



CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.

COMBINING AND COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012





INDEPENDENT AUDITORS' REPORT

The Boards of Directors
Cross Catholic Outreach, Inc.
Cross International, Inc.
Pompano Beach, Florida

We have audited the accompanying combining and combined financial statements of Cross Catholic Outreach, Inc. and Cross International, Inc. ("the Ministries"), which comprise the combining and combined statement of financial position as of December 31, 2012, and the related individual and combined statements of activities, combining and combined cash flows and individual functional expenses for the year then ended, and the related notes to the combining and combined financial statements.

Management's Responsibility for the Combining and Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combining and combined 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 combining and combined 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 combining and combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combining and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining and combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Ministries' preparation and fair presentation of the combining and combined 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 Ministries' 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 combining and combined 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 combining and combined financial statements referred to above present fairly, in all material respects, the combining and combined financial position of Cross Catholic Outreach, Inc. and Cross International, Inc. as of December 31, 2012, the individual and combined changes in their net assets, their combining and combined cash flows and their individual functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
May 7, 2013

BATTS MORRISON WALES & LEE, P.A. • CERTIFIED PUBLIC ACCOUNTANTS

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
COMBINING AND COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2012

	Cross Catholic Outreach, Inc.	Cross International, Inc.	Eliminations	Combined Total
ASSETS				
Cash and cash equivalents	\$ 6,222,897	\$ 1,470,036	\$ —	\$ 7,692,933
Inventories	—	2,206,897	—	2,206,897
Due from affiliate	3,422,598	—	(3,422,598)	—
Other assets	186,044	271,112	—	457,156
Investments restricted to endowment	—	233,000	—	233,000
Property and equipment, net	<u>255,727</u>	<u>119,494</u>	<u>—</u>	<u>375,221</u>
Total assets	<u>\$ 10,087,266</u>	<u>\$ 4,300,539</u>	<u>\$ (3,422,598)</u>	<u>\$ 10,965,207</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 1,007,354	\$ 61,764	\$ —	\$ 1,069,118
Note payable	32,384	—	—	32,384
Due to affiliate	<u>—</u>	<u>3,422,598</u>	<u>(3,422,598)</u>	<u>—</u>
Total liabilities	<u>1,039,738</u>	<u>3,484,362</u>	<u>(3,422,598)</u>	<u>1,101,502</u>
NET ASSETS				
Unrestricted	8,314,187	410,872	—	8,725,059
Temporarily restricted	733,341	172,305	—	905,646
Permanently restricted	<u>—</u>	<u>233,000</u>	<u>—</u>	<u>233,000</u>
Total net assets	<u>9,047,528</u>	<u>816,177</u>	<u>—</u>	<u>9,863,705</u>
Total liabilities and net assets	<u>\$ 10,087,266</u>	<u>\$ 4,300,539</u>	<u>\$ (3,422,598)</u>	<u>\$ 10,965,207</u>

The Accompanying Notes are an Integral
Part of These Combining and Combined Financial Statements

CROSS CATHOLIC OUTREACH, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Noncash contributions	\$ 180,490,179	\$ —	\$ —	\$ 180,490,179
Cash contributions	12,228,592	11,061,154	—	23,289,746
Other revenue	58,602	—	—	58,602
	<u>192,777,373</u>	<u>11,061,154</u>	<u>—</u>	<u>203,838,527</u>
Total public support and revenue				
Net assets released from time and use restrictions	11,100,696	(11,100,696)	—	—
	<u>203,878,069</u>	<u>(39,542)</u>	<u>—</u>	<u>203,838,527</u>
Total public support and revenue and net assets released from restrictions				
EXPENSES				
Program activities	192,206,177	—	—	192,206,177
Management and general activities	5,748,907	—	—	5,748,907
Fund raising activities	4,850,062	—	—	4,850,062
	<u>202,805,146</u>	<u>—</u>	<u>—</u>	<u>202,805,146</u>
Total expenses				
CHANGE IN NET ASSETS	1,072,923	(39,542)	—	1,033,381
NET ASSETS - Beginning of year	7,241,264	772,883	—	8,014,147
NET ASSETS - End of year	\$ 8,314,187	\$ 733,341	\$ —	\$ 9,047,528

The Accompanying Notes are an Integral
Part of These Combining and Combined Financial Statements

