

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

***Report on Financial Statements***

***For the years ended June 30, 2017 and 2016***

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# The Cross-Over Ministry, Inc.

## Contents

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**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 Flows .....8

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, 2017 and 2016, 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, 2017 and 2016, 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, appearing to read "Kimbee". The signature is written in a cursive, flowing style.

Richmond, Virginia  
September 8, 2017

# The Cross-Over Ministry, Inc.

## Statements of Financial Position

As of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b><i>Current assets</i></b>		
Cash and cash equivalents	\$ 403,177	\$ 439,982
Grants and other receivables, net	569,942	267,422
Inventory	644,497	537,348
Other current assets	29,908	22,858
Total current assets	<u>1,647,524</u>	<u>1,267,610</u>
<b><i>Property, and equipment, net</i></b>	454,497	478,689
Total assets	<u>\$ 2,102,021</u>	<u>\$ 1,746,299</u>
<b>Liabilities and Net Assets</b>		
<b><i>Current liabilities</i></b>		
Accounts payable and accrued expenses	\$ 22,145	\$ 41,471
Accrued payroll	61,672	65,220
Total current liabilities	<u>83,817</u>	<u>106,691</u>
<b><i>Net assets</i></b>		
Unrestricted	1,525,904	1,492,430
Temporarily restricted	492,300	147,178
Total net assets	<u>2,018,204</u>	<u>1,639,608</u>
Total liabilities and net assets	<u>\$ 2,102,021</u>	<u>\$ 1,746,299</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>
<b>Support and revenue</b>			
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>
<b>Net assets released from restrictions</b>	<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>
<b>Expenses</b>			
Program services:			
Client services	6,075,028	-	6,075,028
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
<b>Net assets at beginning of year</b>	<u>1,492,430</u>	<u>147,178</u>	<u>1,639,608</u>
<b>Net assets at end of year</b>	<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 Activities

For the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenue</b>			
Contributions:			
Individuals	\$ 619,098	\$ -	\$ 619,098
Grants and corporate gifts	665,789	965,488	1,631,277
In-kind contributions:			
General	1,013,836	-	1,013,836
Pharmaceuticals	5,429,150	-	5,429,150
Client service revenue	622,401	-	622,401
	<u>8,350,274</u>	<u>965,488</u>	<u>9,315,762</u>
<b>Net assets released from restrictions</b>	<u>929,882</u>	<u>(929,882)</u>	<u>-</u>
Total support and revenue	<u>9,280,156</u>	<u>35,606</u>	<u>9,315,762</u>
<b>Expenses</b>			
Program services:			
Client services	<u>8,434,566</u>	<u>-</u>	<u>8,434,566</u>
Supporting services:			
Management and general	225,181	-	225,181
Fundraising	299,575	-	299,575
Total supporting services	<u>524,756</u>	<u>-</u>	<u>524,756</u>
Total expenses	<u>8,959,322</u>	<u>-</u>	<u>8,959,322</u>
Change in net assets	320,834	35,606	356,440
<b>Net assets at beginning of year</b>	<u>1,171,596</u>	<u>111,572</u>	<u>1,283,168</u>
<b>Net assets at end of year</b>	<u>\$ 1,492,430</u>	<u>\$ 147,178</u>	<u>\$ 1,639,608</u>

See Notes to Financial Statements

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

	Program 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.****Statement of Functional Expenses****For the year ended June 30, 2016**

	Program Services		Supporting Services		Total Expenses
	Client Services	Management and General	Fundraising		
Building expenses	\$ 65,192	\$ 672	\$ 1,344	\$ 67,208	
Computer maintenance	42,387	892	1,339	44,618	
Medical supplies	149,986	-	-	149,986	
Meeting expense	971	583	388	1,942	
Membership dues	10,398	16,966	-	27,364	
Mileage and tolls	2,167	131	313	2,611	
Miscellaneous	16,351	8,175	8,175	32,701	
Office rent	105,625	2,272	5,678	113,575	
Office supplies	24,455	1,473	3,536	29,464	
Payroll processing	-	5,297	-	5,297	
Postage	4,370	728	9,467	14,565	
Printing	6,622	3,973	15,894	26,489	
Professional fees	-	35,321	-	35,321	
Professional liability	15,524	-	-	15,524	
Program support	11,277	-	-	11,277	
Public relations	-	-	3,413	3,413	
Repairs and maintenance	10,307	-	-	10,307	
Salaries and fringe benefits	1,630,503	98,223	235,735	1,964,461	
Software expense	57,656	3,604	10,810	72,070	
Staff development	4,035	243	584	4,862	
Telephone	20,051	1,208	2,899	24,158	
Utilities	8,317	-	-	8,317	
Water and gas	3,611	-	-	3,611	
Total expenses before depreciation and contributed pharmaceuticals, services and supplies	2,189,805	179,761	299,575	2,669,141	
Depreciation	80,259	-	-	80,259	
Contributed pharmaceuticals distributed	5,196,086	-	-	5,196,086	
Contributed services and supplies	968,416	45,420	-	1,013,836	
Total expenses	<u>\$ 8,434,566</u>	<u>\$ 225,181</u>	<u>\$ 299,575</u>	<u>\$ 8,959,322</u>	

