



CROSS INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Cross International, Inc.
Pompano Beach, Florida

We have audited the accompanying financial statements of Cross International, Inc. ("the Organization"), which consist of the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cross International, Inc. as of June 30, 2019 and 2018, the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.

BATT'S MORRISON WALES & LEE, P.A.

Orlando, Florida
December 18, 2019

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CROSS INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 692,778	\$ 538,063
Investments	230,948	214,333
Inventories	4,245,536	4,029,598
Other assets	169,148	75,797
Investments restricted to endowment	233,000	233,000
Property and equipment, net	37,060	18,362
Total assets	\$ 5,608,470	\$ 5,109,153

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 429,730	\$ 145,993
Due to affiliate	344,331	400,000
Total liabilities	774,061	545,993
NET ASSETS		
Without donor restrictions	4,343,967	4,330,160
With donor restrictions	490,442	233,000
Total net assets	4,834,409	4,563,160
Total liabilities and net assets	\$ 5,608,470	\$ 5,109,153

The Accompanying Notes are an Integral
Part of These Financial Statements

CROSS INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES

	For The Year Ended June 30, 2019			For The Year Ended June 30, 2018
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Noncash contributions without donor restrictions	\$ 79,522,724	\$ —	\$ 79,522,724	\$ 93,700,409
Cash contributions without donor restrictions	1,120,923	—	1,120,923	1,537,535
Cash contributions with donor restrictions	—	5,716,492	5,716,492	6,439,134
Other revenue	227,353	—	227,353	204,857
Net assets released from time and use restrictions	<u>5,459,050</u>	<u>(5,459,050)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>86,330,050</u>	<u>257,442</u>	<u>86,587,492</u>	<u>101,881,935</u>
EXPENSES				
Program	82,957,199	—	82,957,199	97,497,413
Management and general	1,551,610	—	1,551,610	1,726,087
Fundraising	<u>1,807,434</u>	<u>—</u>	<u>1,807,434</u>	<u>2,183,895</u>
Total expenses	<u>86,316,243</u>	<u>—</u>	<u>86,316,243</u>	<u>101,407,395</u>
Change in net assets without donor restrictions	<u>13,807</u>	<u>—</u>	<u>13,807</u>	<u>474,540</u>
Change in net assets with donor restrictions	<u>—</u>	<u>257,442</u>	<u>257,442</u>	<u>—</u>
CHANGE IN NET ASSETS	<u>13,807</u>	<u>257,442</u>	<u>271,249</u>	<u>474,540</u>
NET ASSETS - Beginning of year	<u>4,330,160</u>	<u>233,000</u>	<u>4,563,160</u>	<u>4,088,620</u>
NET ASSETS - End of year	<u>\$ 4,343,967</u>	<u>\$ 490,442</u>	<u>\$ 4,834,409</u>	<u>\$ 4,563,160</u>

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CROSS INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS

	For The Years Ended	
	June 30,	
	2019	2018
OPERATING CASH FLOWS		
Cash received from contributors	\$ 6,856,302	\$ 8,072,621
Cash received from other sources	210,738	178,086
Cash paid for operating activities and costs	(6,885,207)	(8,051,188)
Net operating cash flows	181,833	199,519
INVESTING CASH FLOWS		
Purchases of and improvements to property and equipment	(27,118)	—
Net investing cash flows	(27,118)	—
NET CHANGE IN CASH AND CASH EQUIVALENTS	154,715	199,519
CASH AND CASH EQUIVALENTS - Beginning of year	538,063	338,544
CASH AND CASH EQUIVALENTS - End of year	\$ 692,778	\$ 538,063
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 271,249	\$ 474,540
Adjustments to reconcile change in net assets to net operating cash flows		
Net gain on investments	(16,615)	(26,771)
Depreciation	8,420	6,875
Change in inventories	(215,938)	(18,695)
Change in other assets	(93,351)	162,893
Change in accounts payable and accrued expenses	283,737	(15,678)
Change in due to affiliate	(55,669)	(383,645)
Net operating cash flows	\$ 181,833	\$ 199,519

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CROSS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2019