CROSS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Noncash contributions	\$ 72,190,603	\$ —	\$ —	\$ 72,190,603
Cash contributions	1,037,057	4,710,908	—	5,747,965
Grant from affiliate	600,000	—	—	600,000
Other revenue	70,504	—	—	70,504
Total public support and revenue	73,898,164	4,710,908	—	78,609,072
Net assets released from time and use restrictions	5,524,262	(5,524,262)	—	—
Total public support and revenue and net assets released from restrictions	79,422,426	(813,354)	—	78,609,072
EXPENSES				
Program activities	74,880,510	—	—	74,880,510
Management and general activities	1,168,633	—	—	1,168,633
Fund raising activities	1,903,496	—	—	1,903,496
Total expenses	77,952,639	—	—	77,952,639
CHANGE IN NET ASSETS	1,469,787	(813,354)	—	656,433
NET ASSETS - Beginning of year	(1,058,915)	985,659	233,000	159,744
NET ASSETS - End of year	\$ 410,872	\$ 172,305	\$ 233,000	\$ 816,177

The Accompanying Notes are an Integral
Part of These Combining and Combined Financial Statements

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
COMBINED STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Total
PUBLIC SUPPORT AND REVENUE					
Noncash contributions	\$ 252,680,782	\$ —	\$ —	\$ —	\$ 252,680,782
Cash contributions	13,265,649	15,772,062	—	—	29,037,711
Grant from affiliate	600,000	—	—	(600,000)	—
Other revenue	129,106	—	—	—	129,106
	<u>266,675,537</u>	<u>15,772,062</u>	<u>—</u>	<u>(600,000)</u>	<u>281,847,599</u>
Total public support and revenue					
Net assets released from time and use restrictions	16,624,958	(16,624,958)	—	—	—
	<u>283,300,495</u>	<u>(852,896)</u>	<u>—</u>	<u>(600,000)</u>	<u>281,847,599</u>
Total public support and revenue and net assets released from restrictions					
EXPENSES					
Program activities	267,086,687	—	—	—	267,086,687
Management and general activities	6,917,540	—	—	(600,000)	6,317,540
Fund raising activities	6,753,558	—	—	—	6,753,558
	<u>280,757,785</u>	<u>—</u>	<u>—</u>	<u>(600,000)</u>	<u>280,157,785</u>
Total expenses					
CHANGE IN NET ASSETS	2,542,710	(852,896)	—	—	1,689,814
NET ASSETS - Beginning of year	6,182,349	1,758,542	233,000	—	8,173,891
NET ASSETS - End of year	\$ 8,725,059	\$ 905,646	\$ 233,000	\$ —	\$ 9,863,705

The Accompanying Notes are an Integral
Part of These Combining and Combined Financial Statements

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
COMBINING AND COMBINED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2012

	Cross Catholic Outreach, Inc.	Cross International, Inc.	Eliminations	Combined Total
OPERATING CASH FLOWS				
Cash from contributors	\$ 23,289,746	\$ 5,747,965	\$ —	\$ 29,037,711
Cash from other sources	58,602	70,504	—	129,106
Cash paid for operating activities and costs	<u>(20,622,547)</u>	<u>(6,410,650)</u>	<u>—</u>	<u>(27,033,197)</u>
Net operating cash flows	<u>2,725,801</u>	<u>(592,181)</u>	<u>—</u>	<u>2,133,620</u>
INVESTING CASH FLOWS				
Purchases of and improvements to property and equipment	<u>(84,491)</u>	<u>(25,759)</u>	<u>—</u>	<u>(110,250)</u>
Net investing cash flows	<u>(84,491)</u>	<u>(25,759)</u>	<u>—</u>	<u>(110,250)</u>
FINANCING CASH FLOWS				
Repayments of principal	<u>(376,620)</u>	<u>—</u>	<u>—</u>	<u>(376,620)</u>
Net financing cash flows	<u>(376,620)</u>	<u>—</u>	<u>—</u>	<u>(376,620)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,264,690	(617,940)	—	1,646,750
CASH AND CASH EQUIVALENTS - Beginning of year	<u>3,958,207</u>	<u>2,087,976</u>	<u>—</u>	<u>6,046,183</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 6,222,897</u>	<u>\$ 1,470,036</u>	<u>\$ —</u>	<u>\$ 7,692,933</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS				
Change in net assets	\$ 1,033,381	\$ 656,433	\$ —	\$ 1,689,814
Adjustments to reconcile change in net assets to net operating cash flows:				
Depreciation	69,257	25,430	—	94,687
Noncash intercompany grant	600,000	(600,000)	—	—
Change in inventories	—	(1,050,427)	—	(1,050,427)
Change in other assets	630,725	388,539	—	1,019,264
Change in accounts payable and accrued expenses	<u>392,438</u>	<u>(12,156)</u>	<u>—</u>	<u>380,282</u>
Net operating cash flows	<u>\$ 2,725,801</u>	<u>\$ (592,181)</u>	<u>\$ —</u>	<u>\$ 2,133,620</u>

