

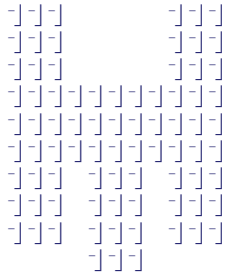
**CHRISTIANS REACHING
OUT TO SOCIETY, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2024
(with comparable totals for 2023)**

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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, 2024, 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, 2024, 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, 2023 financial statements, and we expressed an unmodified audit opinion in our report dated June 12, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, 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 24, 2025

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2024**(with comparable totals for 2023)**

	Without Donor Restrictions	With Donor Restrictions	2024 Totals	2023 Totals
ASSETS				
Cash and cash equivalents	\$ 215,633	\$ 324,207	\$ 539,840	\$ 368,679
Accounts receivable	1,000	-	1,000	9,574
Employee Retention Credit receivable	495,968	-	495,968	-
Grants receivable	-	-	-	18,066
Contributions receivable	-	275,000	275,000	79,976
Inventories	293,000	-	293,000	223,000
Investments	700,612	-	700,612	1,120,514
Prepaid expenses	30,842	-	30,842	14,646
Total current assets	1,737,055	599,207	2,336,262	1,834,455
Other assets	4,656	-	4,656	4,656
Investments in endowment	263,797	-	263,797	263,797
Beneficial interests	-	176,158	176,158	164,849
Property and equipment, net	1,515,722	-	1,515,722	1,628,130
Right-of-use assets:				
Operating leases, net	53,655	-	53,655	16,648
Finance lease, net	9,338	-	9,338	16,386
Total assets	<u>\$ 3,584,223</u>	<u>\$ 775,365</u>	<u>\$ 4,359,588</u>	<u>\$ 3,928,921</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 76,426	\$ -	\$ 76,426	\$ 29,611
Mortgage payable, current portion	26,729	-	26,729	24,283
Lease obligations, current portion:				
Operating leases	37,680	-	37,680	16,648
Finance lease	8,021	-	8,021	7,333
Total current liabilities	148,856	-	148,856	77,875
Long-term liabilities:				
Mortgage payable	1,033,568	-	1,033,568	1,059,717
Lease obligations:				
Operating leases	17,014	-	17,014	-
Finance lease	5,022	-	5,022	13,043
Total liabilities	<u>1,204,460</u>	<u>-</u>	<u>1,204,460</u>	<u>1,150,635</u>
Net assets:				
Without donor restrictions:				
Undesignated	2,115,966	-	2,115,966	2,220,493
Designated by the Board	263,797	-	263,797	263,797
Total without donor restrictions	2,379,763	-	2,379,763	2,484,290
With donor restrictions:				
Purpose restrictions	-	599,207	599,207	129,147
Time restrictions	-	126,158	126,158	114,849
Perpetual in nature	-	50,000	50,000	50,000
Total with donor restrictions	-	775,365	775,365	293,996
Total net assets	<u>2,379,763</u>	<u>775,365</u>	<u>3,155,128</u>	<u>2,778,286</u>
Total liabilities and net assets	<u>\$ 3,584,223</u>	<u>\$ 775,365</u>	<u>\$ 4,359,588</u>	<u>\$ 3,928,921</u>

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF ACTIVITIES

*For the Year Ended December 31, 2024**(with comparable totals for 2023)*

	Without Donor Restrictions	With Donor Restrictions	2024 Totals	2023 Totals
Support and revenues:				
Congregation support	\$ 191,345	\$ 54,497	\$ 245,842	\$ 204,755
Foundation support	138,050	716,500	854,550	585,326
Government support	429,586	212,104	641,690	215,471
Donated goods and services:				
Food	2,817,461	-	2,817,461	2,764,641
Facility usage	137,025	-	137,025	85,600
Professional service	-	-	-	5,000
Supplies and equipment	-	-	-	250
Other contributions	379,366	85,122	464,488	326,661
United Way allocation	-	75,766	75,766	153,840
Miscellaneous	2,434	7,780	10,214	6,885
Special events	71,363	-	71,363	79,162
Interest and dividends, net	106,487	-	106,487	51,175
Realized and unrealized gain on investments	56,227	-	56,227	71,609
Change in value of beneficial interests	-	11,309	11,309	15,493
Total support and revenues	4,329,344	1,163,078	5,492,422	4,565,868
Net assets released from restrictions	681,709	(681,709)	-	-
	5,011,053	481,369	5,492,422	4,565,868
Expenses:				
Program services	4,683,951	-	4,683,951	4,858,597
Supporting services:				
Management and general	270,217	-	270,217	179,215
Fundraising	161,412	-	161,412	154,658
Total expenses	5,115,580	-	5,115,580	5,192,470
Change in net assets	(104,527)	481,369	376,842	(626,602)
Net assets, beginning of year	2,484,290	293,996	2,778,286	3,404,888
Net assets, end of year	\$ 2,379,763	\$ 775,365	\$ 3,155,128	\$ 2,778,286

