
Net assets, end of year	$ 2,159,965	$ 546,315	$ 2,706,280	$ 3,155,128

See accompanying notes to financial statements.

For the Year Ended December 31, 2025 ***(with comparable totals for 2024)***

	2025	2024
Cash flows from operating activities:		
Cash received from:		
Contributions and support	$ 2,050,886	$ 1,617,984
Employee Retention Credit	360,916	-
Special events	56,353	71,363
Interest and dividends, net	29,326	106,487
Cash paid to vendors and employees	(2,266,327)	(2,077,727)
Right of use leases, net	(297)	1,040
Miscellaneous income	8,211	10,216
Net cash provided by (used in) operating activities	239,068	(270,637)
Cash flows from investing activities:		
Purchase of property and equipment	(126,234)	(3,295)
Purchase of investments	(16,537)	-
Proceeds from transferred investments, net	-	476,129
Net cash provided by (used in) investing activities	(142,771)	472,834
Cash flows from financing activities:		
Principal payments on note payable	(32,091)	(23,703)
Principal payments on finance lease obligation	(8,021)	(7,333)
Net cash used in financing activities	(40,112)	(31,036)
Net change in cash	56,185	171,161
Cash and cash equivalents, beginning of year	539,840	368,679
Cash and cash equivalents, end of year	$ 596,025	$ 539,840

See accompanying notes to financial statements.

For the Year Ended December 31, 2025 ***(with comparable totals for 2024)***

	2025	2024
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	$ (448,848)	$ 376,842
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	115,661	122,750
Realized and unrealized (gain) on investments	(82,063)	(56,227)
Change in value of beneficial interest in trusts	(21,139)	(11,309)
(Increase) decrease in certain assets:		
Accounts receivable	(1,760)	8,574
Employee Retention Credit receivable	495,968	(495,968)
Grants receivable	(12,829)	18,066
Contributions receivable	218,750	(195,024)
Inventories	25,000	(70,000)
Prepaid expenses	(6,674)	(16,196)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(42,701)	46,815
Operating lease obligations	(297)	1,040
Net cash provided by (used in) operating activities	$ 239,068	$ (270,637)

See accompanying notes to financial statements.

For the Year Ended December 31, 2025 ***(with comparable totals for 2024)***

	Program Services	Supporting Activities: Management and General	Supporting Activities: Fundraising	2025 Totals	2024 Totals
Salaries	$ 759,521	$ 101,332	$ 98,693	$ 959,546	$ 946,129
Payroll taxes	56,382	7,382	7,385	71,149	69,830
Health benefits	74,604	10,547	6,390	91,541	92,845
Other employee benefits	20,447	3,437	2,479	26,363	26,221
Total salaries and related benefits	910,954	122,698	114,947	1,148,599	1,135,025
Advertising and promotion	17,007	2,291	25,882	45,180	403
Building rent expense	23,134	358	147	23,639	25,150
Casual labor	613	-	-	613	3,052
Computer maintenance	384	52	48	484	3,177
Conferences and meetings	5,051	873	775	6,699	8,762
Depreciation and amortization	105,415	5,290	4,956	115,661	122,750
ERC disallowance expense	-	137,611	-	137,611	-
Insurance	19,967	1,520	899	22,386	20,450
Interest expense	62,678	6,946	2,878	72,502	65,617
IT services	45,158	9,257	5,201	59,616	53,011
Lease expense	39,666	-	-	39,666	39,453
Office expense	12,117	924	9,106	22,147	21,275
Other expenses	18,380	7,006	10,602	35,988	27,234
Photocopying and printing	1,780	3,328	18,006	23,114	14,002
Postage and delivery	9	1,088	4,371	5,468	3,545
Professional fees	-	18,407	-	18,407	112,061
Program expenses:					
Food	283,745	-	-	283,745	321,122
Operations	93,856	-	-	93,856	89,214
Real estate fees and taxes	16,682	1,832	754	19,268	61,940
Repairs and maintenance	72,814	992	408	74,214	28,368
Special events venue	-	-	17,131	17,131	22,534
Telephone and Internet	22,877	1,210	1,318	25,405	19,566
Travel	4,256	267	419	4,942	6,604
Utilities	26,207	1,145	471	27,823	25,947
Volunteer expense	5,490	-	-	5,490	6,706
Website expense	-	-	2,959	2,959	3,126
Total expenses before In-kind expenses	1,788,240	323,095	221,278	2,332,613	2,240,094
Donated goods and services:					
Food	1,927,222	-	-	1,927,222	2,738,461
Facilities	143,215	-	-	143,215	137,025
Supplies and equipment	13,095	-	-	13,095	-
Total expenses	$ 3,871,772	$ 323,095	$ 221,278	$ 4,416,145	$ 5,115,580

