



Business Assurance
& Advisory Services

THE CROSS-OVER MINISTRY, INC.

Financial Statements

June 30, 2011 and 2010

THE CROSS-OVER MINISTRY, INC.

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**KEITER
STEPHENS**

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2011 and 2010, 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, 2011 and 2010, 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, Stephens, Hunter, Gary & Sheaves, P.C.

October 18, 2011
Glen Allen, Virginia

THE CROSS-OVER MINISTRY, INC.

Statements of Financial Position
June 30, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 223,317	\$ 202,738
Grants and pledges receivable	332,969	139,171
Inventory	714,886	690,748
Other current assets	<u>16,823</u>	<u>30,723</u>
Total current assets	1,287,995	1,063,380
Property and equipment, net	<u>463,550</u>	<u>522,587</u>
Total assets	<u>\$ 1,751,545</u>	<u>\$ 1,585,967</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	\$ 70,665	\$ 10,608
Accrued payroll	<u>66,536</u>	<u>72,409</u>
Total current liabilities	<u>137,201</u>	<u>83,017</u>
Net assets:		
Unrestricted	1,466,903	1,317,746
Temporarily restricted	<u>147,441</u>	<u>185,204</u>
Total net assets	<u>1,614,344</u>	<u>1,502,950</u>
Total liabilities and net assets	<u>\$ 1,751,545</u>	<u>\$ 1,585,967</u>

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statement 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	<u>9,880,881</u>	<u>672,460</u>	<u>10,553,341</u>
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	<u>535,832</u>	<u>-</u>	<u>535,832</u>
Total expenses	<u>10,441,947</u>	<u>-</u>	<u>10,441,947</u>
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	<u>\$ 1,466,903</u>	<u>\$ 147,441</u>	<u>\$ 1,614,344</u>

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statement of Activities
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions:			
Individuals	\$ 412,837	\$ 78,316	\$ 491,153
Other	526,981	574,402	1,101,383
In-kind contributions:			
General	2,815,281	-	2,815,281
Pharmaceuticals	3,736,071	-	3,736,071
Client service revenue	399,346	-	399,346
Other	2,252	-	2,252
Total support and revenue	<u>7,892,768</u>	<u>652,718</u>	<u>8,545,486</u>
Net assets released from restrictions	666,864	(666,864)	-
Expenses:			
Program services:			
Client services	7,844,469	-	7,844,469
Supporting services:			
Management and general	152,217	-	152,217
Fundraising	279,837	-	279,837
Total supporting services	<u>432,054</u>	<u>-</u>	<u>432,054</u>
Total expenses	<u>8,276,523</u>	<u>-</u>	<u>8,276,523</u>
Change in net assets	283,109	(14,146)	268,963
Net assets at beginning of year	1,034,637	199,350	1,233,987
Net assets at end of year	<u>\$ 1,317,746</u>	<u>\$ 185,204</u>	<u>\$ 1,502,950</u>

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statement of Functional Expenses
Year Ended June 30, 2011

	Program		Total Expenses
	Services	Supporting Services	
	Client Services	Management and General Fundraising	
Advertising	\$ 142	\$ 1,525	\$ 1,667
Building expenses	35,338	2,093	40,147
Computer maintenance	9,662	6,221	17,846
Drugs and medical supplies	78,890	1,930	80,833
Interest	279	-	279
Meeting expense	-	956	1,261
Membership Dues	11,425	6,800	18,625
Mileage and tolls	1,747	629	2,976
Miscellaneous	16,446	5,914	27,822
Office rent	51,306	8,095	59,543
Office supplies	15,371	2,182	19,261
Payroll processing	3,311	473	4,507
Postage	3,323	1,000	10,542
Professional fees	10,906	2,105	34,307
Professional liability	31,411	4,148	38,526
Program support	4,865	-	4,865
Public relations	81	540	29,293
Repairs and maintenance	3,391	155	3,683
Salaries and fringe benefits	1,258,499	146,996	1,581,625
Software expense	3,402	1,836	26,026
Staff development	1,743	130	2,383
Special events	27	90	48,856
Telephone	26,361	13,745	42,619
Utilities	11,088	615	12,318
Water & Gas	5,232	299	5,830
Total expenses before depreciation and contributions	1,584,246	206,952	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	3,178,247
Total expenses	\$ 9,906,115	\$ 210,595	\$ 10,441,947

