

**THE CROSS-OVER MINISTRY, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2020 AND 2019**

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HARRIS, HARDY & JOHNSTONE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020, 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***

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 of America. 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, 2020, 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 of America.

**Prior Period Financial Statements**

The financial statements of The Cross-Over Ministry, Inc. as of June 30, 2019, were audited by other auditors whose report dated October 31, 2019, expressed an unmodified opinion on those statements.

*Harris, Hardy ; Johnstone, P.C.*

Richmond, Virginia  
October 29, 2020

THE CROSS-OVER MINISTRY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,612,212	\$ 1,059,357
Grants and other receivables, net	329,826	450,835
Medicaid receivable, net	25,127	20,050
Inventory	1,479,878	1,707,812
Other current assets	64,012	35,884
Property and equipment, net	<u>476,519</u>	<u>382,845</u>
	<u><u>\$ 3,987,574</u></u>	<u><u>\$ 3,656,783</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 10,447	\$ 61,170
Fiscal agent funds	39,053	-
Accrued expenses	<u>114,572</u>	<u>77,094</u>
TOTAL LIABILITIES	<u>164,072</u>	<u>138,264</u>
<b>NET ASSETS</b>		
Without donor restrictions	3,610,871	3,106,666
With donor restrictions	<u>212,631</u>	<u>411,853</u>
TOTAL NET ASSETS	<u>3,823,502</u>	<u>3,518,519</u>
	<u><u>\$ 3,987,574</u></u>	<u><u>\$ 3,656,783</u></u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Support, Other Than Special Events			
Contributions			
Individuals	\$ 831,608	\$ -	\$ 831,608
Grants and corporate gifts	974,374	800,118	1,774,492
Less: special events revenue	(30,150)	-	(30,150)
In-kind			
General	610,512	-	610,512
Pharmaceuticals	2,740,968	-	2,740,968
Total Support, Other Than Special Events	<u>5,127,312</u>	<u>800,118</u>	<u>5,927,430</u>
Special Events			
Special event revenue	30,150	-	30,150
Less: Direct benefits to donors	(55,149)	-	(55,149)
Net Support from Special Events	<u>(24,999)</u>	<u>-</u>	<u>(24,999)</u>
Program Services Revenue			
Patient services			
Patient revenue	950,118	-	950,118
Medicaid	210,646	-	210,646
Total Program Services Revenue	<u>1,160,764</u>	<u>-</u>	<u>1,160,764</u>
Other Revenues			
PPP grant	<u>535,000</u>	<u>-</u>	<u>535,000</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	670,237	(670,237)	-
Satisfaction of time restrictions	329,103	(329,103)	-
Total Net Assets Released from Restrictions	<u>999,340</u>	<u>(999,340)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u>7,797,417</u>	<u>(199,222)</u>	<u>7,598,195</u>
<b>EXPENSES</b>			
Program Services			
Patient services	6,625,357	-	6,625,357
Management and General	329,976	-	329,976
Fundraising	337,879	-	337,879
TOTAL EXPENSES	<u>7,293,212</u>	<u>-</u>	<u>7,293,212</u>
CHANGE IN NET ASSETS	504,205	(199,222)	304,983
NET ASSETS, beginning of year	3,106,666	411,853	3,518,519
