

The Cross-Over Ministry, Inc.

Report on Financial Statements

For the years ended June 30, 2018 and 2017

The Cross-Over Ministry, Inc.

Contents

Independent Auditor's Report 1-2

Financial Statements

Statements of Financial Position.....3

Statements of Activities 4-5

Statements of Functional Expenses 6-7

Statements of Cash Flows8

Notes to Financial Statements 9-14



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Cross-Over Ministry, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows 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; 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. 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 entity'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 entity'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 the Organization as of June 30, 2018 and 2017, and 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.

A handwritten signature in black ink that reads "Kimbee". The signature is written in a cursive style with a prominent dot above the 'i'.

Richmond, Virginia
August 17, 2018

The Cross-Over Ministry, Inc.

Statements of Financial Position

As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 828,523	\$ 403,177
Grants and other receivables, net	401,247	569,942
Inventory	1,123,404	644,497
Other current assets	32,276	29,908
Total current assets	<u>2,385,450</u>	<u>1,647,524</u>
<i>Property, and equipment, net</i>	404,845	454,497
Total assets	<u><u>\$ 2,790,295</u></u>	<u><u>\$ 2,102,021</u></u>
Liabilities and Net Assets		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 22,179	\$ 22,145
Accrued payroll	76,486	61,672
Total current liabilities	<u>98,665</u>	<u>83,817</u>
<i>Net assets</i>		
Unrestricted	2,374,993	1,525,904
Temporarily restricted	316,637	492,300
Total net assets	<u>2,691,630</u>	<u>2,018,204</u>
Total liabilities and net assets	<u><u>\$ 2,790,295</u></u>	<u><u>\$ 2,102,021</u></u>

See Notes to Financial Statements

The Cross-Over Ministry, Inc.**Statement of Activities****For the year ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions:			
Individuals	\$ 730,745	\$ -	\$ 730,745
Grants and corporate gifts	544,567	1,254,711	1,799,278
In-kind contributions:			
General	785,727	-	785,727
Pharmaceuticals	5,199,213	-	5,199,213
Client service revenue	702,861	-	702,861
	<u>7,963,113</u>	<u>1,254,711</u>	<u>9,217,824</u>
Net assets released from restrictions	<u>1,430,374</u>	<u>(1,430,374)</u>	<u>-</u>
Total support and revenue	<u>9,393,487</u>	<u>(175,663)</u>	<u>9,217,824</u>
Expenses			
Program services:			
Client services	7,993,099	-	7,993,099
Supporting services:			
Management and general	241,019	-	241,019
Fundraising	310,280	-	310,280
Total supporting services	<u>551,299</u>	<u>-</u>	<u>551,299</u>
Total expenses	<u>8,544,398</u>	<u>-</u>	<u>8,544,398</u>
Change in net assets	849,089	(175,663)	673,426
Net assets at beginning of year	<u>1,525,904</u>	<u>492,300</u>	<u>2,018,204</u>
Net assets at end of year	<u>\$ 2,374,993</u>	<u>\$ 316,637</u>	<u>\$ 2,691,630</u>

See Notes to Financial Statements

The Cross-Over Ministry, Inc.

Statement of Activities

For the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions:			
Individuals	\$ 623,476	\$ -	\$ 623,476
Grants and corporate gifts	295,433	1,471,307	1,766,740
In-kind contributions:			
General	770,497	-	770,497
Pharmaceuticals	3,082,446	-	3,082,446
Client service revenue	732,419	-	732,419
	<u>5,504,271</u>	<u>1,471,307</u>	<u>6,975,578</u>
Net assets released from restrictions	<u>1,126,185</u>	<u>(1,126,185)</u>	<u>-</u>
Total support and revenue	<u>6,630,456</u>	<u>345,122</u>	<u>6,975,578</u>
Expenses			
Program services:			
Client services	<u>6,075,028</u>	<u>-</u>	<u>6,075,028</u>
Supporting services:			
Management and general	218,126	-	218,126
Fundraising	303,828	-	303,828
Total supporting services	<u>521,954</u>	<u>-</u>	<u>521,954</u>
Total expenses	<u>6,596,982</u>	<u>-</u>	<u>6,596,982</u>
Change in net assets	33,474	345,122	378,596
Net assets at beginning of year	<u>1,492,430</u>	<u>147,178</u>	<u>1,639,608</u>
Net assets at end of year	<u>\$ 1,525,904</u>	<u>\$ 492,300</u>	<u>\$ 2,018,204</u>