See accompanying notes to financial statements.

For the Year Ended December 31, 2024***(with comparable totals for 2023)***

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from:		
Contributions and support	\$ 1,617,984	\$ 1,559,989
Special events	71,363	79,162
Interest and dividends, net	106,487	51,175
Cash paid to vendors and employees	(2,077,727)	(2,155,383)
Right of use leases, net	1,040	-
Miscellaneous income	10,216	6,885
	<u>(270,637)</u>	<u>(458,172)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(3,295)	(1,462,828)
Proceeds from transferred of investments, net	476,129	-
	<u>472,834</u>	<u>(1,462,828)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from note payable	-	1,084,000
Principal payments on note payable	(23,703)	-
Principal payments on lease obligations	(7,333)	(59,108)
	<u>(31,036)</u>	<u>1,024,892</u>
Net cash provided by (used in) financing activities		
Net change in cash	171,161	(896,108)
Cash and cash equivalents, beginning of year	368,679	1,264,787
Cash and cash equivalents, end of year	<u>\$ 539,840</u>	<u>\$ 368,679</u>

See accompanying notes to financial statements.

For the Year Ended December 31, 2024***(with comparable totals for 2023)***

	<u>2024</u>	<u>2023</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ 376,842	\$ (626,602)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	122,750	104,639
Realized and unrealized (gain) on investments	(56,227)	(71,609)
Change in value of beneficial interest in trusts	(11,309)	(15,493)
(Increase) decrease in certain assets:		
Accounts receivable	8,574	(6,795)
Employee Retention Credit receivable	(495,968)	-
Grants receivable	18,066	10,731
Contributions receivable	(195,024)	70,000
Inventories	(70,000)	71,000
Prepaid expenses	(16,196)	(3,848)
Other assets	-	6,882
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	46,815	2,923
Operating lease obligations	<u>1,040</u>	<u>-</u>
Net cash used in operating activities	<u>\$ (270,637)</u>	<u>\$ (458,172)</u>

Supplemental information of noncash investing and financing activities:

During 2024, Christians Reaching Out To Society, Inc. incurred debt of \$54,684 in the form of an operating lease for the right-of use of its copier equipment.

See accompanying notes to financial statements.

*For the Year Ended December 31, 2024**(with comparable totals for 2023)*

	Program Services	Supporting Activities		2024 Totals	2023 Totals
		Management and General	Fundraising		
Salaries	\$ 778,242	\$ 94,291	\$ 73,596	\$ 946,129	\$ 983,203
Payroll taxes	58,862	5,539	5,429	69,830	68,841
Health benefits	73,636	10,183	9,026	92,845	91,135
Other employee benefits	18,746	5,410	2,065	26,221	35,047
Total salaries and related benefits	929,486	115,423	90,116	1,135,025	1,178,226
Advertising and promotion	214	27	162	403	3,130
Building rent expense	24,761	273	116	25,150	8,989
Casual labor	3,052	-	-	3,052	513
Computer maintenance	343	7	2,827	3,177	3,152
Conferences and meetings	5,985	1,073	1,704	8,762	9,648
Depreciation and amortization	113,782	5,036	3,932	122,750	104,639
Insurance	18,319	1,390	741	20,450	15,792
Interest expense	57,085	5,964	2,568	65,617	2,916
IT services	40,163	8,188	4,660	53,011	47,299
Lease expense	39,453	-	-	39,453	114,504
Office expense	12,526	762	7,987	21,275	20,822
Other expenses	16,077	8,767	2,390	27,234	45,900
Photocopying and printing	688	2,193	11,121	14,002	13,893
Postage and delivery	31	538	2,976	3,545	5,067
Professional fees	-	112,061	-	112,061	35,250
Program expenses:					
Food	321,122	-	-	321,122	451,902
Operations	89,214	-	-	89,214	88,432
Real estate fees and taxes	54,053	5,535	2,352	61,940	-
Repairs and maintenance	27,372	699	297	28,368	58,932
Special events venue	-	-	22,534	22,534	30,186
Telephone and Internet	17,571	989	1,006	19,566	17,839
Travel	5,978	265	361	6,604	13,250
Utilities	24,484	1,027	436	25,947	23,986
Volunteer expense	6,706	-	-	6,706	7,724
Website expense	-	-	3,126	3,126	2,988
Total expenses before In-kind expenses	1,808,465	270,217	161,412	2,240,094	2,304,979
Donated goods and services:					
Food	2,738,461	-	-	2,738,461	2,796,641
Facilities	137,025	-	-	137,025	85,600
Professional service	-	-	-	-	5,000
Supplies and equipment	-	-	-	-	250
Total expenses	<u>\$ 4,683,951</u>	<u>\$ 270,217</u>	<u>\$ 161,412</u>	<u>\$ 5,115,580</u>	<u>\$ 5,192,470</u>