	Program Activities				Supporting Activities			Total Expenses
	Medical, Food, and Other Assistance	Project Development	Missions Education	Total Program	Management and General	Fundraising	Total Supporting	
Salaries	\$ —	\$ 160,987	\$ 183,263	\$ 344,250	\$ 610,680	\$ 266,738	\$ 877,418	\$ 1,221,668
Employee benefits	—	28,070	31,954	60,024	106,481	46,509	152,990	213,014
Payroll taxes	—	12,053	14,343	26,396	40,942	20,507	61,449	87,845
Total personnel-related expenses	—	201,110	229,560	430,670	758,103	333,754	1,091,857	1,522,527
Goods distributed	79,306,786	—	—	79,306,786	—	—	—	79,306,786
Grants	—	1,656,277	—	1,656,277	—	—	—	1,656,277
Airtime	—	—	785,046	785,046	—	785,046	785,046	1,570,092
Shipping expenses	454,880	—	—	454,880	3,003	502	3,505	458,385
Other expenses	45,949	116,686	—	162,635	146,857	68,265	215,122	377,757
Travel	—	10,975	80,280	91,255	27,886	124,828	152,714	243,969
Printing	—	—	—	—	21	203,359	203,380	203,380
Merchant processing and bank fees	—	—	—	—	155,368	—	155,368	155,368
Data processing	—	—	—	—	146,781	7,760	154,541	154,541
Postage	—	—	—	—	29,025	108,289	137,314	137,314
Occupancy	48,995	—	—	48,995	86,455	—	86,455	135,450
Advertising and solicitation	—	—	—	—	1,077	115,101	116,178	116,178
Professional services	—	—	—	—	70,004	9,315	79,319	79,319
Contractors and consultants	—	7,318	3,488	10,806	17,587	49,095	66,682	77,488
Equipment rental	417	—	—	417	58,122	1,683	59,805	60,222
Property insurance	—	—	—	—	33,788	—	33,788	33,788
Software	30	—	—	30	13,970	—	13,970	14,000
Product acquisition fees	9,300	—	—	9,300	—	—	—	9,300
Office supplies	70	32	—	102	3,563	437	4,000	4,102
Total	\$ 79,866,427	\$ 1,992,398	\$ 1,098,374	\$ 82,957,199	\$ 1,551,610	\$ 1,807,434	\$ 3,359,044	\$ 86,316,243

The Accompanying Notes are an Integral
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CROSS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2018

	Program Activities				Supporting Activities			Total Expenses
	Medical, Food, and Other Assistance	Project Development	Missions Education	Total Program	Management and General	Fundraising	Total Supporting	
Salaries	\$ 120,988	\$ 158,844	\$ 159,089	\$ 438,921	\$ 631,731	\$ 411,816	\$ 1,043,547	\$ 1,482,468
Employee benefits	8,796	15,521	5,410	29,727	324,958	26,010	350,968	380,695
Payroll taxes	9,350	11,215	12,594	33,159	43,606	30,452	74,058	107,217
Total personnel-related expenses	139,134	185,580	177,093	501,807	1,000,295	468,278	1,468,573	1,970,380
Goods distributed	93,681,714	—	—	93,681,714	—	—	—	93,681,714
Grants	—	1,852,055	—	1,852,055	—	—	—	1,852,055
Airtime	—	—	713,057	713,057	—	713,057	713,057	1,426,114
Shipping expenses	603,962	—	—	603,962	159	5,940	6,099	610,061
Advertising and solicitation	—	—	250	250	—	285,786	285,786	286,036
Printing	—	—	4,396	4,396	1,252	243,997	245,249	249,645
Travel	2,882	—	70,494	73,376	15,981	145,544	161,525	234,901
Postage	164	25	3,426	3,615	33,184	149,798	182,982	186,597
Other expense	2,248	492	96	2,836	83,134	95,753	178,887	181,723
Data processing	—	—	—	—	149,208	14,147	163,355	163,355
Equipment rental	—	1,111	—	1,111	142,897	6,212	149,109	150,220
Occupancy	23,034	—	—	23,034	95,973	—	95,973	119,007
Contractors and consultants	14,528	11,357	4,024	29,909	20,369	41,186	61,555	91,464
Merchant processing and bank fees	—	—	—	-	72,817	—	72,817	72,817
Professional services	—	—	—	-	47,677	2,241	49,918	49,918
Office supplies	215	147	—	362	23,352	2,894	26,246	26,608
Property insurance	—	—	—	-	25,695	—	25,695	25,695
Software	329	15	—	344	14,094	346	14,440	14,784
Product acquisition fees	5,585	—	—	5,585	—	8,716	8,716	14,301
Total	\$ 94,473,795	\$ 2,050,782	\$ 972,836	\$ 97,497,413	\$ 1,726,087	\$ 2,183,895	\$ 3,909,982	\$ 101,407,395