See accompanying notes to financial statements.

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 provides food for the hungry and the food insecure in collaboration with their partners in the community. CROS Ministries is supported primarily through donor contributions, grants, and governmental financial assistance. Some of the programs offered by CROS Ministries include:

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 seven community food pantries, located in low-income communities in Palm Beach and Martin Counties, which distribute food to families and individuals. Pantries are open one to five days a week, depending on the location. 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.

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.

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

- *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 those resources be maintained in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the restricted amounts are reclassified to net assets without donor restrictions.

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, 2024, from which the summarized information was derived. Certain 2024 amounts may have been reclassified to conform to 2025 classifications. Such reclassifications had no effect on the change in net assets as previously reported.

1. <u>Business and Summary of Significant Accounting Policies</u>, *continued*

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts, and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, other than those held as a part of CROS Ministries' investment portfolio.

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. Investment income that is reported on the statement of activities is net of fees of approximately $4,900, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

Accounts Receivable

Accounts receivable consists of a refund due from a third-party service provider related to fees previously paid in connection with an Employee Retention Credit application. Management evaluated the collectability of the receivable and determined that no allowance for credit losses was necessary as of December 31, 2025.

Grants and Contributions Receivable

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.

Contributions are recognized as support in the period an unconditional promise to give is 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 $1.90 per pound, which is the average wholesale value as determined by a national network of food banks.

Property and Equipment

Acquisitions of property and equipment in excess of $1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Donations of property and equipment are recorded as support without donor restrictions, 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.

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

Property and Equipment, continued

Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, ranging from 5 to 40 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.

Donated Goods and Services

Donated goods and services are reflected as support and expenses in the accompanying financial statements and are recorded at their estimated fair value. These amounts primarily include food, supplies, equipment, services and facilities usage, and are recorded as donated goods and services on the statement of activities and statement of functional expenses. Donated food is valued at the price per pound determined with reference to value used in a national network of food banks. Donated supplies, equipment, and professional services are valued at their estimated fair value at date of donation. Donated use of facilities is recorded at their estimated fair market rental value of similar property in the local market. Additionally, in connection with a reduction in the ending inventory for December 31, 2025, CROS realized an additional $25,000 of donated goods expense in excess of its donated goods support.

The value of donated goods and services are as follows for the year ended December 31, 2025:

	Amount	Valuation Source
Food	$ 1,902,222	National food network
Supplies and equipment	13,095	Market based pricing
Facility Usage	143,215	Local area rents
Total	$ 2,058,532	

1. __Business and Summary of Significant Accounting Policies__, *continued*

Donated Goods and Services, continued

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 35,500 volunteer hours in support of its program services and special events.

Functional Allocation of Expenses

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

Income Taxes

CROS Ministries is a 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.

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	$ 316,086
Accounts receivables	2,760
Investments	799,212
Financial assets available to meet general expenditures over the next 12 months	$ 1,018,058

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.

***2. Liquidity and Availability**, continued*

CROS Ministries' investment balances consist of $799,212 without donor restrictions and $263,797 held in a Board Designated endowment. The endowment funds are designated by the board to support their mission to provide food for the hungry and the food insecure in collaboration with their partners in the community. 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.

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.

3. Fair Value Measurements*, continued*

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

Accounts receivable – The carrying amounts approximate fair value due to the short-term of these receivables.