See accompanying notes to financial statements.

For the Year Ended December 31, 2024

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:

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. 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.

For the Year Ended December 31, 2024

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, 2023, from which the summarized information was derived. Certain 2023 amounts may have been reclassified to conform to 2024 classifications. Such reclassifications had no effect on the change in net assets as previously reported.

For the Year Ended December 31, 2024

1. Business and Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of statement of cash flows, CROS Ministries considers cash in banks, money market funds, and short-term investments with a maturity of three months or less when purchased, other than amounts in its investment and endowment accounts, to be cash and cash equivalents. Cash accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time-to-time balances of these cash accounts exceed federally insured limits. CROS Ministries has not experienced any loss on such accounts and management believes CROS Ministries is not exposed to any significant credit risk arising from such balances. As of December 31, 2024, there was approximately \$299,000 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. Investment income that is reported on the statement of activities is net of fees of approximately \$4,600, 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 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 \$1.97 per pound, which is the average wholesale value as determined by a national network of food banks.

For the Year Ended December 31, 2024

1. Business and Summary of Significant Accounting Policies, continued

Property and Equipment

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

Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, ranging from 5 to 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, CROS Ministries adjusted donated goods expense by \$80,000 based on the increased year-end inventory count. As a result, donated goods expense was \$79,000 less than donated revenue.

The value of the donated goods and services are as follows for the year ended December 31, 2024:

	<u>Amount</u>	<u>Valuation Source</u>
Food	\$ 2,817,461	National food network
Facility Usage	<u>137,025</u>	Local area rents
Total	<u>\$ 2,954,486</u>	

For the Year Ended December 31, 2024

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 36,300 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	\$ 215,633
Accounts and Employee Retention Credit receivables	496,968
Investments	<u>700,612</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,413,213</u>

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

For the Year Ended December 31, 2024

2. Liquidity and Availability, continued

CROS Ministries' investment balances consist of \$700,612 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 serve the hungry in Palm Beach and Martin Counties. Although the board desires to maintain the principal amount as an endowment, it is available to support the operation if needed.

Additionally, part of CROS Ministries' liquidity management plan is to invest cash in excess of the monthly requirements into short-term investments such as certificates deposit and money market funds.

3. Fair Value Measurements

FASB ASC 820-10 establishes a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that CROS Ministries has the ability to access at the measurement date.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liabilities; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect CROS Ministries' own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

The fair value measurement of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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.

For the Year Ended December 31, 2024

3. **Fair Value Measurements**, continued

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

Accounts and Employee Retention Credit receivables – The carrying amounts approximate fair value due to the short-term of these receivables.

Contributions receivable – 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.

Leases obligations and mortgage payable – 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 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, 2024.
- *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, 2024.

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, 2024.

For the Year Ended December 31, 2024**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, 2024:

	Investments Measured at NAV	Assets at Fair Value			Total
		Level 1	Level 2	Level 3	
Investments:					
Cash	\$ -	\$ 3,149	\$ -	\$ -	\$ 3,149
Money market	-	217,516	-	-	217,516
Asset growth funds	743,744	-	-	-	743,744
Beneficial interests	-	-	-	176,158	176,158
Total assets at fair value	<u>\$ 743,744</u>	<u>\$ 220,665</u>	<u>\$ -</u>	<u>\$ 176,158</u>	<u>\$ 1,140,567</u>

Changes in the value of beneficial interest in trusts have been reported in the statement of activities as increases (decreases) in net assets with donor restrictions. The table below sets forth a summary of changes in the fair value of CROS Ministries' Level 3 assets, beneficial interests, for the year ended December 31, 2024.

