THE CROSS-OVER MINISTRY, INC.

Financial Statements

June 30, 2012 and 2011

Keiter
Your Opportunity Advisors

Certified Public
Accountants & Consultants
4401 Dominion Boulevard, 2nd Floor
Glen Allen, VA 23060

www.keitercpa.com

THE CROSS-OVER MINISTRY, INC.

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Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
The Cross-Over Ministry, Inc.
Richmond, Virginia:

We have audited the accompanying statements of financial position of The Cross-Over Ministry, Inc. (the "Organization") as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cross-Over Ministry, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Keiter

September 27, 2012
Glen Allen, Virginia

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THE CROSS-OVER MINISTRY, INC.

Statements of Financial Position
June 30, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	$ 324,436	$ 223,317
Grants and pledges receivable	340,480	332,969
Inventory	652,131	714,886
Other current assets	24,548	16,823
Total current assets	1,341,595	1,287,995
Property and equipment, net	422,158	463,550
Total assets	$ 1,763,753	$ 1,751,545

Liabilities and Net Assets	2012	2011
Current liabilities:		
Accounts payable	$ 50,976	$ 70,665
Accrued payroll	79,248	66,536
Total current liabilities	130,224	137,201
Net assets:		
Unrestricted	1,267,247	1,466,903
Temporarily restricted	366,282	147,441
Total net assets	1,633,529	1,614,344
Total liabilities and net assets	$ 1,763,753	$ 1,751,545

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statements of Activities
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions:			
Individuals	$ 533,831	$ 40,338	$ 574,169
Other	818,664	537,426	1,356,090
In-kind contributions:			
General	3,598,939	-	3,598,939
Pharmaceuticals	7,850,204	-	7,850,204
Client service revenue	391,235	-	391,235
Total support and revenue	13,192,873	577,764	13,770,637
Net assets released from restrictions	358,923	(358,923)	-
Expenses:			
Program services:			
Client services	13,176,894	-	13,176,894
Supporting services:			
Management and general	253,063	-	253,063
Fundraising	321,495	-	321,495
Total supporting services	574,558	-	574,558
Total expenses	13,751,452	-	13,751,452
Change in net assets	(199,656)	218,841	19,185
Net assets at beginning of year	1,466,903	147,441	1,614,344
Net assets at end of year	$ 1,267,247	$ 366,282	$ 1,633,529

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statements of Activities
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions:			
Individuals	$ 454,129	$ 1,362	$ 455,491
Other	782,443	671,098	1,453,541
In-kind contributions:			
General	3,177,861	-	3,177,861
Pharmaceuticals	5,098,506	-	5,098,506
Client service revenue	367,611	-	367,611
Other	331	-	331
Total support and revenue	9,880,881	672,460	10,553,341
Net assets released from restrictions	710,223	(710,223)	-
Expenses:			
Program services:			
Client services	9,906,115	-	9,906,115
Supporting services:			
Management and general	210,595	-	210,595
Fundraising	325,237	-	325,237
Total supporting services	535,832	-	535,832
Total expenses	10,441,947	-	10,441,947
Change in net assets	149,157	(37,763)	111,394
Net assets at beginning of year	1,317,746	185,204	1,502,950
Net assets at end of year	$ 1,466,903	$ 147,441	$ 1,614,344

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statements of Functional Expenses
Year Ended June 30, 2012

	Program Services	Supporting Services		
	Client Services	Management and General	Fundraising	Total Expenses
Advertising	$ 1,429	$ 1,168	$ -	$ 2,597
Building expenses	38,698	2,523	2,151	43,372
Computer maintenance	16,245	1,958	1,720	19,923
Drugs and medical supplies	75,478	32	-	75,510
Meeting expense	30	1,437	44	1,511
Membership Dues	5,170	17,554	350	23,074
Mileage and tolls	1,245	271	397	1,913
Miscellaneous	29,605	24,200	4,205	58,010
Office rent	61,544	13,841	426	75,811
Office supplies	30,918	4,115	1,333	36,366
Payroll processing	3,377	2,406	506	6,289
Postage	2,108	3,361	10,302	15,771
Professional fees	13,702	1,498	1,848	17,048
Professional liability	20,871	2,087	3,131	26,089
Program support	5,814	-	5,706	11,520
Public relations	-	-	18,430	18,430
Repairs and maintenance	3,240	52	36	3,328
Salaries and fringe benefits	1,257,674	151,811	183,175	1,592,660
Software expense	4,015	4,421	10,477	18,913
Staff development	722	8,985	676	10,383
Special events	297	150	72,494	72,941
Telephone	27,033	5,418	3,854	36,305
Utilities	10,960	616	57	11,633
Water and Gas	6,589	169	177	6,935
Total expenses before depreciation and contributions	1,616,764	248,073	321,495	2,186,332
Depreciation	53,222	-	-	53,222
Contributed pharmaceuticals distributed	7,912,959	-	-	7,912,959
Contributed services and supplies	3,593,949	4,990	-	3,598,939
Total expenses	$ 13,176,894	$ 253,063	$ 321,495	$ 13,751,452