See Notes to Financial Statements

The Cross-Over Ministry, Inc.**Statement of Functional Expenses****For the year ended June 30, 2018**

	Services		Supporting Services		Total Expenses
	Client Services	Management and General	Fundraising		
Advertising	\$ -	\$ -	\$ 1,091	\$ 1,091	
Building expenses	53,713	554	1,108	55,375	
Computer maintenance	19,329	407	610	20,346	
Medical supplies	189,841	-	-	189,841	
Meeting expense	21	13	8	42	
Membership dues	13,087	21,352	-	34,439	
Mileage and tolls	3,817	231	551	4,599	
Miscellaneous	8,590	4,295	4,295	17,180	
Office rent	118,837	2,556	6,388	127,781	
Office supplies	28,409	1,711	4,107	34,227	
Payroll processing	-	8,949	-	8,949	
Postage	2,304	384	4,992	7,680	
Printing	172	104	416	692	
Professional fees	-	47,191	-	47,191	
Professional liability	15,873	-	-	15,873	
Program support	9,156	-	-	9,156	
Public relations	-	-	838	838	
Repairs and maintenance	5,679	-	-	5,679	
Salaries and fringe benefits	1,853,015	111,627	267,906	2,232,548	
Software expense	66,827	4,177	12,529	83,533	
Staff development	11,200	675	1,621	13,496	
Telephone	26,419	1,592	3,820	31,831	
Utilities	7,736	-	-	7,736	
Water and gas	5,160	-	-	5,160	
Total expenses before depreciation and contributed pharmaceuticals, services and supplies	2,439,185	205,818	310,280	2,955,283	
Depreciation	83,082	-	-	83,082	
Contributed pharmaceuticals distributed	4,720,306	-	-	4,720,306	
Contributed services and supplies	750,526	35,201	-	785,727	
Total expenses	<u>\$ 7,993,099</u>	<u>\$ 241,019</u>	<u>\$ 310,280</u>	<u>\$ 8,544,398</u>	

See Notes to Financial Statements

The Cross-Over Ministry, Inc.**Statement of Functional Expenses****For the year ended June 30, 2017**

	Services		Supporting Services		Total Expenses
	Client Services	Management and General	Fundraising		
Building expenses	\$ 48,482	\$ 500	\$ 1,000	\$ 49,982	
Computer maintenance	28,687	604	906	30,197	
Medical supplies	155,682	-	-	155,682	
Meeting expense	1,247	748	498	2,493	
Membership dues	11,778	19,217	-	30,995	
Mileage and tolls	2,876	174	415	3,465	
Miscellaneous	16,794	8,397	8,397	33,588	
Office rent	119,399	2,568	6,418	128,385	
Office supplies	27,933	1,683	4,039	33,655	
Payroll processing	-	7,618	-	7,618	
Postage	2,534	423	5,493	8,450	
Printing	2,668	1,601	6,406	10,675	
Professional fees	-	30,788	-	30,788	
Professional liability	16,421	-	-	16,421	
Program support	9,331	-	-	9,331	
Public relations	-	-	5,521	5,521	
Repairs and maintenance	11,898	-	-	11,898	
Salaries and fringe benefits	1,707,837	102,882	246,916	2,057,635	
Software expense	65,268	4,079	12,236	81,583	
Staff development	14,522	875	2,101	17,498	
Telephone	24,087	1,451	3,482	29,020	
Utilities	8,401	-	-	8,401	
Water and gas	4,535	-	-	4,535	
Total expenses before depreciation and contributed pharmaceuticals, services and supplies	2,280,380	183,608	303,828	2,767,816	
Depreciation	83,372	-	-	83,372	
Contributed pharmaceuticals distributed	2,975,297	-	-	2,975,297	
Contributed services and supplies	735,979	34,518	-	770,497	
Total expenses	<u>\$ 6,075,028</u>	<u>\$ 218,126</u>	<u>\$ 303,828</u>	<u>\$ 6,596,982</u>	

See Notes to Financial Statements

The Cross-Over Ministry, Inc.