The Accompanying Notes are an Integral
Part of These Combining and Combined Financial Statements

CROSS CATHOLIC OUTREACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2012

	Program activities				Supporting activities			Total Expenses
	Medical, Food and Other Assistance	Project Development	Missions Education	Total Program Activities	Management and General	Fund Raising	Total Supporting Activities	
Salaries	\$ 309,602	\$ 568,741	\$ 1,970,043	\$ 2,848,386	\$ 2,249,746	\$ 934,980	\$ 3,184,726	\$ 6,033,112
Employee benefits	84,973	85,461	195,905	366,339	638,974	172,146	811,120	1,177,459
Payroll taxes	25,206	38,460	49,275	112,941	165,831	62,652	228,483	341,424
Total personnel-related expenses	419,781	692,662	2,215,223	3,327,666	3,054,551	1,169,778	4,224,329	7,551,995
Goods distributed	180,490,179	—	—	180,490,179	—	—	—	180,490,179
Grants	—	5,965,691	—	5,965,691	—	—	—	5,965,691
Printing	—	—	260,081	260,081	933	1,706,601	1,707,534	1,967,615
Postage	2,275	23	53,553	55,851	187,839	975,419	1,163,258	1,219,109
Travel	45,730	107,756	572,834	726,320	49,497	161,367	210,864	937,184
Shipping expenses	880,438	—	—	880,438	—	2,282	2,282	882,720
Occupancy	128,011	—	—	128,011	519,945	15,967	535,912	663,923
Other expenses	13,684	152,493	5,502	171,679	273,393	186,111	459,504	631,183
Data processing	—	—	—	—	531,017	82,126	613,143	613,143
Grant to affiliate	—	—	—	—	600,000	—	600,000	600,000
Advertising and solicitation	270	—	28,704	28,974	5,523	404,001	409,524	438,498
Contractors and consultants	37,898	3,396	2,530	43,824	180,944	118,389	299,333	343,157
Merchant processing and bank fees	—	—	—	—	207,051	—	207,051	207,051
Professional services	—	—	—	—	138,214	11,446	149,660	149,660
Product acquisition fees	110,888	—	—	110,888	—	—	—	110,888
Airtime	—	—	16,575	16,575	—	16,575	16,575	33,150
Total	<u>\$ 182,129,154</u>	<u>\$ 6,922,021</u>	<u>\$ 3,155,002</u>	<u>\$ 192,206,177</u>	<u>\$ 5,748,907</u>	<u>\$ 4,850,062</u>	<u>\$ 10,598,969</u>	<u>\$ 202,805,146</u>

The Accompanying Notes are an Integral
Part of These Combining and Combined Financial Statements

CROSS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2012

	Program Activities				Supporting Activities			Total Expenses
	Medical, Food and Other Assistance	Project Development	Missions Education	Total Program Activities	Management and General	Fund Raising	Total Supporting Activities	
Salaries	\$ 66,370	\$ 140,127	\$ 78,596	\$ 285,093	\$ 391,129	\$ 404,750	\$ 795,879	\$ 1,080,972
Employee benefits	17,375	38,441	11,825	67,641	131,665	45,167	176,832	244,473
Payroll taxes	5,867	10,859	6,356	23,082	30,837	33,939	64,776	87,858
Total personnel-related expenses	89,612	189,427	96,777	375,816	553,631	483,856	1,037,487	1,413,303
Goods distributed	71,129,325	—	—	71,129,325	—	—	—	71,129,325
Grants	—	2,000,808	—	2,000,808	—	—	—	2,000,808
Airtime	—	—	676,826	676,826	—	676,826	676,826	1,353,652
Shipping expenses	442,764	—	234	442,998	301	351	652	443,650
Printing	—	—	2,573	2,573	976	259,558	260,534	263,107
Travel	8,555	171	60,299	69,025	10,641	118,560	129,201	198,226
Postage	462	—	5,169	5,631	42,341	148,300	190,641	196,272
Data processing	—	—	49	49	172,287	13,746	186,033	186,082
Other expenses	3,016	846	4,910	8,772	79,024	71,491	150,515	159,287
Contractors and consultants	6,906	38,755	2,125	47,786	60,031	28,604	88,635	136,421
Professional services	—	21,000	2,067	23,067	84,195	5,548	89,743	112,810
Occupancy	26,838	—	—	26,838	83,431	—	83,431	110,269
Advertising and solicitation	55	—	—	55	1,100	96,656	97,756	97,811
Merchant processing and bank fees	—	—	—	—	80,675	—	80,675	80,675
Product acquisition fees	70,941	—	—	70,941	—	—	—	70,941
Total	\$ 71,778,474	\$ 2,251,007	\$ 851,029	\$ 74,880,510	\$ 1,168,633	\$ 1,903,496	\$ 3,072,129	\$ 77,952,639