NET ASSETS, end of year	<u>\$ 3,610,871</u>	<u>\$ 212,631</u>	<u>\$ 3,823,502</u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support, Other Than Special Events			
Contributions			
Individuals	\$ 731,631	\$ -	\$ 731,631
Grants and corporate gifts	1,016,381	1,052,549	2,068,930
Less: special events revenue	(67,730)	-	(67,730)
In-kind			
General	862,068	-	862,068
Pharmaceuticals	3,644,583	-	3,644,583
Total Support, Other Than Special Events	<u>6,186,933</u>	<u>1,052,549</u>	<u>7,239,482</u>
Special Events			
Special event revenue	67,730	-	67,730
Less: Direct benefits to donors	(105,493)	-	(105,493)
Net Support from Special Events	<u>(37,763)</u>	<u>-</u>	<u>(37,763)</u>
Program Services Revenue			
Patient services			
Patient revenue	764,714	-	764,714
Medicaid	54,469	-	54,469
Total Program Services Revenue	<u>819,183</u>	<u>-</u>	<u>819,183</u>
Other Revenues			
PPP grant	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	755,081	(755,081)	-
Satisfaction of time restrictions	202,252	(202,252)	-
Total Net Assets Released from Restrictions	<u>957,333</u>	<u>(957,333)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>7,925,686</u>	<u>95,216</u>	<u>8,020,902</u>
EXPENSES			
Program Services			
Patient services	6,691,545	-	6,691,545
Management and General	250,234	-	250,234
Fundraising	331,584	-	331,584
TOTAL EXPENSES	<u>7,273,363</u>	<u>-</u>	<u>7,273,363</u>
CHANGE IN NET ASSETS	652,323	95,216	747,539
NET ASSETS, beginning of year	2,454,343	316,637	2,770,980
NET ASSETS, end of year	<u>\$ 3,106,666</u>	<u>\$ 411,853</u>	<u>\$ 3,518,519</u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Patient Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,956,635	\$ 210,030	\$ 240,275	\$ 2,406,940
Payroll taxes	143,275	14,958	17,899	176,132
Employee benefits	179,919	22,809	16,445	219,173
	<u>2,279,829</u>	<u>247,797</u>	<u>274,619</u>	<u>2,802,245</u>
In-kind contributed pharmaceuticals	2,968,902	-	-	2,968,902
In-kind contributed services and supplies	608,512	-	-	608,512
Medical supplies	232,482	1,898	2,324	236,704
Office rent	110,701	14,955	14,933	140,589
Computer maintenance and software	94,484	10,810	22,083	127,377
Depreciation	78,589	-	-	78,589
Telephone	40,462	14,927	2,011	57,400
Special event costs	-	-	55,149	55,149
Building	39,919	7,296	-	47,215
Medicaid billing	40,724	-	-	40,724
Office supplies and printing	21,966	1,726	10,584	34,276
Membership dues	28,354	4,423	1,048	33,825
Professional fees	18,560	7,595	790	26,945
Miscellaneous	6,815	12,911	1,854	21,580
Professional liability	17,488	-	974	18,462
Payroll processing	8,082	939	1,011	10,032
Staff development	5,383	2,020	1,618	9,021
Utilities	7,143	486	-	7,629
Postage	4,484	485	24	4,993
Program support	4,566	-	-	4,566
Repairs and maintenance	2,592	1,466	157	4,215
Water and gas	3,839	-	-	3,839
Advertising	200	117	3,513	3,830
Mileage and tolls	1,281	125	77	1,483
Public relations	-	-	259	259
	<u>6,625,357</u>	<u>329,976</u>	<u>393,028</u>	<u>7,348,361</u>
TOTAL EXPENSES				
Direct benefits to donors	-	-	(55,149)	(55,149)
	<u>6,625,357</u>	<u>329,976</u>	<u>337,879</u>	<u>7,293,212</u>
PER STATEMENT OF ACTIVITIES				