Statements of Cash Flows

For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<i>Cash flows from operating activities</i>		
Change in net assets	\$ 673,426	\$ 378,596
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	83,082	83,372
Excess In-kind donations received over donations distributed	(478,907)	(107,149)
Changes in assets and liabilities:		
Grants and other receivables	168,695	(302,520)
Other current assets	(2,368)	(7,050)
Accounts payable and accrued expenses	34	(19,326)
Accrued payroll	14,814	(3,548)
<i>Net cash provided by operating activities</i>	<u>458,776</u>	<u>22,375</u>
<i>Cash flows from investing activities</i>		
Purchases of property and equipment	<u>(33,430)</u>	<u>(59,180)</u>
<i>Change in cash and cash equivalents</i>	425,346	(36,805)
<i>Cash and cash equivalents at beginning of year</i>	403,177	439,982
<i>Cash and cash equivalents at end of year</i>	<u><u>\$ 828,523</u></u>	<u><u>\$ 403,177</u></u>

See Notes to Financial Statements

The Cross-Over Ministry, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 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 the mid 1980's. Cross-Over has been recognized 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 two free clinics operating in downtown Richmond, Virginia and western Henrico County, Virginia.

Note 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 of America ("GAAP") that includes the accrual basis of accounting.

Concentration and credit risk:

Financial instruments which potentially subject Cross-Over to concentrations of credit risk consist principally of cash and cash equivalents, grants receivable and other receivables. The Organization maintains cash on deposit with two financial institutions located in the United States of America. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage for up to \$250,000 of cash held in each separate FDIC insured bank and savings institution. From time to time, the Organization may have amounts on deposit in excess of the insured limits.

At June 30, 2018 and 2017, approximately 90% and 50%, respectively of the Organization's receivables were derived from three donors.

Cash and cash equivalents:

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

Grants and other receivables:

Grants and other receivables in the accompanying statements of financial position consist of a variety of grants and contributions expected to be received within one year. The Organization uses the allowance method to account for uncollectible receivables. The allowance is based on the current status of individual accounts and management's estimate of the collectability of the outstanding balances and historical experience. At June 30, 2018 and 2017, management determined an allowance for uncollectible grants and pledges was not necessary.

The Cross-Over Ministry, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 2. Summary of Significant Accounting Policies, Continued

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 based on the estimated retail value of such contributions, which approximates fair value.

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. The Organization capitalizes all expenditures in excess of \$500 with a minimum useful life of two years. 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 5 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.

Compensated absences:

It is the Organization's policy to permit eligible employees to accumulate earned but unused vacation subject to certain limitations. All unused vacation pay is accrued when incurred and is recorded in accrued payroll in the statements of financial position.

Net assets:

As required by GAAP, the accompanying financial statements have been prepared 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.

Temporarily restricted funds include funds that are 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, 2018 or 2017.

The Cross-Over Ministry, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 2. Summary of Significant Accounting Policies, Continued

Revenue recognition:

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets.

Client service revenue includes a variety of patient related revenue including contributions from clinic patients receiving services at the health centers. Client service revenue is recorded when services are provided.

In-kind contributions:

The value of contributed materials and the value of 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. See Note 10 for additional discussion.

Use of estimates:

The preparation of financial statements in conformity with GAAP 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.

Income tax uncertainties:

As a qualified 501(c)(3) organization, Cross-Over is exempt from federal and state income taxes. Management has evaluated the Organization's tax positions and concluded that the Organization has no uncertain tax positions at June 30, 2018. The Organization's income tax returns for years since 2015 remain open to examination by tax authorities. The Organization is not currently under audit by any tax jurisdiction.

Subsequent events:

Management has reviewed subsequent events through August 17, 2018, the date the financial statements were available to be issued, and has determined that no additional disclosures are necessary.

Recently issued accounting standards:

In August, 2016, the Financial Accounting Standards Board issued an accounting standards update (ASU) that would require changes to the net asset classification and provide better information about a not-for-profit entity's liquidity, financial performance and cash flows. This change is intended to enhance the usefulness of a not-for-profit's financial statements. The ASU effective date is for fiscal years beginning after December 15, 2017 (the Organization's 2019 financial statements).

The Cross-Over Ministry, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 2. Summary of Significant Accounting Policies, Continued

Recently issued accounting standards, continued:

In May 2014, the Financial Accounting Standards Board issued an ASU that replaces all existing revenue recognition guidance in current U.S. GAAP. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard achieves this through a five step process. The ASU is effective for annual reporting periods beginning after December 15, 2018 (the Organization's 2020 financial statements).

