

**The Cross-Over Ministry, Inc.**

***Report on Financial Statements***

***For the year ended June 30, 2014***

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# The Cross-Over Ministry, Inc.

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## **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 statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows 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; 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. 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 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 Cross-Over Ministry, Inc. as of June 30, 2014, and 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.

*Elliott Davis, LLC*

Richmond, Virginia  
November 3, 2014

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**The Cross-Over Ministry, Inc.****Statement of Financial Position****As of June 30, 2014**

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**Assets****Current assets**

Cash and cash equivalents	\$ 433,846
Grants and pledges receivable, net	232,997
Inventory	789,823
Other current assets	19,971
Total current assets	<u>1,476,637</u>

**Property, and equipment, net**

Total assets	<u>\$ 1,886,104</u>
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**Liabilities and Net Assets****Current liabilities**

Accounts payable and accrued expenses	\$ 28,964
Accrued payroll	101,607
Total current liabilities	<u>130,571</u>

**Net assets**

Unrestricted	1,385,009
Temporarily restricted	370,524
Total net assets	<u>1,755,533</u>
Total liabilities and net assets	<u>\$ 1,886,104</u>

**See Notes to Financial Statements**

# The Cross-Over Ministry, Inc.

## Statement of Activities

For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenue</b>			
Contributions:			
Individuals	\$ 526,829	\$ -	\$ 526,829
Grants and corporate gifts	945,980	475,755	1,421,735
In-kind contributions:			
General	930,863	-	930,863
Pharmaceuticals	6,810,088	-	6,810,088
Client service revenue	527,590	-	527,590
	<u>9,741,350</u>	<u>475,755</u>	<u>10,217,105</u>
<b>Net assets released from restrictions</b>	<u>229,025</u>	<u>(229,025)</u>	<u>-</u>
Total support and revenue	<u>9,970,375</u>	<u>246,730</u>	<u>10,217,105</u>
<b>Expenses</b>			
Program services:			
Client services	9,831,025	-	9,831,025
Supporting services:			
Management and general	192,038	-	192,038
Fundraising	281,545	-	281,545
Total supporting services	473,583	-	473,583
Total expenses	10,304,608	-	10,304,608
Change in net assets	(334,233)	246,730	(87,503)
<b>Net assets at beginning of year</b>	1,719,242	123,794	1,843,036
<b>Net assets at end of year</b>	<u>\$ 1,385,009</u>	<u>\$ 370,524</u>	<u>\$ 1,755,533</u>

See Notes to Financial Statements

# The Cross-Over Ministry, Inc.

## Statement of Functional Expenses

For the year ended June 30, 2014

	Program	Supporting Services		Total
	Services	Management	Fundraising	
	Client Services	and General		
Advertising	\$ -	\$ -	\$ 1,785	\$ 1,785
Bad debt expense	-	247	-	247
Building expenses	55,997	577	1,155	57,729
Computer maintenance	37,676	793	1,190	39,659
Medical supplies	96,858	-	-	96,858
Meeting expense	1,778	1,067	711	3,556
Membership dues	7,986	13,031	-	21,017
Mileage and tolls	1,751	106	253	2,110
Miscellaneous	20,955	10,478	10,477	41,910
Office rent	98,943	2,128	5,319	106,390
Office supplies	21,812	1,314	3,153	26,279
Payroll processing	-	4,669	-	4,669
Postage	4,860	810	10,531	16,201
Printing	4,447	2,668	10,671	17,786
Professional fees	-	16,008	-	16,008
Professional liability	36,493	-	-	36,493
Program support	6,865	-	-	6,865
Public relations	-	-	3,982	3,982
Repairs and maintenance	7,595	-	-	7,595
Salaries and fringe benefits	1,550,950	93,431	224,234	1,868,615
Software expense	21,026	1,314	3,943	26,283
Staff development	7,372	444	1,066	8,882
Telephone	21,275	1,282	3,075	25,632
Utilities	9,556	-	-	9,556
Water and gas	6,989	-	-	6,989
Total expenses before depreciation	2,021,184	150,367	281,545	2,453,096
Depreciation	40,964	-	-	40,964
Contributed pharmaceuticals distributed	6,879,685	-	-	6,879,685
Contributed services and supplies	889,192	41,671	-	930,863
Total expenses	<u>\$ 9,831,025</u>	<u>\$ 192,038</u>	<u>\$ 281,545</u>	<u>\$ 10,304,608</u>

See Notes to Financial Statements

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**The Cross-Over Ministry, Inc.****Statement of Cash Flows****For the year ended June 30, 2014**

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	<u>2014</u>
<b><i>Cash Flows from operating activities</i></b>	
Change in net assets	\$ (87,503)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	40,964
In-kind donations distributed in excess of donations received	69,597
Bad debt	247
Changes in assets and liabilities:	
Grants and pledges receivable	78,718
Other current assets	(13,953)
Accounts payable and accrued expenses	17,488
Accrued payroll	<u>26,021</u>
<b><i>Net cash provided by operating activities</i></b>	<b>131,579</b>
<b><i>Cash flows from investing activities</i></b>	
Purchases of property and equipment	<u>(47,797)</u>
<b><i>Net increase in cash and cash equivalents</i></b>	<b>83,782</b>
<b><i>Cash and cash equivalents at beginning of year</i></b>	<u>350,064</u>
<b><i>Cash and cash equivalents at end of year</i></b>	<u><u>\$ 433,846</u></u>

**See Notes to Financial Statements**



## **The Cross-Over Ministry, Inc.**

### ***Notes to Financial Statements***

***June 30, 2014***

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#### **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 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. During 2014, the Chesterfield County, Virginia clinic was closed.

