

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

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2022
(with comparable totals for 2021)**

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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, 2022, 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, 2022, 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 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 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, 2021 financial statements, and we expressed an unmodified audit opinion in our report dated July 08, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 13, 2023

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

*As of December 31, 2022**(with comparable totals for 2021)*

	Without Donor Restrictions	With Donor Restrictions	2022 Totals	2021 Totals
ASSETS				
Cash and cash equivalents	\$ 1,193,625	\$ 71,162	\$ 1,264,787	\$ 2,197,426
Accounts receivable	2,779	-	2,779	22,497
Grants receivable	-	28,797	28,797	33,035
Promises to give	-	149,976	149,976	129,976
Inventories	294,000	-	294,000	252,000
Investments	997,601	-	997,601	457,217
Prepaid expenses	10,798	-	10,798	20,205
Total current assets	2,498,803	249,935	2,748,738	3,112,356
Other assets	11,538	-	11,538	11,538
Investments in endowment	263,797	-	263,797	263,797
Beneficial interest in trusts	-	149,356	149,356	174,879
Property and equipment, net	262,894	-	262,894	372,161
Right-of-use assets:				
Operating leases, net	285,597	-	285,597	-
Finance leases, net	23,433	-	23,433	-
Total assets	<u>\$ 3,346,062</u>	<u>\$ 399,291</u>	<u>\$ 3,745,353</u>	<u>\$ 3,934,731</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 26,688	\$ -	\$ 26,688	\$ 38,666
Lease obligations, current portion:				
Operating leases	94,750	-	94,750	-
Finance leases	6,129	-	6,129	6,129
Total current liabilities	127,567	-	127,567	44,795
Long-term liabilities:				
Lease obligations:				
Operating leases	191,947	-	191,947	-
Finance leases	20,951	-	20,951	27,080
Total liabilities	340,465	-	340,465	71,875
Net assets:				
Without donor restrictions:				
Undesignated	2,741,800	-	2,741,800	3,094,004
Designated by the Board	263,797	-	263,797	263,797
Total without donor restrictions	3,005,597	-	3,005,597	3,357,801
With donor restrictions:				
Purpose restrictions	-	249,935	249,935	330,176
Time restrictions	-	99,356	99,356	124,879
Perpetual in nature	-	50,000	50,000	50,000
Total with donor restrictions	-	399,291	399,291	505,055
Total net assets	3,005,597	399,291	3,404,888	3,862,856
Total liabilities and net assets	<u>\$ 3,346,062</u>	<u>\$ 399,291</u>	<u>\$ 3,745,353</u>	<u>\$ 3,934,731</u>

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF ACTIVITIES

*For the Year Ended December 31, 2022**(with comparable totals for 2021)*

	Without Donor Restrictions	With Donor Restrictions	2022 Totals	2021 Totals
Support and revenues:				
Congregation support	\$ 137,726	\$ 47,256	\$ 184,982	\$ 187,255
Foundation support	295,850	296,000	591,850	766,800
Government support	139,933	382,412	522,345	645,885
Donated goods and services:				
Food	1,583,768	-	1,583,768	1,351,095
Facility usage	67,180	-	67,180	43,629
Supplies and equipment	6,265	-	6,265	240
Other contributions	305,590	52,784	358,374	405,658
United Way allocation	1,000	133,500	134,500	113,300
Bequest	-	328	328	84,435
Camp program fees	15,535	-	15,535	7,900
Miscellaneous	1,716	3,178	4,894	8,244
Special events	48,486	-	48,486	44,462
Investment income, net	19,412	-	19,412	7,754
Realized and unrealized gain on investments	(102,179)	-	(102,179)	80,406
Change in value of beneficial interest in trusts	-	(25,523)	(25,523)	24,479
Total support and revenues	2,520,282	889,935	3,410,217	3,771,542
Net assets released from restrictions	995,699	(995,699)	-	-
	3,515,981	(105,764)	3,410,217	3,771,542
Expenses:				
Program services	3,536,449	-	3,536,449	3,072,228
Supporting services:				
Management and general	220,777	-	220,777	96,391
Fundraising	110,959	-	110,959	111,285
Total expenses	3,868,185	-	3,868,185	3,279,904
Loss on disposal of property and equipment	-	-	-	(271)
Change in net assets	(352,204)	(105,764)	(457,968)	491,367
Net assets, beginning of year	3,357,801	505,055	3,862,856	3,371,489
Net assets, end of year	\$ 3,005,597	\$ 399,291	\$ 3,404,888	\$ 3,862,856

See accompanying notes to financial statements.