The Accompanying Notes are an Integral
Part of These Financial Statements

CROSS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Cross International, Inc. (the “Organization”) was established in 2001 as a Florida not-for-profit corporation with its mission to mobilize the global Church to transform the poor and their communities materially and spiritually for the glory of Jesus Christ. Protestant churches located in Africa, the Caribbean, Latin America, and Southeast Asia are key beneficiaries. These ministries have dreams of helping the poor in their communities, but they lack the resources or funds needed to realize their goals. The Organization was created to empower these ministries by funding water and housing projects, providing food to feeding centers, medicines to clinics, educational materials to schools, and other specific commodities to outreaches of various kinds. The Organization also assists with operating expenses, including providing funding for teachers to schools and local crews for building construction. In this way, The Organization makes effective use of existing infrastructure by better utilizing the buildings and staff already in place overseas.

The Organization is an accredited member of the Evangelical Council for Financial Accountability, a national accrediting organization with standards in the areas of financial accountability, transparency, fundraising, and board governance.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. Contributions received are recorded as without or with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as “net assets released from restrictions.” Contributions of noncash assets are recorded at estimated fair value on the date of the gift.

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash and cash equivalents.

Inventories

Inventories consist of humanitarian relief goods which were not yet distributed to beneficiaries as of June 30, 2019 and 2018. Inventories are recorded at estimated fair value on the date of the gift.

Investments restricted to endowment

Investments restricted to endowment held by the Organization consist of amounts invested in a mutual fund, carried at estimated fair value, distributions from which are required to be used for food and medicinal aid.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is computed using either the straight-line method or accelerated methods over the estimated useful lives of the respective assets.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions consists of an endowment. The Organization satisfies certain use restrictions by distributing donated gifts in-kind. However, the Organization strives to use at least 50% of restricted cash gifts in carrying out the related project.

CROSS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The Organization has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the accompanying financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported revenues and expenses. Significant estimates used in preparing these financial statements include those used in determining the useful lives of property and equipment and the estimated fair value of noncash contributions. Actual results could differ from the estimates.

New accounting pronouncement

Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities is effective for the Organization’s financial statements for the year ended June 30, 2019. The ASU requires various changes to the presentation of financial statements of not-for-profit entities, the most significant of which relate to the classifications of net assets, a requirement to report expenses by natural classification as well as by functional classification, and new required disclosures related to an entity’s liquidity and availability of resources. The adoption of the ASU had no effect on the Organization’s net assets as of July 1, 2017, or the change in net assets presented for the year ended June 30, 2018. As allowed by applicable guidance, the Organization has chosen not to retrospectively apply certain provisions not required to be applied to the 2018 financial statements.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through December 18, 2019, the date as of which the accompanying financial statements were available to be issued.

CROSS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available within one year of the date of the June 30, 2019 statement of financial position for general expenditure are as follows:

Financial assets available:	
Cash and cash equivalents	\$ 692,778
Investments	230,948
Investments restricted to endowment	<u>233,000</u>
 Total financial assets available within one year	 1,156,726
 Less:	
Amounts unavailable for general expenditure within one year, due to donor imposed restrictions	 <u>\$ (233,000)</u>
 Net financial assets available within one year	 <u><u>\$ 923,726</u></u>

The Organization is primarily supported by contributions. As part of the Organization’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has certain donor-restricted net assets that are available for general expenditure within one year of September 30, 2019, because the restrictions on the net assets are expected to be met by conducting the normal activities of the Organization’s programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. The Organization has assets limited to use for donor-restricted purposes. Because a donor’s restriction requires resources to be used in a specific manner or in a future period, the Organization must maintain sufficient resources to meet its responsibilities to its donors. Thus those financial assets may not be available for general expenditures within one year of June 30, 2019, and are excluded from net financial assets available to meet general expenditures within one year. Management believes the Organization has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or immediate liquidity need.

NOTE D – CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

During the years ended June 30, 2019 and 2018, approximately 79% and 93% of total noncash contribution revenue was sourced from the Organization’s largest two donors and donor, respectively.

NOTE E – TRANSACTIONS WITH COOPERATING MINISTRY

The Organization cooperates in ministry with Cross Catholic Outreach, Inc. (“CCO”). Shared costs for the year ended June 30, 2018 were generally allocated 17% to the Organization and 83% to CCO. The Organization and CCO began to operate under a shared services agreement during the year ended June 30, 2019, the terms of which are defined in the agreement.

