

THE CROSS-OVER MINISTRY, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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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

Opinion

We have audited the accompanying financial statements of The Cross-Over Ministry, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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 of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Cross-Over Ministry, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cross-Over Ministry, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cross-Over Ministry, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cross-Over Ministry, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
September 23, 2021

THE CROSS-OVER MINISTRY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 2,444,941	\$ 1,612,212
Grants and other receivables, net	283,195	329,826
Medicaid receivable, net	16,013	25,127
Inventory	1,243,044	1,479,878
Other current assets	63,437	64,012
Property and equipment, net	<u>539,825</u>	<u>476,519</u>
	<u>\$ 4,590,455</u>	<u>\$ 3,987,574</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 9,815	\$ 10,447
Fiscal agent funds	12,851	39,053
Accrued expenses	<u>147,871</u>	<u>114,572</u>
	<u>170,537</u>	<u>164,072</u>
 NET ASSETS		
Without donor restrictions	3,960,294	3,610,871
With donor restrictions	<u>459,624</u>	<u>212,631</u>
	<u>4,419,918</u>	<u>3,823,502</u>
	<u>\$ 4,590,455</u>	<u>\$ 3,987,574</u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support, Other Than Special Events			
Contributions			
Individuals	\$ 1,042,652	\$ -	\$ 1,042,652
Grants and corporate gifts	627,458	1,815,472	2,442,930
Less: special events revenue	-	-	-
In-kind			
General	510,561	-	510,561
Pharmaceuticals	3,263,208	-	3,263,208
Total Support, Other Than Special Events	<u>5,443,879</u>	<u>1,815,472</u>	<u>7,259,351</u>
Special Events			
Special event revenue	-	-	-
Less: Direct benefits to donors	-	-	-
Net Support from Special Events	<u>-</u>	<u>-</u>	<u>-</u>
Program Services Revenue			
Patient services			
Patient revenue	1,158,684	-	1,158,684
Medicaid	374,572	-	374,572
Total Program Services Revenue	<u>1,533,256</u>	<u>-</u>	<u>1,533,256</u>
Other Revenues			
PPP grant	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	1,360,848	(1,360,848)	-
Satisfaction of time restrictions	207,631	(207,631)	-
Total Net Assets Released from Restrictions	<u>1,568,479</u>	<u>(1,568,479)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>8,545,614</u>	<u>246,993</u>	<u>8,792,607</u>
EXPENSES			
Program Services			
Patient services	7,423,271	-	7,423,271
Management and General	343,074	-	343,074
Fundraising	429,846	-	429,846
TOTAL EXPENSES	<u>8,196,191</u>	<u>-</u>	<u>8,196,191</u>
CHANGE IN NET ASSETS	349,423	246,993	596,416
NET ASSETS, beginning of year	3,610,871	212,631	3,823,502
NET ASSETS, end of year	<u>\$ 3,960,294</u>	<u>\$ 459,624</u>	<u>\$ 4,419,918</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
REVENUES, GAINS, AND OTHER SUPPORT			
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>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>7,797,417</u>	<u>(199,222)</u>	<u>7,598,195</u>
EXPENSES			
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 FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Patient Services	Management and General	Fundraising	Total
Salaries and wages	\$ 2,045,836	\$ 183,954	\$ 272,798	\$ 2,502,588
Payroll taxes	149,488	15,105	20,445	185,038
Employee benefits	191,965	23,054	23,074	238,093
	<u>2,387,289</u>	<u>222,113</u>	<u>316,317</u>	<u>2,925,719</u>
In-kind contributed pharmaceuticals	3,500,042	-	-	3,500,042
In-kind contributed services and supplies	507,471	3,090	-	510,561
Medical supplies	353,914	5,644	8,415	367,973
Computer maintenance and software	115,220	12,216	30,910	158,346
Office rent	133,460	7,633	15,266	156,359
Depreciation	84,269	-	-	84,269
Telephone	42,714	8,521	4,065	55,300
Office supplies and printing	36,898	5,327	12,888	55,113
Medicaid billing	54,800	-	-	54,800
Building	45,400	5,351	2,595	53,346
Bad debt	43,111	-	-	43,111
Staff development	7,685	26,167	1,935	35,787
Membership dues	8,821	24,163	1,563	34,547
Miscellaneous	15,088	4,550	11,683	31,321
Professional liability	24,807	1,693	-	26,500
Public relations	12,790	-	6,409	19,199
Professional fees	2,111	15,418	14	17,543
Repairs and maintenance	16,280	31	-	16,311
Payroll processing	8,538	888	1,125	10,551
Special event costs	-	-	10,315	10,315
Program support	7,469	-	-	7,469
Postage	3,825	169	3,385	7,379
Utilities	6,869	-	-	6,869
Advertising	700	100	2,926	3,726
Water and gas	3,341	-	-	3,341
Mileage and tolls	359	-	35	394
	<u>7,423,271</u>	<u>343,074</u>	<u>429,846</u>	<u>8,196,191</u>
TOTAL EXPENSES				
Direct benefits to donors	-	-	-	-
	<u>7,423,271</u>	<u>343,074</u>	<u>429,846</u>	<u>8,196,191</u>
PER STATEMENT OF ACTIVITIES	<u>\$ 7,423,271</u>	<u>\$ 343,074</u>	<u>\$ 429,846</u>	<u>\$ 8,196,191</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>
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	<u>\$ 6,625,357</u>	<u>\$ 329,976</u>	<u>\$ 337,879</u>	<u>\$ 7,293,212</u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 596,416	\$ 304,983
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	84,269	78,589
Other revenue restricted to Paycheck Protection Program	-	(535,000)
(Increase) decrease in		
Grants and other receivables	46,631	121,009
Medicaid receivable	9,114	(5,077)
Inventory	236,834	227,934
Other current assets	575	(28,128)
Increase (decrease) in		
Accounts payable	(632)	(50,723)
Fiscal agent funds	(26,202)	39,053
Accrued payroll	33,299	37,478
	<u>980,304</u>	<u>190,118</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(147,575)</u>	<u>(172,263)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(147,575)</u>	<u>(172,263)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Other revenue restricted to Paycheck Protection Program	<u>-</u>	<u>535,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>535,000</u>
INCREASE IN CASH AND CASH EQUIVALENTS	832,729	552,855
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,612,212</u>	<u>1,059,357</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,444,941</u></u>	<u><u>\$ 1,612,212</u></u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, and individuals with Medicaid insurance at two safety net clinics operating in downtown Richmond and western Henrico County, Virginia.