*For the Year Ended December 31, 2022**(with comparable totals for 2021)*

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from:		
Contributions and support	\$ 1,796,335	\$ 2,174,872
Camp program fees	15,535	7,900
Special events	48,486	44,462
Investment income, net	19,412	7,754
Cash paid to vendors and employees	(2,152,381)	(1,727,525)
Operating leases, net	1,100	-
Miscellaneous income	4,894	10,744
Net cash provided by (used in) operating activities	<u>(266,619)</u>	<u>518,207</u>
Cash flows from investing activities:		
Purchase of property and equipment	(17,328)	(140,903)
Purchase of investments	(642,563)	-
Proceeds from sale of equipment	-	7,517
Net cash used in investing activities	<u>(659,891)</u>	<u>(133,386)</u>
Cash flows from financing activities:		
Principal payments on lease obligations	(6,129)	(5,420)
Net cash used in financing activities	<u>(6,129)</u>	<u>(5,420)</u>
Net change in cash	(932,639)	379,401
Cash and cash equivalents, beginning of year	<u>2,197,426</u>	<u>1,818,025</u>
Cash and cash equivalents, end of year	<u>\$ 1,264,787</u>	<u>\$ 2,197,426</u>

See accompanying notes to financial statements.

For the Year Ended December 31, 2022***(with comparable totals for 2021)***

	<u>2022</u>	<u>2021</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (457,968)	\$ 491,367
Adjustments to reconcile change in net cash to net cash provided by (used in) operating activities:		
Depreciation	103,162	86,250
Forgiveness of payroll protection program loan	-	(181,004)
Realized and unrealized loss (gain) on investments	102,179	(80,406)
Loss on disposal of property and equipment	-	271
Change in value of beneficial interest in trusts	25,523	(24,479)
(Increase) decrease in certain assets:		
Accounts receivable	19,718	(15,450)
Grants receivable	4,238	(12,005)
Promises to give	(20,000)	182,500
Inventories	(42,000)	51,000
Prepaid expenses	9,407	(4,987)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(11,978)	25,150
Operating lease obligations	1,100	-
Net cash provided by (used in) operating activities	<u>\$ (266,619)</u>	<u>\$ 518,207</u>

Supplemental information of non-cash investing and financing activities:

During 2022, CROS incurred debt of \$286,697 in the form of operating leases for the right-of-use of office and warehouse spaces.

See accompanying notes to financial statements.

*For the Year Ended December 31, 2022**(with comparable totals for 2021)*

	Program Services	Supporting Activities		2022 Totals	2021 Totals
		Management and General	Fundraising		
Salaries	\$ 787,845	\$ 129,886	\$ 38,770	\$ 956,501	\$ 878,950
Payroll taxes	58,281	4,116	2,832	65,229	59,361
Health benefits	70,004	11,671	3,942	85,617	70,448
Other employee benefits	19,382	13,023	1,151	33,556	31,345
Total salaries and related benefits	935,512	158,696	46,695	1,140,903	1,040,104
Advertising and promotion	2,173	368	108	2,649	1,965
Building rent expense	13,569	272	68	13,909	105,408
Casual labor	30,011	-	-	30,011	15,643
Computer maintenance	9,529	-	-	9,529	3,021
Conferences and meetings	7,377	871	2,354	10,602	3,486
Depreciation expense	100,557	2,013	592	103,162	86,250
Insurance	10,956	1,176	346	12,478	11,810
Interest expense	2,219	389	132	2,740	2,295
IT services	34,757	6,084	2,060	42,901	24,148
Lease expense	102,886	9,577	2,401	114,864	-
Office expense	11,509	1,136	7,547	20,192	19,998
Other expenses	13,574	5,569	4,395	23,538	24,745
Photocopying and printing	1,690	523	13,185	15,398	11,079
Postage and delivery	746	1,684	5,221	7,651	6,445
Professional fees	-	29,100	6,000	35,100	25,300
Program expenses:					
Food	459,159	-	-	459,159	195,989
Operations	125,156	-	-	125,156	114,674
Repairs and maintenance	23,494	722	181	24,397	22,254
Special events venue	-	-	15,127	15,127	14,415
Telephone and Internet	17,012	1,078	579	18,669	16,303
Travel	13,364	228	407	13,999	11,748
Utilities	17,167	1,291	324	18,782	19,198
Volunteer expense	3,670	-	-	3,670	4,172
Website expense	-	-	3,237	3,237	2,490
Total expenses before In-kind expenses	1,936,087	220,777	110,959	2,267,823	1,782,940
Donated goods and services:					
Food	1,531,768	-	-	1,531,768	1,453,095
Facilities	67,180	-	-	67,180	43,629
Supplies and equipment	1,414	-	-	1,414	240
Total expenses	\$ 3,536,449	\$ 220,777	\$ 110,959	\$ 3,868,185	\$ 3,279,904

