



# CROSS INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 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 comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year 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 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 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, 2018, 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.

*Battis Morrison Wales & Lee, P.A.*

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida  
November 20, 2018

**CROSS INTERNATIONAL, INC.**  
STATEMENT OF FINANCIAL POSITION  
June 30, 2018

**ASSETS**

**ASSETS**

Cash and cash equivalents	\$ 538,063
Investments	214,333
Inventories	4,029,598
Other assets	75,797
Investments restricted to endowment	233,000
Property and equipment, net	<u>18,362</u>

**Total assets** \$ 5,109,153

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 145,993
Due to affiliate	<u>400,000</u>

**Total liabilities** 545,993

**NET ASSETS**

Unrestricted	4,330,160
Permanently restricted	<u>233,000</u>

**Total net assets** 4,563,160

**Total liabilities and net assets** \$ 5,109,153

**CROSS INTERNATIONAL, INC.**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Noncash contributions	\$ 93,700,409	\$ —	\$ —	\$ 93,700,409
Cash contributions	1,537,535	6,439,134	—	7,976,669
Other revenue	204,857	—	—	204,857
Net assets released from time and use restrictions	<u>6,439,134</u>	<u>(6,439,134)</u>	<u>—</u>	<u>—</u>
<b>Total public support and revenue and net assets released from restrictions</b>	<b><u>101,881,935</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>101,881,935</u></b>
<b>EXPENSES</b>				
Program	97,497,413	—	—	97,497,413
Management and general	1,726,087	—	—	1,726,087
Fundraising	<u>2,183,895</u>	<u>—</u>	<u>—</u>	<u>2,183,895</u>
<b>Total expenses</b>	<b><u>101,407,395</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>101,407,395</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>474,540</b>	<b>—</b>	<b>—</b>	<b>474,540</b>
<b>NET ASSETS - Beginning of year</b>	<b><u>3,855,620</u></b>	<b><u>—</u></b>	<b><u>233,000</u></b>	<b><u>4,088,620</u></b>
<b>NET ASSETS - End of year</b>	<b><u>\$ 4,330,160</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 233,000</u></b>	<b><u>\$ 4,563,160</u></b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**CROSS INTERNATIONAL, INC.**STATEMENT OF CASH FLOWS  
For The Year Ended June 30, 2018

<b>OPERATING CASH FLOWS</b>	
Cash received from contributors	\$ 8,072,621
Cash received from other sources	178,086
Cash paid for operating activities and costs	<u>(8,051,188)</u>
<b>Net operating cash flows</b>	<u><b>199,519</b></u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>199,519</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u><b>338,544</b></u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u><b>\$ 538,063</b></u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS</b>	
Change in net assets	\$ 474,540
Adjustments to reconcile change in net assets to net operating cash flows	
Net gain on investments	(26,771)
Depreciation	6,875
Change in inventories	(18,695)
Change in other assets	162,893
Change in accounts payable and accrued expenses	(15,678)
Change in due to affiliate	<u>(383,645)</u>
<b>Net operating cash flows</b>	<u><b>\$ 199,519</b></u>

**CROSS INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For The Year Ended June 30, 2018

	Program				Supporting			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
<b>Total personnel-related expenses</b>	<b>139,134</b>	<b>185,580</b>	<b>177,093</b>	<b>501,807</b>	<b>1,000,295</b>	<b>468,278</b>	<b>1,468,573</b>	<b>1,970,380</b>
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
<b>Total</b>	<b>\$ 94,473,795</b>	<b>\$ 2,050,782</b>	<b>\$ 972,836</b>	<b>\$ 97,497,413</b>	<b>\$ 1,726,087</b>	<b>\$ 2,183,895</b>	<b>\$ 3,909,982</b>	<b>\$ 101,407,395</b>

The Accompanying Notes are an Integral  
Part of These Financial Statements

**CROSS INTERNATIONAL, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**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**

**Restricted and unrestricted revenue and support**

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. 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 accompanying statement 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 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, 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.

**Temporarily restricted net assets**

Temporarily restricted net assets consist primarily of amounts held by the Organization for use toward specific projects. 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  
June 30, 2018

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Subsequent events**

The Organization has evaluated for possible financial reporting and disclosure subsequent events through November 20, 2018, the date as of which the accompanying financial statements were available to be issued.

**NOTE C – 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 year ended June 30, 2018, approximately 93% of total noncash contribution revenue was sourced from the Organization's largest donor.

**NOTE D – TRANSACTIONS WITH COOPERATING MINISTRY**

The Organization cooperates in ministry with Cross Catholic Outreach, Inc. ("CCO"), an organization that shares management with the Organization. Shared costs are generally allocated 17% to the Organization and 83% to CCO.

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



**CROSS INTERNATIONAL, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE E – PROPERTY AND EQUIPMENT**

As of June 30, 2018, property and equipment consisted of the following:

Category	
Leasehold improvements	\$ 84,560
Furniture and equipment	<u>231,310</u>
Total property and equipment	315,870
Less: Accumulated depreciation	<u>(297,508)</u>
Net property and equipment	<u>\$ 18,632</u>

Depreciation expense was \$6,875 for the year ended June 30, 2018.

**NOTE F – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net asset activity during the year ended June 30, 2018 was as follows:

	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	<u>—</u>	<u>812,711</u>	<u>(812,711)</u>	<u>—</u>
Total	<u>\$ —</u>	<u>\$ 6,439,134</u>	<u>\$ (6,439,134)</u>	<u>\$ —</u>

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

**NOTE G – 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.

**CROSS INTERNATIONAL, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE H – RETIREMENT PLAN**

The Organization has adopted a 401(k) Profit Sharing Plan (“the Plan”) for the benefit of the Organization’s and CCO’s employees. All employees meeting the Plan’s eligibility requirements may participate in the Plan. During the year ended June 30, 2018, the Organization contributed approximately \$54,000 to the Plan.

**NOTE I – FUNDRAISING ACTIVITIES**

During the year ended June 30, 2018, the Organization incurred joint costs in the amount of \$1,426,114 for informational activities which included fundraising appeals in connection with the Organization’s exempt purposes. Of those costs, \$713,057 was allocated to fundraising expense and \$713,057 was allocated to missions education expense.

**NOTE J – OPERATING LEASES**

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

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

Year Ending <u>June 30,</u>	
2019	\$ 513,000
2020	<u>257,000</u>
Total	<u>\$ 770,000</u>