Contributions and grants receivable – The carrying amounts approximate fair value due to the relatively short-term nature of these promises.

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

Leases obligations and mortgage payable – The carrying amounts reported approximate 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 cash equivalents* – Valued at the reported brokerage amounts.
- *Money Market funds* – Valued at the price quoted by the custodian as of the close of business at year end December 31, 2025.
- *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, 2025.

Beneficial interests:

- *Remainder beneficiary in an irrevocable trust* – CROS Ministries values this asset using the current fair value of underlying investment assets in the account, the estimated life expectancy of the income beneficiary, and a discount rate that approximates current market rates.
- *Assets held at Community Foundation of Palm Beach and Martin Counties* – 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, 2025.

***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, 2025:

	Investments Measured at NAV	Assets at Fair Value Level 1	Level 2	Level 3	Total
Investments:					
Cash	$ -	$ 3,485	$ -	$ -	$ 3,485
Money market	-	233,717	-	-	233,717
Asset growth funds	825,807	-	-	-	825,807
Beneficial interests	-	-	-	197,297	197,297
Total assets at fair value	$ 825,807	$ 237,202	$ -	$ 197,297	$1,260,306

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 interests, for the year ended December 31, 2025.

	Beneficial Interest in Trust	Beneficial Interest in Assets	Total
Balance, beginning of year	$ 98,397	$ 77,761	$ 176,158
Issuances	-	-	-
Settlements	-	-	-
Change in Value	10,323	10,816	21,139
Total	$ 108,720	$ 88,577	$ 197,297

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 (Charitable remainder Trust)	$ 108,720	Discounted cash flows	Discount rate; life expectancy of income beneficiary
Assets held at Community Foundation (Perpetual income trust)	88,577	Discounted cash flows; 3rd Party valuation pricing	Capitalization rate
Total	$ 197,297		

4. Contributions Receivable

Contributions are recorded for unconditional promises to fund CROS Ministries' various programs. Management considers these promises to give to be fully collectible and, therefore, no allowance for uncollectible accounts was considered necessary. As of December 31, 2025, a total of $56,250 is to be received in connection with these promises.

5. Prepaid Expenses

Prepaid expenses consisted of prepaid rent, insurance, postage, maintenance contracts, and other miscellaneous services. As of December 31, 2025, prepaid expenses were $37,516.

6. Other Assets

Other assets consisted of security and utility deposits, and last month's rent. As of December 31, 2025, other assets were $4,656.

7. Investments

The fair value of CROS Ministries' investments as of December 31, 2025 is summarized as follows:

	Fair Value	Historical Cost	Unrealized Gain (Loss)
Cash management fund	$ 3,485	$ 3,485	$ -
Money market	233,717	233,717	-
Asset growth funds	825,807	714,761	111,046
Total	$1,063,009	$ 951,963	$ 111,046

Investments are reported in the statement of financial position as investments, $799,212 and investments in endowment, $263,797.

8. Endowment Funds

As of December 31, 2025, 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 not from a donor restricted contribution, 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.

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

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

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

Changes in the board designated endowment net assets for the year ended December 31, 2025, consist of the following:

Endowment net assets, beginning of year	$ 263,797
Investment returns:	
Investment income	5,943
Investment expenses	(1,565)
Net appreciation	26,104
Net investment return (loss)	30,483
Contributions	-
Appropriation of endowment assets for expenditure	(30,483)
Endowment net assets, end of year	$ 263,797

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 and to adjust such amount as deemed necessary from time to time. 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 Interests

Charitable Remainder Trust

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.

Assets held at Community Foundation of Palm Beach and Martin Counties

CROS Ministries is also the beneficiary of an agency endowment fund (Fund) established with the Community Foundation for Palm Beach and Martin Counties, Inc. (the “Foundation”). 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 Ministries reports the fair value of the Fund within Beneficial Interests in the statement of financial position. Changes in the value of the Fund are reported as change in value of beneficial interests in the statement of activities. During the year ended December 31, 2025, CROS Ministries did not receive any distributions from the Fund.