See accompanying notes to financial statements.

For the Year Ended December 31, 2022

1. *Business and Summary of Significant Accounting Policies*

Organization

Christians Reaching Out to Society, Inc. ("CROS Ministries") is a Florida nonprofit entity that was incorporated in 1978 and has an affiliation with the United Methodist Church. CROS Ministries serves the hungry in Palm Beach and Martin Counties through community collaborations. CROS Ministries is supported primarily through donor contributions, grants, and governmental financial assistance. Some of the programs offered by CROS Ministries include:

CROS Camp

CROS Camp is a nine-week summer day camp program for children, from kindergarten through 8th grade, living in Title I zip codes (neighborhoods receiving federal funding for schools where at least 40% of the students are from families with low incomes) in Lake Worth. The camp program promotes school readiness, ensuring proper nutrition, and guaranteeing a safe, nurturing place for campers to call "home" during the day. CROS campers receive lunch, and snacks daily from Palm Beach County's Summer BreakSpot program and breakfast as needed. Camp activities include: laying the foundation of Christian values, on site or off-site field trips, academics, music, sports, arts and crafts.

The Caring Kitchen

The Caring Kitchen is a hot meal program located in Delray Beach, FL. The program serves the homeless, individuals and families with low-incomes, people with disabilities, and senior citizens. Volunteers and staff provide hot lunches five days a week, meals to the homebound five days a week, and bagged lunches on the weekend.

Community Food Pantries

CROS Ministries operates eight community food pantries, located in low-income communities in Palm Beach and Martin Counties, which distribute food to families and individuals. Two of the food pantries are open five days a week. The others are open one to three days a week. One of the pantries is mobile and serves multiple community sites.

Gleaning and Food Recovery

Gleaning revives the biblical initiative that involves volunteers picking produce from farmers' fields that has been left after commercial harvesting methods. The produce gleaned is distributed through community partners to local agencies that work to feed the hungry in the community. Gleaning occurs from November to July.

Basis of Accounting

The accompanying financial statements of CROS Ministries have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

For the Year Ended December 31, 2022

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 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 nets 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.

For the Year Ended December 31, 2022

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

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CROS Ministries' financial statements for the year ended **December 31, 2021**, from which the summarized information was derived. Certain **2021** amounts may have been reclassified to conform to 2022 classifications. Such reclassifications had no effect on the change in net assets as previously reported.

Cash and Cash Equivalents

For purposes of Statement of Cash Flows, CROS Ministries considers cash in banks and money market funds, other than amounts in its endowment account, to be cash and cash equivalents. CROS also considers short-term investments with a maturity of three months or less when purchased to be 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, 2022, there was approximately \$517,000 in excess of the FDIC limit.

Investments

Pursuant to FASB ASC 958-320, *Investments – Debt and Equity Securities*, CROS Ministries' investments are stated at market value, based on quoted bid prices on a national stock exchange. Investments are principally held in asset growth funds and a cash management fund for the benefit of CROS Ministries. Securities transactions are recorded on a trade date basis. Interest income, reported net of fees of approximately \$4,000, 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.