	Beneficial Interest in Trust	Beneficial Interest in Assets	Total
Balance, beginning of year	\$ 92,097	\$ 72,752	\$ 164,849
Issuances	-	-	-
Settlements	-	-	-
Change in Value	<u>6,300</u>	<u>5,009</u>	<u>11,309</u>
Total	<u>\$ 98,397</u>	<u>\$ 77,761</u>	<u>\$ 176,158</u>

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

	Fair Value	Valuation Techniques	Unobservable Inputs
Remainder beneficiary (Charitable remainder Trust)	\$ 98,397	Discounted cash flows	Discount rate; life expectancy of income beneficiary
Assets held at Community Foundation (Perpetual income trust)	<u>77,761</u>	Discounted cash flows; 3 rd Party valuation pricing	Capitalization rate
Total	<u>\$ 176,158</u>		

For the Year Ended December 31, 2024

4. Contributions receivable

Contributions are recorded for unconditional promises to fund CROS Ministries' various programs. Contributions receivable, as of December 31, 2024, are collectible through December 2025. Management considers these promises to give to be fully collectible and, therefore, no allowance for doubtful accounts was considered necessary. As of December 31, 2024, a total of \$275,000 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, 2024, the prepaid expenses were \$30,842.

6. Other Assets

Other assets consisted of security and utility deposits, and last month's rent. As of December 31, 2024, the other assets were \$4,656.

7. Investments

The fair value of CROS Ministries' investments as of December 31, 2024 is summarized as follows:

	<u>Fair Value</u>	<u>Historical Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash management fund	\$ 3,149	\$ 3,149	\$ -
Money market	217,516	217,516	-
Asset growth funds	<u>743,744</u>	<u>709,424</u>	<u>34,320</u>
Total	<u>\$ 964,409</u>	<u>\$ 930,089</u>	<u>\$ 34,320</u>

Investments are reported in the statement of financial position as investments, \$700,612 and investments in endowment, \$263,797.

8. Endowment Funds

As of December 31, 2024, 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.

For the Year Ended December 31, 2024

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, 2024, consist of the following:

Endowment net assets, beginning of year	\$ 263,797
Investment returns:	
Investment income	5,967
Investment expenses	(1,624)
Net appreciation	<u>19,859</u>
Net investment return (loss)	24,192
Contributions	-
Appropriation of endowment assets for expenditure	<u>(24,192)</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 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.

For the Year Ended December 31, 2024

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, 2024, CROS Ministries did not receive any distributions from the Fund.

10. Property and Equipment

Property and equipment as of December 31, 2024 consisted of the following:

Furniture and equipment	\$ 234,304
Warehouses	1,366,958
Vehicles	405,926
Leasehold improvements	<u>122,734</u>
	2,129,922
Less accumulated depreciation	<u>614,200</u>
Total property and equipment	<u>\$1,515,722</u>

Depreciation expense for the year ended December 31, 2024 was \$115,702.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of December 31, 2024, consist of approximately \$71,500 and \$4,900 for general expenses and accrued salaries, respectfully.

For the Year Ended December 31, 2024

12. Mortgage Payable

CROS borrowed \$1,084,000 from the Florida United Methodist Foundation (FUMF) in order to complete the purchase of warehouses used in operations on December 28, 2023. FUMF uses a variable interest rate structure with quarterly review by the FUMF's Board. The initial interest rate at closing was 6.25%. On January 1, 2024, the rate was changed to 6.50%, which is the rate used to estimate the current portion of the mortgage and payments due thereafter. The mortgage requires monthly payments of principal and interest in the amount of \$7,980. 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:

2025	\$ 26,729
2026	28,545
2027	30,484
2028	32,371
2029	34,754
Thereafter	<u>907,414</u>
	1,060,297
Less current portion of note payable	<u>26,729</u>
Long-term note payable	<u>\$ 1,033,568</u>

13. Employee Retention Credit

The CARES Act provides for an employee retention credit (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 slightly 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% (\$7,000) of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

In 2023 CROS employed the services of an outside specialist who prepared the ERC documentation requesting refundable tax credits pertaining to six payroll quarters for the years 2020 and 2021, which were submitted on May 15, 2023. As of December 31, 2024, the Organization had approximately \$496,000 in receivables (including interest) related to the Employee Retention Credit, which is recorded as "Employee Retention Credit receivable" on the Organization's statement of financial position.

