

THE CROSS-OVER MINISTRY, INC.

Financial Statements

June 30, 2013 and 2012

THE CROSS-OVER MINISTRY, INC.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
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, 2013 and 2012, 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.

 **Certified Public
Accountants & Consultants**

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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, 2013 and 2012, 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.



September 27, 2013
Glen Allen, Virginia

THE CROSS-OVER MINISTRY, INC.

Statements of Financial Position
June 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 350,064	\$ 324,436
Grants and pledges receivable	311,962	340,480
Inventory	859,419	652,131
Other current assets	<u>6,018</u>	<u>24,548</u>
Total current assets	1,527,463	1,341,595
Property and equipment, net	<u>402,635</u>	<u>422,158</u>
Total assets	<u>\$ 1,930,098</u>	<u>\$ 1,763,753</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	\$ 11,476	\$ 50,976
Accrued payroll	<u>75,586</u>	<u>79,248</u>
Total current liabilities	<u>87,062</u>	<u>130,224</u>
Net assets:		
Unrestricted	1,737,991	1,267,247
Temporarily restricted	<u>105,045</u>	<u>366,282</u>
Total net assets	<u>1,843,036</u>	<u>1,633,529</u>
Total liabilities and net assets	<u>\$ 1,930,098</u>	<u>\$ 1,763,753</u>

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statements of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions:			
Individuals	\$ 528,297	\$ 32,225	\$ 560,522
Other	875,153	483,844	1,358,997
In-kind contributions:			
General	4,408,863	-	4,408,863
Pharmaceuticals	8,348,334	-	8,348,334
Client service revenue	514,046	-	514,046
Total support and revenue	<u>14,674,693</u>	<u>516,069</u>	<u>15,190,762</u>
Net assets released from restrictions	<u>777,306</u>	<u>(777,306)</u>	<u>-</u>
Expenses:			
Program services:			
Client services	<u>14,344,961</u>	-	<u>14,344,961</u>
Supporting services:			
Management and general	311,582	-	311,582
Fundraising	<u>324,712</u>	-	<u>324,712</u>
Total supporting services	<u>636,294</u>	-	<u>636,294</u>
Total expenses	<u>14,981,255</u>	-	<u>14,981,255</u>
Change in net assets	<u>470,744</u>	<u>(261,237)</u>	<u>209,507</u>
Net assets at beginning of year	<u>1,267,247</u>	<u>366,282</u>	<u>1,633,529</u>
Net assets at end of year	<u>\$ 1,737,991</u>	<u>\$ 105,045</u>	<u>\$ 1,843,036</u>

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	<u>13,192,873</u>	<u>577,764</u>	<u>13,770,637</u>
Net assets released from restrictions	<u>358,923</u>	<u>(358,923)</u>	<u>-</u>
Expenses:			
Program services:			
Client services	<u>13,176,894</u>	<u>-</u>	<u>13,176,894</u>
Supporting services:			
Management and general	253,063	-	253,063
Fundraising	321,495	-	321,495
Total supporting services	<u>574,558</u>	<u>-</u>	<u>574,558</u>
Total expenses	<u>13,751,452</u>	<u>-</u>	<u>13,751,452</u>
Change in net assets	<u>(199,656)</u>	<u>218,841</u>	<u>19,185</u>
Net assets at beginning of year	<u>1,466,903</u>	<u>147,441</u>	<u>1,614,344</u>
Net assets at end of year	<u>\$ 1,267,247</u>	<u>\$ 366,282</u>	<u>\$ 1,633,529</u>

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statements of Functional Expenses
Year Ended June 30, 2013