For the Year Ended December 31, 2022

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

Inventories

Inventories consist of food received as in-kind contributions or purchased that is used in the Community Food Pantries and The Caring Kitchen programs. Inventories are stated at the estimated at fair value at the date of the donation. The estimated fair value used during the year was \$1.92 per pound, which is the average wholesale value as determined by a national network of food banks.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Donations of property and equipment are recorded as support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, CROS Ministries reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, ranging from 5 to 10 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Support and Revenues

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received, including unconditional promises, are recognized as support when the donor's commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or 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, 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 by Feeding America. Donated supplies and equipment are valued at their estimated fair value at date of donation. Donated use of facilities is recorded at their estimated fair market rental value. During 2022 CROS received two pieces of equipment, which were recorded at estimated fair market value at the date of the receipt and were capitalized as fixed assets for a total of approximately \$4,850. Additionally, CROS adjusted donated goods expenses by \$52,000 based on their year-end inventory count. As a result, donated goods expense was approximately \$56,850 less than donated revenue.

For the Year Ended December 31, 2022

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

Donated Goods and Services, continued

The value of the donated goods and services are as follows for the year ended December 31, 2022:

Food	\$ 1,583,768
Facility Usage	67,180
Supplies and equipment	<u>6,265</u>
Total	<u>\$ 1,657,213</u>

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 33,700 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.

For the Year Ended December 31, 2022

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

Recently Adopted Accounting Pronouncements

As of January 1, 2022, the Company adopted the provisions of FASB Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). ASU 2016-02 replaced existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. Under the new guidance, leases with terms of more than 12 months are required to be recognized in the Statements of Financial Position as liabilities, with corresponding “right-of-use” assets. The Company also elected to adopt ASU No. 2018-11, *Leases* (Topic 842) - *Targeted Improvements*. ASU 2018-11 amends ASC 842 so that entities may elect not to recast their comparative periods in transition (the “Comparatives Under 840 Option”). The ASU allows entities to change their date of initial application to the beginning of the period of adoption. In doing so, entities would apply Accounting Standards Codification – *Leases* (Topic 842) in the comparative periods and provide disclosures required by ASC 840 for periods that continue to be presented in accordance with ASC 840.

As of January 1, 2022, CROS adopted the provisions of FASB ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of the standard is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the not-for-profit.

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	\$ 1,193,625
Account receivable	2,779
Investments	<u>997,601</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,194,005</u>

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

CROS Ministries investments consist of \$263,797 in a Board Designated endowment and \$997,601 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.

For the Year Ended December 31, 2022

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.

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.

For the Year Ended December 31, 2022

3. Fair Value Measurements, continued

Leases obligations – 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 U.S. Treasury Bills* – 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, 2022.

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, 2022.

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, 2022:

	Investments Measured at NAV	Assets at Fair Value			Total
		Level 1	Level 2	Level 3	
Investments:					
Cash	\$ -	\$ 2,908	\$ -	\$ -	\$ 2,908
U.S. Treasury Bills	-	-	642,563	-	642,563
Asset growth funds	615,927	-	-	-	615,927
Beneficial interest in trusts	-	-	-	149,356	149,356
Total assets at fair value	<u>\$ 615,927</u>	<u>\$ 2,908</u>	<u>\$ 642,563</u>	<u>\$ 149,356</u>	<u>\$1,410,754</u>

For the Year Ended December 31, 2022

3. Fair Value Measurements, continued

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, 2022.

Balance, beginning of year	\$ 174,879
Change in value	<u>(25,523)</u>
Balance, end of year	<u>\$ 149,356</u>

FASB ASC 820-10 requires disclosure of quantitative information about the unobservable inputs used to measure Level 3 assets and liabilities. The following table provides information about the beneficial interest in trusts:

	<u>Fair Value</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>
Remainder beneficiary	\$ 82,491	Discounted cash flows	Discount rate; life expectancy of income beneficiary
Income beneficiary	\$ 66,865	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, 2022, are collectible through December 2023. Management considers these promises to give to be fully collectible and, therefore, no allowance for doubtful accounts was considered necessary. As of December 31, 2022, a total of \$149,976 is to be received in connection with these promises.