The Accompanying Notes are an Integral
Part of These Combining and Combined Financial Statements

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
NOTES TO COMBINING AND COMBINED FINANCIAL STATEMENTS
December 31, 2012

NOTE A – NATURE OF ACTIVITIES

Cross International (“CI”) and Cross Catholic Outreach (“CCO”) form The Cross International Alliance (“the Alliance”) and were established in 2001 as Florida not-for-profit corporations for the purpose of helping Christian churches worldwide better serve the poor. Protestant and Catholic 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. CI and CCO were 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. CI and CCO also assist with operating expenses, including providing funding for teachers to schools and local crews for building construction. In this way, Cross International and Cross Catholic Outreach make effective use of existing infrastructure, better utilizing the buildings and staff already in place overseas.

The accompanying combining and combined financial statements include the accounts of CI and CCO, which operate under common management.

CI is an accredited member of ECFA, a national accrediting organization in the areas of financial integrity, transparency, accountability and governance. CCO is a member of both the International Catholic Stewardship Council and the National Catholic Development Conference. The mission of the International Catholic Stewardship Council is to foster an environment in which stewardship is understood, accepted and practiced throughout the Catholic Church. The National Catholic Development Conference is an association of charitable religious fundraisers and works for and with its member organizations in the context of fundraising as a ministry.

Collectively, CI and CCO will be referred to as “the Ministries” in the notes that follow.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the individual and combined statements of activities as “net assets released from time and use restrictions.” Contributions of noncash assets are recorded at estimated fair value on the date of the gift.

Cash and cash equivalents

The Ministries consider investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Inventories

Inventories consist of humanitarian relief goods which were not yet distributed to beneficiaries as of December 31, 2012. Inventories are recorded at estimated fair value on the date of the gift.

Investments restricted to endowment

Investments restricted to endowment held by CI 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.

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
NOTES TO COMBINING AND COMBINED FINANCIAL STATEMENTS
December 31, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Temporarily restricted net assets

Temporarily restricted net assets consist primarily of amounts held by the Ministries for use toward specific projects. The Ministries satisfy certain use restrictions by distributing donated gifts in-kind. However, the Ministries strive to use at least 50% of restricted cash gifts in carrying out the related project.

Income taxes

The Ministries are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Ministries are further classified as public charities and not private foundations for federal tax purposes. The Ministries have not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying combining and combined financial statements. The Ministries have not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America. Federal and state tax authorities may generally examine the Ministries' income tax positions or (if applicable) returns for periods of approximately three to six years.

Use of estimates

Management uses estimates and assumptions in preparing the combining and combined 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 combining and combined financial statements include those related to the estimated fair value of noncash contributions. Actual results could differ from the estimates.

Subsequent events

The Ministries have evaluated for possible financial reporting and disclosure subsequent events through May 7, 2013, the date as of which the combining and combined financial statements were available to be issued.

NOTE C – CONCENTRATIONS

The Ministries maintain their 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 Ministries have not experienced any losses in such accounts, and believe they are not exposed to any significant credit risk related to cash and cash equivalents.

During 2012, approximately 91% of noncash contribution revenue for CCO and CI were sourced from each Ministry's three largest donors.