See Independent Auditor's Report and Notes to Financial Statements



THE CROSS-OVER MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Patient Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,731,453	\$ 104,304	\$ 250,330	\$ 2,086,087
Payroll taxes	129,988	7,831	18,794	156,613
Employee benefits	142,667	8,594	20,627	171,888
	<u>2,004,108</u>	<u>120,729</u>	<u>289,751</u>	<u>2,414,588</u>
In-kind contributed pharmaceuticals	3,139,525	-	-	3,139,525
In-kind contributed services and supplies	823,447	38,621	-	862,068
Medical supplies	225,769	-	-	225,769
Office rent	126,122	2,712	6,780	135,614
Special event costs	-	-	105,493	105,493
Computer maintenance and software	88,736	4,242	11,731	104,709
Depreciation	71,939	-	-	71,939
Building	49,303	508	1,017	50,828
Professional fees	-	43,427	-	43,427
Telephone	30,299	1,825	4,381	36,505
Membership dues	12,457	20,325	-	32,782
Office supplies and printing	25,844	1,715	4,396	31,955
Staff development	21,700	1,307	3,138	26,145
Miscellaneous	10,872	5,436	5,436	21,744
Professional liability	20,367	-	-	20,367
Repairs and maintenance	13,641	-	-	13,641
Payroll processing	-	8,958	-	8,958
Utilities	8,922	-	-	8,922
Program support	8,202	-	-	8,202
Water and gas	5,629	-	-	5,629
Postage	1,385	231	3,000	4,616
Mileage and tolls	3,278	198	474	3,950
Advertising	-	-	1,141	1,141
Public relations	-	-	339	339
Medicaid billing	-	-	-	-
	<u>6,691,545</u>	<u>250,234</u>	<u>437,077</u>	<u>7,378,856</u>
TOTAL EXPENSES				
Direct benefits to donors	-	-	(105,493)	(105,493)
	<u>6,691,545</u>	<u>250,234</u>	<u>331,584</u>	<u>7,273,363</u>
PER STATEMENT OF ACTIVITIES				

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 304,983	\$ 747,539
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	78,589	71,939
Other revenue restricted to Paycheck Protection Program	(535,000)	-
(Increase) decrease in		
Grants and other receivables	121,009	(49,588)
Medicaid receivable	(5,077)	(20,050)
Inventory	227,934	(505,058)
Other current assets	(28,128)	(3,608)
Increase (decrease) in		
Accounts payable	(50,723)	38,991
Fiscal agent funds	39,053	-
Accrued payroll	37,478	608
	<u>190,118</u>	<u>280,773</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(172,263)</u>	<u>(49,939)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(172,263)</u>	<u>(49,939)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Other revenue restricted to Paycheck Protection Program	<u>535,000</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>535,000</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	552,855	230,834
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,059,357</u>	<u>828,523</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,612,212</u></u>	<u><u>\$ 1,059,357</u></u>

See Independent Auditor's Report and Notes to Financial Statements

# THE CROSS-OVER MINISTRY, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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 provides a full range of medical services and patient education to low income, uninsured individuals at two free clinics operating in downtown Richmond and western Henrico County, Virginia.

#### Program Descriptions

*Patient Services* - Patients can receive a full range of primary care services. Patients’ primary care providers can also connect them to our other programs, including dental, vision, specialty care, and social work. Both uninsured and Medicaid patients can receive care at the Organization.

#### Summary of Significant Accounting Policies

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America for nonprofit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

#### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

#### Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

#### Income Taxes

The Organization is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

# THE CROSS-OVER MINISTRY, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The Organization has recognized no uncertain tax positions for the years ended June 30, 2020 and 2019.

#### Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities, unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

#### Cash Equivalents

Cash equivalents include all deposits in banks and highly liquid investments with original maturity dates of less than three months. The carrying value of cash equivalents approximated fair value because of the short maturities of those financial instruments.

#### Grants and Other Receivable/Allowance

Grants receivable are primarily unsecured non-interest-bearing amounts due from corporate and foundation grantors, sponsorships, and other contributions. Management believes that all outstanding grants receivable are collectible in full, therefore, no allowance for uncollectible receivables has been provided.

#### Medicaid Receivables/Allowance

Medicaid receivables are primarily reimbursements due from Medicaid on patient billings after contractual adjustments. Management has recorded an allowance for contractual adjustments of \$13,191 and \$0 as of June 30, 2020 and 2019, respectively.

#### 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 "average weighted price" of such contributions as provided by the contributing organizations, which approximates fair value. See Note L.