5. Prepaid Expenses

Prepaid expenses consisted of prepaid rent, insurance, postage, maintenance contract, and miscellaneous. As December 31, 2022, the prepaid expenses were \$10,798.

6. Other Assets

Other assets consisted of security and utility deposits, and last month's rent. As December 31, 2022, the other assets were \$11,538.

For the Year Ended December 31, 2022

7. Investments

The fair value of CROS Ministries' investments as of December 31, 2022 is summarized as follows:

	<u>Fair Value</u>	<u>Historical Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash management fund	\$ 2,908	\$ 2,908	\$ -
U.S Treasury Bills	642,563	639,985	2,578
Asset growth funds	<u>615,927</u>	<u>691,610</u>	<u>(75,683)</u>
Total	<u>\$1,261,398</u>	<u>\$1,334,503</u>	<u>\$ (73,105)</u>

Investments are reported in the Statement of Financial Position as investments, \$997,601 and investments in endowments, \$263,797.

8. Endowment Funds

As of December 31, 2022, 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, 2022

8. Endowment Funds, continued

Changes in the board designated endowment net assets for the year ended December 31, 2022, consist of the following:

Endowment net assets, beginning of year	\$ 263,797
Investment returns:	
Investment income	5,515
Investment expenses	(1,825)
Net depreciation	<u>(43,587)</u>
Net investment return (loss)	(39,897)
Contributions	-
Appropriation of endowment assets for expenditure	<u>39,897</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, 2022

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 Ministries 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, 2022, CROS Ministries did not receive any distributions from the Fund.

10. *Property and Equipment*

Property and equipment as of December 31, 2022 consisted of the following:

Furniture and equipment	\$ 153,279
Software	14,700
Vehicles	405,926
Leasehold improvements	<u>104,595</u>
	678,500
Less accumulated depreciation	<u>415,606</u>
Total property and equipment	<u>\$ 262,894</u>

Depreciation expense for the year ended December 31, 2022 was \$103,162.

11. *Accounts Payable and Accrued Expenses*

Accounts payable and accrued expenses as of December 31, 2022, consist of approximately \$21,800 and \$4,900 for general expenses and accrued salaries, respectfully.

12. *Net Assets with Donor Restrictions*

Unexpended net assets with donor restrictions as of December 31, 2022 were as follows:

Use restriction:	
Caring Kitchen program	\$ 75,675
Food Pantry	101,096
Gleaning program	<u>73,164</u>
	249,935
Time restriction:	
Beneficial interest in trusts	99,356
Restricted in perpetuity:	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 399,291</u>

For the Year Ended December 31, 2022

13. Leases

Operating Leases

CROS Ministries leases its office and warehouse space in Lake Worth Beach, Florida, under a non-cancelable lease arrangement that extends through June 2024. The lease requires minimum rentals of \$6,825 per month.

CROS Ministries also leases warehouse space in Lake Worth Beach, Florida and a kitchen facility in Delray Beach, Florida. The leases require minimum rentals of \$1,408 and \$1,304 per month, respectively.

Operating right-of-use assets as of December 31, 2022, consisted of the following:

Office and warehouse space	\$ 321,360
Warehouse space	27,423
Kitchen facility space	<u>32,006</u>
	380,789
Less accumulated depreciation	<u>(95,192)</u>
Total operating right-of-use assets	<u>\$ 285,597</u>

Operating lease obligations as of December 31, 2022, consisted of the following:

Office and warehouse space	\$ 286,697
Less current portion	<u>94,750</u>
Non-current portion	<u>\$ 191,947</u>

Operating lease expense for the year ended December 31, 2022, consisted of the following:

	<u>Depreciation</u>	<u>Finance Charges</u>	<u>Total</u>
Office and warehouse space	<u>\$ 95,192</u>	<u>\$ 19,673</u>	<u>\$ 114,865</u>

Undiscounted future lease payments under operating leases as of December 31, 2022, for each of the next four years and in the aggregate are:

2023	\$ 108,776
2024	83,204
2025	81,900
2026	<u>40,950</u>
	314,830
Less discount to present value	<u>28,133</u>
Present value of future lease payments	286,697
Less current portion	<u>94,750</u>
Non-current portion	<u>\$ 191,947</u>

For the Year Ended December 31, 2022

13. Leases, continued

Discount has been calculated using an interest of 6% for the office, warehouse, and kitchen space, which approximate the incremental borrowing rates of CROS Ministries for the acquisition of the related assets at the time the leases were signed.