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
NOTES TO COMBINING AND COMBINED FINANCIAL STATEMENTS
December 31, 2012

NOTE D - DUE FROM AND DUE TO AFFILIATE

As of December 31, 2012, CCO's financial statements included an asset ("due from affiliate") and CI's financial statements included a liability ("due to affiliate") of \$3,422,598 for amounts owed by CI to CCO due to prior year deficits incurred by CI which were funded by CCO. CI plans to repay CCO as positive cash flows permit. During 2012, CCO forgave \$600,000 of the liability owed by CI to CCO. This amount is included in "grant to affiliate" (a component of "management and general activities") in CCO's financial statements and "grant from affiliate" in CI's financial statements.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>CCO</u>	<u>CI</u>
Leasehold improvements	\$ 45,948	\$ 83,605
Furniture and equipment	<u>547,282</u>	<u>231,310</u>
Total property and equipment	593,230	314,915
Less: Accumulated depreciation	<u>(337,503)</u>	<u>(195,421)</u>
Net property and equipment	<u>\$ 255,727</u>	<u>\$ 119,494</u>

Depreciation expense was \$69,257 for CCO and \$25,430 for CI for 2012.

NOTE F - NOTE PAYABLE

As of December 31, 2012, CCO had a \$500,000 non-revolving line of credit with a bank. Monthly payments of approximately \$32,000 including principal and interest at 5.5% per annum commenced October 2011 and continued until the line's maturity in January 2013. The line of credit is unsecured and contains various covenants. As of December 31, 2012, there was an outstanding balance of \$32,384 under the line of credit. Interest expensed and paid during 2012 was approximately \$13,000.

NOTE G - RESTRICTIONS ON NET ASSETS

Temporarily restricted net asset activity during 2012 for CCO was as follows:

	<u>Balance</u>		<u>Contributions</u>		<u>Releases</u>		<u>Balance</u>
	<u>January 1</u>						<u>December 31</u>
Food, water and medicinal aid	\$ 341,861	\$	4,608,327	\$	(4,913,905)	\$	36,283
Disaster, educational and other aid	217,254		2,805,782		(2,583,988)		439,048
Housing-related aid	103,768		2,374,581		(2,235,839)		242,510
Aid to orphans and vulnerable children	<u>110,000</u>		<u>1,272,464</u>		<u>(1,366,964)</u>		<u>15,500</u>
Total	<u>\$ 772,883</u>	\$	<u>11,061,154</u>	\$	<u>(11,100,696)</u>	\$	<u>733,341</u>

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
NOTES TO COMBINING AND COMBINED FINANCIAL STATEMENTS
December 31, 2012

NOTE G – RESTRICTIONS ON NET ASSETS (Continued)

Temporarily restricted net asset activity during 2012 for CI was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Food, water and medicinal aid	\$ 53,188	\$ 803,377	\$ (834,432)	\$ 22,133
Disaster, educational and other aid	874,553	1,565,116	(2,329,446)	110,223
Housing-related aid	5,918	274,647	(274,647)	5,918
Aid to orphans and vulnerable children	<u>52,000</u>	<u>2,067,768</u>	<u>(2,085,737)</u>	<u>34,031</u>
Total	<u>\$ 985,659</u>	<u>\$ 4,710,908</u>	<u>\$ (5,524,262)</u>	<u>\$ 172,305</u>

Permanently restricted net assets consist of an endowment held by CI, distributions from which are restricted for food and medicinal aid.

NOTE H – NONCASH CONTRIBUTIONS

The Ministries receive 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 Ministries no longer exercise practical control over the gifts. Pharmaceutical noncash contributions are generally valued using “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 33% of the retail price for used items. The Ministries consider the valuation practices used for noncash contributions to be consistent with industry standards.

NOTE I – RETIREMENT PLAN

CI has adopted a 401(k) Profit Sharing Plan (“the Plan”) for the benefit of the Ministries’ employees. All employees meeting the Plan’s eligibility requirements may participate in the Plan. The Ministries contributed approximately \$110,000 to the Plan during 2012.

NOTE J – FUNDRAISING ACTIVITIES

During 2012, CI incurred joint costs in the amount of \$1,353,652 for informational activities which included fundraising appeals in connection with CI’s exempt purposes. Of those costs, \$676,826 were allocated to fundraising expense and \$676,826 were allocated to missions education expense.

NOTE K – OPERATING LEASES

The Ministries lease building space and equipment under operating lease agreements. Total rent expense for all operating leases for 2012 (including common area charges and short-term rentals) amounted to approximately \$394,000 for CCO and \$54,000 for CI.

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
NOTES TO COMBINING AND COMBINED FINANCIAL STATEMENTS
December 31, 2012

NOTE K - OPERATING LEASES (Continued)

Future minimum rental payments under noncancellable operating leases are approximately as follows:

<u>Year Ending</u> <u>December 31.</u>	
2013	\$ 540,000
2014	493,000
2015	493,000
2016	455,000
2017	<u>84,000</u>
Total	<u>\$ 2,065,000</u>