#### Property and Equipment/Depreciation

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Equipment is capitalized if it has a cost of \$500 or greater. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

# THE CROSS-OVER MINISTRY, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Fiscal Agent Funds

On October 25, 2019, Bon Secours Health System awarded \$40,000 to the Richmond Area Safety Net Collaborative for the planning of a system of care to benefit residents of the Richmond Community who lack access to healthcare services. CrossOver Healthcare Ministry agreed to serve as the fiscal agent for these funds. Funds will be dispersed as the collaborative spends down the grant award. As of June 30, 2020, \$39,053 of these funds remained unspent.

#### Accrued Expenses

Accrued expenses include a reasonable estimate of wages and vacation earned but not paid by year end.

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 recorded in accrued expenses in the accompanying statements of financial position.

#### Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

##### Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

##### Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

# THE CROSS-OVER MINISTRY, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions, unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

#### In-Kind Contributions

The Organization receives contributions in a form other than cash or investments. Most are donated medical supplies and pharmaceuticals, which are recorded as contributions as of the date of gift and as expenses when the donated items are placed into service or distributed. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fund-raising campaigns. However, many of the contributed services do not meet the criteria for recognition in the financial statements. Accounting principles generally accepted in the United States of America allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

The Organization's in-kind contributions are discussed further in Note L.

#### Revenue Recognition Policy

The Organization derives its revenues primarily from the services listed below. Revenues are recognized when control of these products or services is transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products and services. The Organization does not have any significant financing components as payment is received at or shortly after the point of service.

#### Performance Obligations

*Patient services and Medicaid* - For performance obligations related to patient services and Medicaid, control transfers to the patient over time. Because the patient receives all medical services during an appointment the recognition of revenue is equivalent to that recognized at a point in time. The Organization considers all services performed during a patient appointment to be one performance obligation.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Events

The Organization engages in several events during the year that meet the criteria of special events according to accounting principles generally accepted in the United States of America. Special events revenue is calculated by multiplying the cost of the ticket by the number of tickets sold. Any amount received above the ticket price is considered a contribution and is included in contributions on the statement of activities. Direct benefit to donors includes all costs that directly relate to the specific event. These costs can consist of facility rental, food, entertainment, prizes, etc. All expenses incurred that do not have a direct benefit to donors are recorded as fundraising expenses on the statements of activities and functional expenses. See Note H.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited, using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, payroll taxes, and employee benefits are allocated based on timesheet reports
- Occupancy, depreciation, utilities, insurance, professional services, and other expenses are allocated based on management's best estimate of the distribution of costs across functions.

Periodically, the basis on which costs are allocated is evaluated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

NOTE B - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 are:

Financial assets:	
Cash	\$ 1,612,212
Grants and other receivables, net	329,826
Medicaid receivable, net	25,127
Total financial assets	<u>1,967,165</u>
Less financial assets held to meet donor-imposed restrictions	
Purpose restricted net assets (Note F)	<u>212,631</u>
Total financial assets available for general expenditures within one year	<u>\$ 1,754,534</u>

As part of the Organization's liquidity management plan, it keeps cash in excess of daily requirements deposited in its checking and reserve accounts.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2020 and 2019:

	2020	2019
Land	\$ 72,849	\$ 72,849
Buildings	142,267	142,267
Building improvements	552,627	484,128
Machinery and equipment	392,994	349,003
Computer equipment	383,520	354,278
Furniture and fixtures	165,810	134,512
	<u>1,710,067</u>	<u>1,537,037</u>
Less: Accumulated depreciation	<u>1,233,548</u>	<u>1,154,192</u>
	<u>\$ 476,519</u>	<u>\$ 382,845</u>

NOTE D – PAYCHECK PROTECTION PROGRAM (PPP) FORGIVABLE LOAN

During the year ended June 30, 2020, the Organization received loan proceeds in the amount of \$535,000 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provided for loans to qualifying organizations for amounts up to 2.5 times its average monthly payroll expenses. The loans and accrued interest are forgivable after eight weeks, or an optional twenty-four weeks, as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness is reduced, if the borrower terminated employees or reduced salaries during the eight or twenty-four week period.



THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

NOTE D – PAYCHECK PROTECTION PROGRAM (PPP) FORGIVABLE LOAN - Continued

The Organization used 100% of the loan proceeds for qualifying expenses and therefore believes that the PPP's eligibility criteria have been met and the loan proceeds represent, in substance, a grant that is expected to be forgiven. In accordance with FASB 958-605, loan proceeds that are expected to be forgiven should be accounted for as conditional contributions. The Organization believes it has substantially met all conditions required to obtain forgiveness and has therefore recognized the entire loan as other revenue in the accompanying statement of activities.

NOTE E - 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 as of June 30, 2020 and 2019.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2020 and 2019, net assets with donor restrictions were available for the following purposes:

Purpose restrictions, available for spending:	2020	2019
Patient Services	<u>\$ 212,631</u>	<u>\$ 411,853</u>

NOTE G - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or meeting the time restrictions are as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Health and pharmacy	<u>\$ 670,237</u>	<u>\$ 755,081</u>
Time restricted grants	<u>329,103</u>	<u>202,252</u>
	<u>\$ 999,340</u>	<u>\$ 957,333</u>

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

NOTE H - SPECIAL EVENTS

Income from special events, including sponsorships and contributions, for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Sponsorships and contributions	\$ 185,588	\$ 209,401
Registrations	30,150	67,730
Less: Direct benefits to donors	(55,149)	(105,493)
	<u>\$ 160,589</u>	<u>\$ 171,638</u>

NOTE I - 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 made a matching contribution of \$27,666 and \$7,520 for the years ended June 30, 2020 and 2019, respectively.

NOTE J - OPERATING LEASES

The Organization leases office and clinic space in Henrico County, Virginia under an operating lease. The lease term was renewed during 2019, extending the term to March 31, 2022. The lease provides for annual inflationary adjustments. Rent expense for the years ended June 30, 2020 and 2019 was \$147,508 and \$130,377, respectively. Future minimum rent commitments are as follows:

2021	\$ 135,106
2022	103,218
	<u>\$ 238,324</u>

NOTE K - 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 - Continued

JUNE 30, 2020 AND 2019

### NOTE L - 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 ended June 30, 2020 and 2019 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 \$2.7 million and \$3.6 million for the years ended June 30, 2020 and 2019, based on the “average weighted price” of such contributions as provided by the networks.

Cross-Over also receives and distributes certain prescription medications from a donating pharmaceutical manufacturer/distributor that are specific to a patient. Cross-Over does not record any financial activity associated with these medications, as such medications are donations to the individual patients, not the Organization.

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.

- Professional services - Cross-Over received approximately 9,800 and 13,600 hours of volunteered professional services from various medical doctors (general practitioners and specialists), dentists, and nurses in the care of its patients during 2020 and 2019, respectively. The value of such volunteer hours was approximately \$606,482 and \$821,349 for the years ended June 30, 2020 and 2019, respectively, based on hourly rates obtained from The Virginia Association of Free Clinics.
- Medical supplies - Cross-Over also received approximately \$4,030 and \$40,269 of medical supplies, office furniture and equipment, and computers from various donors during 2020 and 2019, respectively.
- 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.

# THE CROSS-OVER MINISTRY, INC.

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

### NOTE M - CONCENTRATIONS

Financial instruments which potentially subject Cross-Over to concentrations of credit risk consist principally of cash and cash equivalents, grants 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.

As of June 30, 2020 and 2019, approximately 74% and 86%, respectively, of the Organization's receivables were derived from four donors.

### NOTE N - SUBSEQUENT EVENTS

In the preparation of its financial statements, The Cross-Over Ministry, Inc. considered subsequent events through October 29, 2020, which was the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.