**See Notes to Financial Statements**

## The Cross-Over Ministry, Inc.

### Statements of Cash Flows

For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b><i>Cash flows from operating activities</i></b>		
Change in net assets	\$ 378,596	\$ 356,440
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	83,372	80,259
Excess In-kind donations received over donations distributed	(107,149)	(233,064)
Changes in assets and liabilities:		
Grants and other receivables	(302,520)	(65,161)
Other current assets	(7,050)	18,854
Accounts payable and accrued expenses	(19,326)	(319)
Accrued payroll	(3,548)	(22,937)
<b><i>Net cash provided by operating activities</i></b>	<u>22,375</u>	<u>134,072</u>
<b><i>Cash flows from investing activities</i></b>		
Purchases of property and equipment	<u>(59,180)</u>	<u>(37,814)</u>
<b><i>Change in cash and cash equivalents</i></b>	(36,805)	96,258
<b><i>Cash and cash equivalents at beginning of year</i></b>	439,982	343,724
<b><i>Cash and cash equivalents at end of year</i></b>	<u><u>\$ 403,177</u></u>	<u><u>\$ 439,982</u></u>

See Notes to Financial Statements

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

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

***June 30, 2017 and 2016***

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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 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 ("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 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, 2017 and 2016, approximately 50% and 70%, respectively of the Organization's grants and other receivables were derived from three to four donors, respectively.

##### **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, 2017 and 2016, management determined an allowance for uncollectible grants and pledges was not necessary.

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## The Cross-Over Ministry, Inc.

### *Notes to Financial Statements*

*June 30, 2017 and 2016*

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#### **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 2 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, 2017 or 2016.

## The Cross-Over Ministry, Inc.

### Notes to Financial Statements

June 30, 2017 and 2016

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#### 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, 2017. The Organization's income tax returns for years since 2014 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 September 8, 2017, 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, 2017 and 2016

#### 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 72,849	\$ 72,849
Buildings	142,267	142,267
Building improvements	474,006	447,789
Machinery and equipment	319,963	313,107
Computer equipment	307,322	282,315
Furniture and fixtures	<u>134,512</u>	<u>133,412</u>
	1,450,919	1,391,739
Less accumulated depreciation	<u>996,422</u>	<u>913,050</u>
	<u>\$ 454,497</u>	<u>\$ 478,689</u>

Depreciation expense was \$83,372 and \$80,259 for 2017 and 2016, respectively.

#### 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, 2018. There was no outstanding balance on the line of credit at June 30, 2017 or 2016.

#### Note 5. Restricted Net Assets

Temporarily restricted net assets are designated for the following purposes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time restricted grants	<u>\$ 492,300</u>	<u>\$ 147,178</u>
Total restricted net assets		

## The Cross-Over Ministry, Inc.

### Notes to Financial Statements

June 30, 2017 and 2016

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

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes were as follows during 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Health and pharmacy	\$ 994,692	\$ 818,310
Salary for grant writer	-	27,679
Time restricted grants	<u>131,493</u>	<u>83,893</u>
Total restricted net assets	<u>\$ 1,126,185</u>	<u>\$ 929,882</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 2017 and 2016.

#### 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, 2017 and 2016 was \$7,291 and \$1,125, respectively, and is included in accounts payable and accrued expenses in the statements of financial position. Rent expense for 2017 and 2016 was \$122,407 and \$112,450, respectively.

Minimum future payments under the operating lease at June 30, 2016 are as follows:

2018	\$ 125,461
2019	95,849

#### 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, 2017 and 2016***

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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 years ending June 30, 2017 and 2016 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 \$3.1 million and \$5.4 million during 2017 and 2016, respectively, based on the estimated retail costs of such contributions as provided by the networks.

At June 30, 2017 and 2016, 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 12,500 and 18,100 hours of volunteered professional services from various medical doctors (general practitioners and specialists), dentists, and nurses in the care of its patients during 2017 and 2016, respectively. The value of such volunteer hours was approximately \$756,278 and \$1,000,000 during 2017 and 2015, respectively, based on hourly rates obtained from The Virginia Association of Free Clinics.
- **Medical supplies** – Cross-Over also received approximately \$14,219 and \$5,450 of medical supplies, office furniture and equipment and computers during 2017 and 2016, 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.