	Program		Total Expenses	
	Services	Supporting Services		
	Client Services	Management and General		Fundraising
Advertising	\$ 1,155	\$ 943	\$ -	\$ 2,098
Bad debt expense	5,192	973	324	6,489
Building expenses	45,042	2,938	2,504	50,484
Computer maintenance	22,698	2,736	2,402	27,836
Drugs and medical supplies	90,022	36	-	90,058
Meeting expense	66	3,178	97	3,341
Membership dues	3,872	13,142	263	17,277
Mileage and tolls	1,143	249	365	1,757
Miscellaneous	26,032	21,283	3,698	51,013
Office rent	65,340	14,697	451	80,488
Office supplies	40,590	5,405	1,752	47,747
Payroll processing	2,358	1,680	353	4,391
Postage	3,042	4,848	14,861	22,751
Printing	14,795	1,618	1,995	18,408
Professional fees	14,254	1,559	1,922	17,735
Professional liability	17,124	1,712	2,568	21,404
Program support	1,846	-	1,811	3,657
Public relations	-	-	4,619	4,619
Repairs and maintenance	9,611	154	107	9,872
Salaries and fringe benefits	1,386,039	167,265	201,842	1,755,146
Software expense	3,207	3,532	8,368	15,107
Staff development	268	3,334	251	3,853
Special events	288	147	69,704	70,139
Telephone	29,822	5,976	4,254	40,052
Utilities	12,345	695	64	13,104
Water and gas	5,092	131	137	5,360
Total expenses before depreciation and contributions	1,801,243	258,231	324,712	2,384,186
Depreciation	47,160	-	-	47,160
Contributed pharmaceuticals distributed	8,141,046	-	-	8,141,046
Contributed services and supplies	4,355,512	53,351	-	4,408,863
Total expenses	\$ 14,344,961	\$ 311,582	\$ 324,712	\$ 14,981,255

See accompanying notes to financial statements.

THE CROSS-OVER MINISTRY, INC.

Statements of Functional Expenses
Year Ended June 30, 2012

	Program		Total Expenses	
	Services	Supporting Services		
	Client Services	Management and General		
		Fundraising		
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 Cash Flows
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 209,507	\$ 19,185
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	47,160	53,222
In-kind donations received in excess of donations distributed	(207,288)	62,755
Changes in assets and liabilities:		
Grants and pledges receivables	28,518	(7,511)
Other current assets	18,530	(7,725)
Accounts payable	(39,500)	(19,689)
Accrued payroll	<u>(3,662)</u>	<u>12,712</u>
Net cash provided by operating activities	53,265	112,949
Cash flows used in investing activities:		
Purchases of property and equipment	<u>(27,637)</u>	<u>(11,830)</u>
Net increase in cash and cash equivalents	25,628	101,119
Cash and cash equivalents at beginning of year	<u>324,436</u>	<u>223,317</u>
Cash and cash equivalents at end of year	<u>\$ 350,064</u>	<u>\$ 324,436</u>

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, Virginia; and Chesterfield County, Virginia.

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 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, 2013 and 2012.

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, 2013 and June 30, 2012, 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 \$12,757,197 and \$11,449,143 for the year ended June 30, 2013 and 2012, 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 2010 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 XX, 2013, 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, 2013 and 2012 was \$311,962 and \$340,480, 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:

	<u>2013</u>	<u>2012</u>
Land	\$ 72,849	\$ 72,849
Buildings	142,267	142,267
Building improvements	427,497	411,560
Machinery and equipment	228,705	228,705
Computer equipment	134,017	126,790
Furniture and fixtures	<u>128,322</u>	<u>123,848</u>
	1,133,657	1,106,019
Less accumulated depreciation	<u>731,022</u>	<u>683,861</u>
	<u>\$ 402,635</u>	<u>\$ 422,158</u>

Depreciation expense was \$47,160 for 2013 and \$53,222 for 2012.

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, 2013 and 2012.

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 an operating lease and was renewed during 2013.

Minimum future payments under the operating lease at June 30, 2013 are as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2014	\$ 100,716
2015	103,732
2016	<u>70,520</u>
Total minimum lease payments	<u>\$ 274,968</u>

8. 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.