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statements of Functional Expenses
Year Ended June 30, 2011

	Program Services	Supporting Services		
	Client Services	Management and General	Fundraising	Total Expenses
Advertising	$ 142	$ -	$ 1,525	$ 1,667
Building expenses	35,338	2,093	2,716	40,147
Computer maintenance	9,662	6,221	1,963	17,846
Drugs and medical supplies	78,890	1,930	13	80,833
Interest	279	-	-	279
Meeting expense	-	956	305	1,261
Membership dues	11,425	6,800	400	18,625
Mileage and tolls	1,747	629	600	2,976
Miscellaneous	16,446	5,914	5,462	27,822
Office rent	51,306	8,095	142	59,543
Office supplies	15,371	2,182	1,708	19,261
Payroll processing	3,311	473	723	4,507
Postage	3,323	1,000	6,219	10,542
Professional fees	10,906	2,105	21,296	34,307
Professional liability	31,411	4,148	2,967	38,526
Program support	4,865	-	-	4,865
Public relations	81	540	28,672	29,293
Repairs and maintenance	3,391	155	137	3,683
Salaries and fringe benefits	1,258,499	146,996	176,130	1,581,625
Software expense	3,402	1,836	20,788	26,026
Staff development	1,743	130	510	2,383
Special events	27	90	48,739	48,856
Telephone	26,361	13,745	2,513	42,619
Utilities	11,088	615	615	12,318
Water and gas	5,232	299	299	5,830
Total expenses before depreciation and contributions	1,584,246	206,952	324,442	2,115,640
Depreciation	74,078	-	-	74,078
Contributed pharmaceuticals distributed	5,073,982	-	-	5,073,982
Contributed services and supplies	3,173,809	3,643	795	3,178,247
Total expenses	$ 9,906,115	$ 210,595	$ 325,237	$ 10,441,947

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 19,185	$ 111,394
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,222	74,078
In-kind donations received in excess of donations distributed	62,755	(24,138)
Changes in assets and liabilities:		
Grants and pledges receivables	(7,511)	(193,798)
Other current assets	(7,725)	13,900
Accounts payable	(19,689)	60,057
Accrued payroll	12,712	(5,873)
Net cash provided by operating activities	112,949	35,620
Cash flows used in investing activities:		
Purchases of property and equipment	(11,830)	(15,041)
Net increase in cash and cash equivalents	101,119	20,579
Cash and cash equivalents at beginning of year	223,317	202,738
Cash and cash equivalents at end of year	$ 324,436	$ 223,317
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ -	$ 279

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Notes to Financial Statements

1. The Organization:

The Cross-Over Ministry, Inc. ("Cross-Over" or the "Organization") is a not-for-profit, non-stock corporation which was founded in 1982. Cross-Over has been recognized by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code as notified by a determination letter from the Internal Revenue Service dated July 17, 1989. Cross-Over provides a full range of medical services and patient education to low income, uninsured individuals at three free clinics operating in downtown Richmond, Virginia, western Henrico County, and Chesterfield County.

2. Summary of Significant Accounting Policies:

Basis of Presentation: Cross-Over prepares its financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") that includes the accrual basis of accounting.

Cash and Cash Equivalents: Cross-Over considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

Concentration of Credit Risk: Financial instruments which potentially subject Cross-Over to concentrations of credit risk consist principally of cash and cash equivalents, grants receivable and pledges receivable. The cash balance is insured by the Federal Deposit Insurance Corporation up to $250,000.