#### **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 ("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 pledges receivable. The Organization maintains cash on deposit with one financial institution 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, 2014, the Organization had \$168,889 of deposits in excess of the insured limits.

At June 30, 2014, 59% of the Organization's grants and pledges receivable were derived from four 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 pledges receivable:*

Grants and pledges receivable in the accompanying statement 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. Based on management's evaluations, the allowance for doubtful accounts at June 30, 2014 was \$12,934.

##### *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 of the estimated retail value of such contributions which approximates fair value.

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## The Cross-Over Ministry, Inc.

### Notes to Financial Statements

June 30, 2014

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#### Note 2. Summary of Significant Accounting Policies, Continued

##### Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. The Organization capitalizes all expenditures in excess of \$1,000 with a minimum useful life of 2 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 3 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 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 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, 2014.

##### 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 client patients receiving services at the health centers. Client service revenue is recorded when services are provided.

##### Contributed services and materials

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.

# The Cross-Over Ministry, Inc.

## Notes to Financial Statements

June 30, 2014

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### Note 2. Summary of Significant Accounting Policies, Continued

#### 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.

#### 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, 2014. The Organization's income tax returns for years since 2011 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 November 3, 2014, the date the financial statements were available to be issued, and has determined that no additional disclosures are necessary.

### Note 3. Property and Equipment

Property and equipment consisted of the following at June 30, 2014:

Land	\$	72,849
Buildings		142,571
Building improvements		430,855
Machinery and equipment		265,725
Computer equipment		141,372
Furniture and fixtures		<u>128,322</u>
		1,181,694
Less accumulated depreciation		<u>772,227</u>
	\$	<u>409,467</u>

Depreciation expense was \$40,964 for 2014.

### Note 4. Line of Credit

The Organization has a \$275,000 line of credit with a commercial 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 the lesser of 5% or a variable interest rate equal to the bank's Prime rate. The line of credit matures on January 31, 2015. There was no outstanding balance on the line of credit at June 30, 2014.

## The Cross-Over Ministry, Inc.

### Notes to Financial Statements

June 30, 2014

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#### Note 5. Restricted Net Assets

Temporarily restricted net assets are designated for the following purposes at June 30, 2014:

Health and pharmacy	\$ 87,412
Electronic health records	87,111
Time restricted grants	<u>196,001</u>
Total restricted net assets	<u>\$ 370,524</u>

#### Note 6. Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes were as follows during 2014:

Health and pharmacy	\$ 159,136
Electronic health records	<u>69,889</u>
Total released net assets	<u>\$ 229,025</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 for 2014.

#### Note 8. Commitments and Contingencies

The Organization leases office space under an operating lease. The lease term was renewed during 2013 extending the term to February 2016. 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, 2014 was \$2,020 and is included in accounts payable and accrued expenses in the statement of financial position. Rent expense for 2014 was \$106,390.

Minimum future payments under the operating lease at June 30, 2014 are as follows:

2015	\$ 103,732
2016	<u>70,520</u>
Total minimum lease payments	<u>\$ 174,252</u>

#### 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.

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## **The Cross-Over Ministry, Inc.**

### ***Notes to Financial Statements***

***June 30, 2014***

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#### **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 year ending June 30, 2014 is as follows:

- **Pharmaceuticals** – Cross-Over participates in several partnership networks which work with pharmaceutical companies to provide access to prescription and over-the-counter medications to the uninsured. The value of contributions received from these networks was approximately \$6.8 million based on the estimated retail costs of such contributions as provided by the networks.

At June 30, 2014, 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.

- **Professional services** – Cross-Over received approximately 15,000 hours of volunteered professional services from various medical doctors (general practitioners and specialists), dentists, and nurses in the care of its patients. The value of such volunteer hours was approximately \$900,000 based on hourly rates obtained from The Virginia Association of Free Clinics.
- **Medical supplies** – Cross-Over also received approximately \$40,000 of medical supplies, office furniture and equipment and computers from various donors during the year.
- **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 associated with the samples.**
- **Lab and diagnostic services** – Blood, tissue and other health screening and diagnostic services are provided to Cross-Over's patients primarily by two Richmond-based medical facilities. The value of contributed lab and diagnostic services provided to Cross-Over's patients has not been included in the in-kind contributions.