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statement of Functional Expenses
Year Ended June 30, 2010

	Program		Total	
	Services	Supporting Services		
		Client Services		Management and General
			Expenses	
Advertising	\$ -	\$ -	\$ 1,122	\$ 1,122
Bad debt expense	-	2,400	-	2,400
Building expenses	33,152	2,336	2,120	37,608
Computer maintenance	13,782	1,630	2,281	17,693
Drugs and medical supplies	62,295	-	-	62,295
Interest	103	10	15	128
Meeting expense	309	1,466	507	2,282
Membership dues	13,397	4,000	-	17,397
Mileage and tolls	2,410	-	184	2,594
Miscellaneous	14,431	7,356	7,135	28,922
Office rent	46,658	363	217	47,238
Office supplies	23,780	2,356	1,212	27,348
Payroll processing	6,862	723	598	8,183
Postage	4,469	381	12,478	17,328
Professional fees	10,995	1,956	105,615	118,566
Professional liability	22,496	2,296	1,560	26,352
Program support	4,172	-	-	4,172
Public relations	-	-	31,571	31,571
Repairs and maintenance	1,619	457	107	2,183
Salaries and fringe benefits	1,233,919	111,036	81,516	1,426,471
Software expense	3,005	1,612	4,128	8,745
Staff development	905	1,865	515	3,285
Special events	43,476	415	20,734	64,625
Telephone	22,820	6,061	1,223	30,104
Utilities	8,022	773	912	9,707
Water and gas	4,647	575	587	5,809
Total expenses before depreciation and contributions	1,577,724	150,067	276,337	2,004,128
Depreciation	47,813	-	-	47,813
Loss on Disposal of Asset				-
Contributed pharmaceuticals distributed	3,409,301	-	-	3,409,301
Contributed services and supplies	2,809,631	2,150	3,500	2,815,281
Total expenses	\$ 7,844,469	\$ 152,217	\$ 279,837	\$ 8,276,523

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 111,394	\$ 268,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	74,078	47,813
In-kind donations received in excess of donations distributed	(24,138)	(326,770)
Changes in assets and liabilities:		
Grants and pledges receivables	(193,798)	84,038
Other current assets	13,900	(1,572)
Accounts payable	60,057	156
Accrued payroll	(5,873)	36,069
	<hr/>	<hr/>
Net cash provided by operating activities	35,620	108,697
Cash flows from investing activities:		
Purchases of property and equipment	(15,041)	(19,362)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	20,579	89,335
Cash and cash equivalents at beginning of year	202,738	113,403
	<hr/>	<hr/>
Cash and cash equivalents at end of year	\$ 223,317	\$ 202,738
	<hr/>	<hr/>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 279	\$ 593
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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 Ministry 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.

THE CROSS-OVER MINISTRY, INC.

Notes to Financial Statements, Continued

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 inviolate and 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, 2011 and 2010.

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, 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 \$8,292,570 and \$6,551,352 for the year ended June 30, 2011 and 2010, 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.

THE CROSS-OVER MINISTRY, INC.

Notes to Financial Statements, Continued

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 2008 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 October 18, 2011, 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, 2011 and 2010 was \$332,969 and \$139,171, respectively, and consisted of a variety of grants and contributions expected to be received within the next year.

4. Property and Equipment:

Property and equipment consisted of the following at June 30, 2011 and June 30, 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 72,849	\$ 72,849
Buildings	142,267	142,267
Building improvements	410,786	410,626
Machinery and equipment	228,705	221,905
Computer equipment	125,261	117,181
Furniture and fixtures	<u>114,322</u>	<u>114,322</u>
	1,094,190	1,079,150
Less accumulated depreciation	<u>630,640</u>	<u>556,563</u>
	<u>\$ 463,550</u>	<u>\$ 522,587</u>

THE CROSS-OVER MINISTRY, INC.

Notes to Financial Statements, Continued

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, 2011 and 2010.

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, 2011 are as follows:

	Operating Leases
2012	\$ 70,830
2013	73,837
2014	<u>63,697</u>
Total minimum lease payments	<u>\$ 208,364</u>

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 unlimited; however, the Organization's insurance policies serve to limit its exposure. The Organization believes that the estimated fair value of these indemnification obligations is minimal.