Property and Equipment: Property and equipment are stated at cost. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line and accelerated methods over the estimated useful lives of the related assets, which range from three to 39 years. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Net Assets: As required by GAAP, the accompanying financial statements have been prepared to focus on Cross-Over as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances into three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted funds include funds that impose no restrictions on the Organization as to their use or purpose. Such funds are expended for charitable purposes as deemed appropriate by the Board of Directors and for operating purposes.

2. Summary of Significant Accounting Policies, Continued:

Net Assets, Continued: Temporarily restricted funds include funds that are primarily restricted for use in a subsequent year or designated for a particular purpose. All grant funds received are recorded as an increase in temporarily restricted net assets. As the activities are performed, the restrictions to these net assets are released and subsequently reclassified to unrestricted net assets.

Permanently restricted funds include gift arrangements that provide that the principal assets of such funds are to be maintained in perpetuity. Endowment income is transferred to unrestricted funds for charitable or operating purposes to the extent permitted by the Organization's spending policy or as specified in the gift agreement. There were no permanently restricted assets at June 30, 2012 and 2011.

Inventory: Cross-Over's inventory, comprised of pharmaceutical products, is received from in-kind donations. As required by GAAP, the inventory is recorded as an asset when received. As permitted by GAAP, the inventory is valued at an estimated average value of $68 per prescription at June 30, 2012 and June 30, 2011, based on a survey performed by Virginia Commonwealth University adopted by the Virginia Association of Free Clinics.

Contributed Services and Materials: The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would have been purchased if not contributed, amounted to $11,449,143 and $8,276,367 for the year ended June 30, 2012 and 2011, respectively, and have been recognized in the financial statements. During this period, Cross-Over received contributed services and materials including accounting, legal, medical services, pharmaceuticals, equipment, and rent. A small paid medical staff together with many qualified volunteers provides medical services.

Client Service Revenue: Client service revenue includes a variety of patient related revenue including contributions from client patients receiving services at the health centers.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties: The Organization follows Financial Accounting Standards Board ("FASB") guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization's income tax returns for years since 2009 remain open for examination by tax authorities. The Organization is not currently under audit by any tax jurisdiction.

Subsequent Events: Management has reviewed subsequent events through September 27, 2012, the date the financial statements were available to be issued, and has determined that no additional disclosures are necessary.

3. Grants and Pledges Receivable:

The receivable balance at June 30, 2012 and 2011 was $340,480 and $332,969, respectively, and consisted of a variety of grants and contributions expected to be received within one year.

4. Property and Equipment:

Property and equipment consisted of the following at June 30, 2012 and June 30, 2011:

	2012	2011
Land	$ 72,849	$ 72,849
Buildings	142,267	142,267
Building improvements	411,560	410,786
Machinery and equipment	228,705	228,705
Computer equipment	126,790	125,261
Furniture and fixtures	123,848	114,322
	1,106,019	1,094,190
Less accumulated depreciation	683,861	630,640
	$ 422,158	$ 463,550

Depreciation expense was $53,222 for 2012 and $74,078 for 2011.

5. Line of Credit:

The Organization has a $275,000 line of credit with Union First Market Bank which is due upon demand. The line of credit is secured by a deed of trust on the property at Cowardin Avenue and requires monthly interest payments at a variable interest rate equal to Prime. There was no outstanding balance on the line of credit at June 30, 2012 and 2011.

6. Retirement Plan:

The Organization has a defined contribution retirement plan covering all eligible employees. The Organization does not make any contributions to this plan. Contributions are made only by the employees.

7. Commitments and Contingencies:

The Organization leases certain office space. The lease term is accounted for as operating leases and was renewed during the previous year.

Minimum future payments under the operating lease at June 30, 2012 are as follows:

Year Ended June 30:	Amount
2013	$ 73,837
2014	63,697
Total minimum lease payments	$ 137,534

8. Guarantees:

Under its by-laws, the Organization has certain obligations to indemnify its current and former officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Organization's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Organization's insurance policies serve to further limit its exposure. The Organization believes that the estimated fair value of these indemnification obligations is minimal.