During the years ended June 30, 2019 and 2018, CCO paid approximately \$566,000 and \$549,000, respectively, for office rent and common area costs pursuant to a lease under which the Organization is liable (see Note K). During 2018, CCO made contributions to a retirement plan sponsored by the Organization in the approximate amount of \$212,000 (see Note I).

CROSS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	June 30,	
	2019	2018
Leasehold improvements	\$ 84,560	\$ 84,560
Furniture and equipment	258,428	231,310
Total property and equipment	342,988	315,870
Less: Accumulated depreciation	(305,928)	(297,508)
Net property and equipment	\$ 37,060	\$ 18,362

Depreciation expense amounted to \$8,420 and \$6,875 during the years ended June 30, 2019 and 2018, respectively.

NOTE G - RESTRICTIONS ON NET ASSETS

Net assets were restricted by donors for the following purposes during the year ended June 30, 2019:

	Balance January 1	Contributions	Releases	Balance June 30
Food, water, and medicinal aid	\$ —	\$ 2,300,201	\$ (2,300,201)	\$ —
Disaster, educational, and other aid	—	2,464,249	(2,206,807)	257,442
Aid to orphans and vulnerable children	—	537,590	(537,590)	—
Housing-related aid	—	414,452	(414,452)	—
Endowment	233,000	—	—	233,000
Total	\$ 233,000	\$ 5,716,492	\$ (5,459,050)	\$ 490,442

Net assets were restricted by donors for the following purposes during the year ended June 30, 2018:

	Balance January 1	Contributions	Releases	Balance June 30
Disaster, educational, and other aid	\$ —	\$ 3,549,230	\$ (3,549,230)	\$ —
Food, water, and medicinal aid	—	1,180,828	(1,180,828)	—
Housing-related aid	—	896,365	(896,365)	—
Aid to orphans and vulnerable children	—	812,711	(812,711)	—
Endowment	233,000	—	—	233,000
Total	\$ 233,000	\$ 6,439,134	\$ (6,439,134)	\$ 233,000

Distributions from the endowment are restricted for food and medicinal aid.

CROSS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H – NONCASH CONTRIBUTIONS

The Organization receives donations of food, water, medicine, and other supplies for use in relieving suffering and poverty throughout the world. Noncash contributions are recognized as revenue at their estimated fair value on the date the gifts are received and are recognized as expenses when the related gifts are distributed to the end user or the date upon which the Organization no longer exercises practical control over the gifts. Pharmaceutical noncash contributions are generally valued using “wholesale acquisition cost” when available or 80% of the “average wholesale price” according to the Red Book, a well-known industry pricing guide. Non-pharmaceutical noncash contributions, such as clothing, building supplies, food, and water, are generally valued at 65% of the retail price for new items and 25% of the retail price for used items. The Organization considers the valuation practices used for noncash contributions to be consistent with industry standards.

NOTE I – RETIREMENT PLAN

The Organization has adopted a 401(k) Profit Sharing Plan (“the Plan”) for the benefit of the Organization’s employees. All employees meeting the Plan’s eligibility requirements may participate in the Plan. The Organization contributed approximately \$22,000 and \$54,000 to the Plan during the years ended June 30, 2019 and 2018, respectively. Effective July 1, 2018 CCO adopted a 401(k) Plan for the benefit of its own employees and ceased to participate in the Organization’s Plan. CCO contributed approximately \$212,000 to the Organization’s Plan during the year ended June 30, 2018.

NOTE J – FUNDRAISING ACTIVITIES

The Organization incurred joint costs in the amounts of \$1,570,092 and \$1,426,114 during the years ended June 30, 2019 and 2018, respectively, for informational activities which included fundraising appeals in connection with the Organization’s exempt purposes. Of those costs, \$785,046 and \$713,057 were allocated to “program” expense, and \$785,046 and \$713,057, respectively, were allocated to “fundraising” expense in the accompanying statements of activities.

NOTE K – OPERATING LEASES

The Organization leases building space and equipment under operating lease agreements. Total rent expense for all operating leases for the years ended June 30, 2019 and 2018 (including common area charges and short-term rentals) amounted to approximately \$81,000 and \$172,000, respectively.

Future minimum rental payments under noncancelable operating leases are approximately \$257,000 for the year ending June 30, 2020.

Year Ending <u>June 30,</u>	
2020	\$ 289,000
2021	<u>33,000</u>
Total	<u>\$ 322,000</u>