Note 3. Property and Equipment

Property and equipment consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 72,849	\$ 72,849
Buildings	142,267	142,267
Building improvements	474,006	474,006
Machinery and equipment	329,818	319,963
Computer equipment	330,897	307,322
Furniture and fixtures	<u>134,512</u>	<u>134,512</u>
	1,484,349	1,450,919
Less accumulated depreciation	<u>1,079,504</u>	<u>996,422</u>
	<u>\$ 404,845</u>	<u>\$ 454,497</u>

Depreciation expense was \$83,082 and \$83,372 for 2018 and 2017, respectively.

Note 4. Line of Credit

The Organization has a \$275,000 line of credit with a commercial bank which is due upon demand and subject to annual lender review and renewal. The line of credit is secured by a deed of trust on the property at Cowardin Avenue and requires monthly interest payments at the lesser of 5% or a variable interest rate equal to the bank's Prime rate. There was no outstanding balance on the line of credit at June 30, 2018.

Note 5. Restricted Net Assets

Temporarily restricted net assets are designated for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Time restricted grants	<u>\$ 316,637</u>	<u>\$ 492,300</u>
Total restricted net assets		

The Cross-Over Ministry, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 6. Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes were as follows during 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Health and pharmacy	\$ 1,019,669	\$ 994,692
Time restricted grants	<u>410,705</u>	<u>131,493</u>
Total restricted net assets	<u>\$ 1,430,374</u>	<u>\$ 1,126,185</u>

Note 7. Retirement Plan

The Organization sponsors a 401(k) profit sharing plan which covers all employees who complete 1,000 hours of service and one year of service, as defined in the plan document. The Organization did not make any contributions to this plan during 2018 and 2017.

Note 8. Lease Commitments

The Organization leases office space under an operating lease. The lease term was renewed during 2016 extending the term to March 2019. The lease provides for annual inflationary adjustments in rent and in accordance with accounting principles, lease expense is recognized on a straight-line basis over the life of the lease. Deferred rent as of June 30, 2018 and 2017 was \$5,325 and \$7,291, respectively, and is included in accounts payable and accrued expenses in the statements of financial position. Rent expense for 2018 and 2017 was \$124,373 and \$122,407, respectively.

Note 9. Guarantees

Under its bylaws, 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.

The Cross-Over Ministry, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note 10. In-Kind Contributions

As discussed below, the Organization receives contributed goods and services which are used to provide services to its uninsured patients. Contributed goods and services are recorded at their estimated fair value determined at the date of receipt. A summary of contributed goods and services received during the years ending June 30, 2018 and 2017 is as follows:

- **Pharmaceuticals** – Cross-Over participates in several partnership networks which work with pharmaceutical companies to provide access to prescription, vaccinations and over-the-counter medications to the uninsured. The value of contributions received from these networks was approximately \$5.2 million and \$3.1 million during 2018 and 2017, respectively, based on the estimated retail costs of such contributions as provided by the networks.

At June 30, 2018 and 2017, Cross-Over holds approximately two months of pharmaceuticals on hand for future use and distribution, which is represented as inventory on the statement of financial position.

Cross-Over receives and distributes certain prescription medications from a donating pharmaceutical manufacturer/distributor that are specific to a patient. Cross-Over estimates there to be no fair value associated with these medications as such medications are donations to the individual patients, not the Organization.

- **Professional services** – Cross-Over received approximately 12,700 and 12,500 hours of volunteered professional services from various medical doctors (general practitioners and specialists), dentists, and nurses in the care of its patients during 2018 and 2017, respectively. The value of such volunteer hours was approximately \$775,000 and \$756,000 during 2018 and 2017, respectively, based on hourly rates obtained from The Virginia Association of Free Clinics.
- **Medical supplies** – Cross-Over also received approximately \$10,300 and \$14,200 of medical supplies, office furniture and equipment and computers during 2018 and 2017, respectively, from various donors.
- Cross-Over also directly receives, at no cost, sample medications from various pharmaceutical manufacturers which it uses in the care of and distributes to its patients. Cross-Over estimates there to be no fair value to be recorded in connection with the samples.
- **Lab and diagnostic services** – Blood, tissue and other health screening and diagnostic services are provided directly to Cross-Over's patients by two Richmond-based medical facilities. The value of contributed lab and diagnostic services provided to Cross-Over's patients have not been included in the in-kind contributions.