For the Year Ended December 31, 2024

14. Net Assets with Donor Restrictions

Unexpended net assets with donor restrictions as of December 31, 2024 were as follows:

Use restriction:	
Caring Kitchen program	\$ 3,381
Food Pantry	423,927
Gleaning program	<u>171,899</u>
	599,207
Time restriction:	
Beneficial interests	126,158
Restricted in perpetuity:	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 775,365</u>

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, 2024, consisted of the following:

Warehouse spaces	<u>\$ 74,481</u>
	74,481
Less accumulated amortization	<u>(20,826)</u>
Total operating right-of-use assets	<u>\$ 53,655</u>

Operating leases obligations as of December 31, 2024, consisted of the following:

Warehouse spaces	\$ 54,694
Less current portion	<u>37,680</u>
Non-current portion	<u>\$ 17,014</u>

Operating leases expense for the year ended December 31, 2024, consisted of the following:

	<u>Amortization</u>	<u>Finance Charges</u>	<u>Total</u>
Warehouses spaces	\$ 37,141	\$ 2,312	\$ 39,453

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.

For the Year Ended December 31, 2024

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, 2024 was \$7,048.

Minimum future lease payments under finance lease as of December 31, 2024 for each of the next two years and in the aggregate are:

2025	\$ 8,869
2026	<u>5,174</u>
Total minimum lease payments	14,043
Less amount representing interest	<u>1,000</u>
Present value of future minimum lease payments	13,043
Less current portion	<u>8,021</u>
Non-current portion	<u>\$ 5,022</u>

16. 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 1.5%. For the year ended December 31, 2024, CROS Ministries contributed approximately \$15,000 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, 2024, CROS Ministries incurred an associated benefit expense of approximately \$3,000 on behalf of its clergy.

17. Subsequent Events

Management has evaluated subsequent events through June 24, 2025, the date on which the financial statements were available to be issued and determined the following disclosure should be made:

As of the date of this report, CROS collected approximately \$361,000 of the amount due under the Employee Retention Credit program (see Note 13).

SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2024

	The Caring Kitchen	Community Food Pantries	Gleaning and Food Recovery	Total Program Services
Salaries	\$ 185,578	\$ 446,877	\$ 145,787	\$ 778,242
Payroll taxes	13,870	34,098	10,894	58,862
Health benefits	20,739	34,691	18,206	73,636
Other employee benefits	5,039	10,305	3,402	18,746
Total salaries and related benefits	225,226	525,971	178,289	929,486
Advertising & Promotion	52	121	41	214
Building rent	15,752	8,783	226	24,761
Casual labor	-	2,453	599	3,052
Computer maintenance	13	320	10	343
Conferences and meetings	1,161	3,286	1,538	5,985
Depreciation expense	16,655	58,659	38,468	113,782
Insurance	1,691	12,186	4,442	18,319
Interest expense	2,374	49,694	5,017	57,085
IT services	6,771	24,140	9,252	40,163
Lease expense	1,355	-	38,098	39,453
Office expense	1,454	8,451	2,621	12,526
Other expenses	3,787	7,769	4,521	16,077
Photocopying and printing	35	270	383	688
Postage and delivery	31	-	-	31
Program expenses:				
Food	51,145	269,977	-	321,122
Operations	15,608	59,210	14,396	89,214
Real estate maintenance and taxes	2,105	47,357	4,591	54,053
Repairs and maintenance	3,934	18,812	4,626	27,372
Telephone, fax, and Internet	5,613	10,092	1,866	17,571
Travel	862	4,698	418	5,978
Utilities	6,890	14,222	3,372	24,484
Volunteer expense	2,353	2,379	1,974	6,706
Total expenses before In-kind expenses	364,867	1,128,850	314,748	1,808,465
Donated goods and services:				
Food	148,015	1,748,448	841,998	2,738,461
Facilities	60,250	76,775	-	137,025
Total expenses	\$ 573,132	\$ 2,954,073	\$ 1,156,746	\$ 4,683,951

See independent auditor's report.