10. Property and Equipment

Property and equipment as of December 31, 2025 consisted of the following:

Furniture and equipment	$ 267,670
Warehouses and offices	1,366,958
Vehicles	498,794
Building improvements	122,734
	2,256,156
Less accumulated depreciation	722,813
Total property and equipment	$1,533,343

Depreciation expense for the year ended December 31, 2025 was $108,613.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of December 31, 2025, consist of approximately $28,600 and $5,100 for general expenses and accrued salaries, respectfully.

12. Mortgage Payable

CROS borrowed $1,084,000 from the Florida United Methodist Foundation (FUMF) to complete the purchase of warehouses and offices used in operations on December 28, 2023. FUMF utilizes a variable interest rate structure subject to periodic review by FUMF's Board. The initial interest rate at closing was 6.25%. Subsequently, the interest rate varied between 6.00% and 6.25%, and the loan amortization schedule was modified accordingly. The mortgage requires monthly payments of principal and interest based on the current amortization schedule. The loan is secured by a first mortgage on real property located at 3677 23rd Avenue S., #B-101 and #B-106, Lake Worth, Florida 33461, and matures on January 1, 2044.

Approximate maturities of the note payable during the next five years and thereafter are as follow:

2026	$ 34,773
2027	37,066
2028	39,510
2029	42,119
2030	44,908
Thereafter	829,830
	1,028,206
Less current portion of note payable	34,773
Long-term note payable	$ 993,433

13. Employee Retention Credit

The CARES Act provides for an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes up to $5,000 per employee for eligible employers. The tax credit was equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit for 2021 was equal to 70% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee per quarter.

In 2023, CROS engaged the services of an outside specialist to prepare and submit ERC claims related to six payroll quarters during 2020 and 2021. The claims were submitted on May 15, 2023. As of December 31, 2024, the Organization had approximately $496,000 in ERC receivables, including interest, recorded as "Employee Retention Credit receivable" on the statement of financial position.

During 2025, the Internal Revenue Service denied the Organization's ERC claim related to the third quarter of 2021. As a result, the Organization recorded an ERC disallowance expense of approximately $137,611 to write off the related receivable previously recorded. Subsequent to year end, on February 17, 2026, the Organization received a reimbursement for a portion of the professional fees previously paid to the outside specialist related to the denied claim.

14. Net Assets with Donor Restrictions

Unexpended net assets with donor restrictions as of December 31, 2025 were as follows:

Use restriction:	
Caring Kitchen program	$ 21,004
Food Pantry	246,055
Gleaning program	81,959
	349,018
Time restriction:	
Beneficial interests	147,297
Restricted in perpetuity:	50,000
Total net assets with donor restrictions	$ 546,315

15. Leases

Operating Leases

CROS Ministries leases warehouse spaces in Lake Worth Beach, Florida and a kitchen facility in Delray Beach, Florida. These leases require minimum rental payments of $3,157 per month and mature through May 2026.

Operating right-of-use assets as of December 31, 2025, consisted of the following:

Warehouse spaces	$ 74,481
	74,481
Less accumulated amortization	(58,209)
Total operating right-of-use assets	$ 16,272

Operating leases obligations as of December 31, 2025, consisted of the following:

Warehouse spaces	$ 17,014
Less current portion	17,014
Non-current portion	$ -

Operating leases expense for the year ended December 31, 2025, consisted of the following:

	Amortization	Finance Charges	Total
Warehouses spaces	$ 37,383	$ 2,283	$ 39,666

The discount for the warehouse spaces has been calculated using an interest rate of 6%, which approximates the incremental borrowing rate of CROS Ministries for the acquisition of the related assets at the time the leases were signed.

15. Leases, continued

Finance Lease

CROS Ministries leases certain equipment under a finance lease agreement requiring monthly payments of $740, and maturing July 2026. The assets and liabilities under the finance lease were recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The asset is amortized over the shorter of the lease term or the estimated useful life of the asset. Amortization of the equipment under finance lease is included in depreciation and amortization expense in the accompanying financial statements. Amortization of asset under finance lease charged to expense during the year ended December 31, 2025 was $7,048.