Finance Leases

CROS Ministries leases certain equipment under a capital lease agreement requiring monthly payments of \$740, and maturing July 2026. The assets and liabilities under the finance leases were recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The assets are amortized over the shorter of the lease terms or the estimated useful lives of the assets. Amortization of the equipment under finance leases are included in depreciation expense in the accompanying financial statements. Depreciation of assets under finance leases charged to expense during the year ended December 31, 2022 was \$7,400. Minimum future lease payments under finance leases as of December 31, 2022 for each of the next three years and in the aggregate are:

2023	\$ 8,868
2024	8,868
2025	8,868
2026	<u>5,177</u>
Total minimum lease payments	31,781
Less amount representing interest	<u>4,701</u>
Present value of future minimum lease payments	27,080
Less current portion	<u>6,129</u>
Non-current portion	<u>\$ 20,951</u>

14. 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, 2022, CROS Ministries contributed approximately \$14,800 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, 2022, CROS Ministries incurred an associated benefit expense of approximately \$11,100 on behalf of its clergy.

15. Subsequent Events

Management has evaluated subsequent events through June 13, 2023, 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, 2022

	CROS Camp	The Caring Kitchen	Community Food Pantries	Gleaning and Food Recovery	Other	Total Program Services
Salaries	\$ 83,606	\$ 166,509	\$ 403,464	\$ 124,904	\$ 9,362	\$ 787,845
Payroll taxes	6,424	12,304	29,679	9,191	683	58,281
Health benefits	6,225	16,619	37,631	8,906	623	70,004
Other employee benefits	2,584	4,686	7,905	3,833	374	19,382
Total salaries and related benefits	98,839	200,118	478,679	146,834	11,042	935,512
Advertising & Promotion	229	465	1,111	341	27	2,173
Building rent	5,736	78	7,667	75	13	13,569
Casual labor	26,419	1,297	1,270	1,025	-	30,011
Computer maintenance	-	-	9,529	-	-	9,529
Conferences and meetings	1,229	2,159	2,912	927	150	7,377
Depreciation expense	2,020	13,427	55,689	29,281	140	100,557
Insurance	732	1,850	5,011	3,282	81	10,956
Interest expense	328	395	1,135	298	63	2,219
IT services	5,128	6,180	17,753	4,643	1,053	34,757
Lease expense	4,797	18,989	58,697	19,932	471	102,886
Office expense	1,225	1,588	7,094	1,524	78	11,509
Other expenses	3,306	1,859	6,742	1,486	181	13,574
Photocopying and printing	862	30	310	488	-	1,690
Postage and delivery	452	118	176	-	-	746
Program expenses:						
Food	3,856	58,416	396,887	-	-	459,159
Operations	33,786	22,859	51,892	16,619	-	125,156
Repairs and maintenance	362	4,735	16,093	2,268	36	23,494
Telephone, fax, and Internet	1,509	5,424	8,618	1,385	76	17,012
Travel	382	859	10,657	1,427	39	13,364
Utilities	647	6,369	8,257	1,831	63	17,167
Volunteer expense	-	888	1,561	1,221	-	3,670
Total expenses before In-kind expenses	191,844	348,103	1,147,740	234,887	13,513	1,936,087
Donated goods and services:						
Food	1,770	115,298	1,414,700	-	-	1,531,768
Facilities	-	3,000	64,180	-	-	67,180
Supplies and equipment	414	-	1,000	-	-	1,414
Total expenses	\$ 194,028	\$ 466,401	\$ 2,627,620	\$ 234,887	\$ 13,513	\$ 3,536,449

See independent auditor's report.