Finance right-of-use assets as of December 31, 2025, consisted of the following:

Office equipment	$ 37,000
Less accumulated amortization	(34,710)
Total operating right-of-use assets	$ 2,290

Finance lease obligation as of December 31, 2025, consisted of the following:

Office equipment	$ 5,022
Less current portion	5,022
Non-current portion	$ -

Future lease payment under finance lease as of December 31, 2025, is as follows:

2026	$ 5,174
Total minimum lease payments	5,174
Less amount representing interest	152
Present value of future minimum lease payments	5,022
Less current portion	5,022
Non-current portion	$ -

16. Concentration of Credit Risk and Uncertainties

Cash accounts maintained at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable limits. From time to time, cash balances may exceed federally insured limits. CROS Ministries has not experienced any losses on such accounts and management believes the Organization is not exposed to any significant credit risk related to these deposits. As of December 31, 2025, cash balances exceeded FDIC-insured limits by approximately $379,000.

16. Concentration of Credit Risk and Uncertainties, continued

The Organization also maintains investment accounts with brokerage firms. Securities held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) up to applicable limits, including a maximum of $500,000 for securities and cash, of which up to $250,000 may be applied to cash balances. SIPC protection does not insure against market losses. Management periodically evaluates the financial condition of the custodians and believes the Organization is not exposed to significant credit risk related to these investment accounts.

17. 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 provided that the participant is contributing at least a minimum of 3%. For the year ended December 31, 2025, CROS Ministries contributed approximately $17,000 to this Plan.

In addition to the employee retirement plan, CROS Ministries contributes up to 15% of clergy salaries to the United Methodist Church benefit plan with which the contracted clergy is associated. For the year ended December 31, 2025, CROS Ministries incurred an associated benefit expense of approximately $3,000 on behalf of its clergy.

18. Subsequent Events

Management has evaluated subsequent events through June 18, 2026, which is the date the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.

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SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2025

	The Caring Kitchen	Community Food Pantries	Gleaning and Food Recovery	Total Program Services
Salaries	$ 192,508	$ 432,717	$ 134,296	$ 759,521
Payroll taxes	14,164	32,192	10,026	56,382
Health benefits	19,671	41,728	13,205	74,604
Other employee benefits	5,468	11,490	3,489	20,447
Total salaries and related benefits	231,811	518,127	161,016	910,954
Advertising & Promotion	4,328	9,673	3,006	17,007
Building rent	13,161	9,701	272	23,134
Casual labor	-	613	-	613
Computer maintenance	98	218	68	384
Conferences and meetings	1,043	2,769	1,239	5,051
Depreciation expense	12,834	58,208	34,373	105,415
Insurance	1,906	13,112	4,949	19,967
Interest expense	2,404	54,940	5,334	62,678
IT services	7,542	27,252	10,364	45,158
Lease expense	-	-	39,666	39,666
Office expense	1,588	7,278	3,251	12,117
Other expenses	3,689	10,388	4,303	18,380
Photocopying and printing	1,129	602	49	1,780
Postage and delivery	-	-	9	9
Program expenses:				
Food	35,908	247,837	-	283,745
Operations	24,093	62,532	7,231	93,856
Real estate maintenance and taxes	618	14,668	1,396	16,682
Repairs and maintenance	4,302	50,272	18,240	72,814
Telephone, fax, and Internet	5,976	12,186	4,715	22,877
Travel	217	3,590	449	4,256
Utilities	4,886	17,038	4,283	26,207
Volunteer expense	1,537	2,140	1,813	5,490
Total expenses before In-kind expenses	359,070	1,123,144	306,026	1,788,240
Donated goods and services:				
Food	101,031	1,734,873	91,318	1,927,222
Facilities	83,325	59,890	-	143,215
Supplies and equipment	-	13,095	-	13,095
Total expenses	$ 543,426	$ 2,931,002	$ 397,344	$ 3,871,772

See independent auditor's report.