Program Descriptions

Patient Services - Uninsured and Medicaid patients can receive a full range of healthcare and related services including but not limited to: primary care, pediatric care, specialty medical care, dental care, vision care, obstetrics and gynecology care, HIV care, mental health care, social work services, and pharmacy services.

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, with no effect on previously reported change in net assets.

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, 2021 AND 2020

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, 2021 and 2020.

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 \$5,714 and \$13,191, respectively, as of June 30, 2021 and 2020.

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, 2021 AND 2020

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, 2021 and 2020, \$12,851 and \$39,053, respectively, 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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 are:

Financial assets:	
Cash	\$ 2,444,941
Grants and other receivables, net	283,195
Medicaid receivable, net	16,013
Total financial assets	<u>2,744,149</u>
Less financial assets held to meet donor-imposed restrictions	
Purpose restricted net assets (Note F)	<u>459,624</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,284,525</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 72,849	\$ 72,849
Buildings	142,267	142,267
Building improvements	559,186	552,627
Machinery and equipment	430,771	392,994
Computer equipment	457,442	383,520
Furniture and fixtures	195,126	165,810
	<u>1,857,641</u>	<u>1,710,067</u>
Less: Accumulated depreciation	<u>1,317,816</u>	<u>1,233,548</u>
	<u>\$ 539,825</u>	<u>\$ 476,519</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, 2021 AND 2020

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

The Organization used 100% of the loan proceeds for qualifying expenses and therefore believed that the PPP's eligibility criteria have been met and the loan proceeds represent, in substance, a grant that was 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 believed it had substantially met all conditions required to obtain forgiveness and therefore recognized the entire loan as other revenue in the accompanying statement of activities. The Organization applied for and subsequently received full forgiveness for the loan.

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, 2021 and 2020.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021 and 2020, net assets with donor restrictions were available for the following purposes:

Purpose restrictions, available for spending:	2021	2020
Patient Services	<u>\$ 459,624</u>	<u>\$ 212,631</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, 2021 and 2020:

	2021	2020
Health and pharmacy	<u>\$ 1,360,848</u>	<u>\$ 670,237</u>
Time restricted grants	<u>207,631</u>	<u>329,103</u>
	<u>\$ 1,568,479</u>	<u>\$ 999,340</u>

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2021 AND 2020

NOTE H - SPECIAL EVENTS

Income from special events, including sponsorships and contributions, for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Sponsorships and contributions	\$ 265,765	\$ 185,588
Registrations	-	30,150
Less: Direct benefits to donors	-	(55,149)
	<u>\$ 265,765</u>	<u>\$ 160,589</u>

Special events during the year ended June 30, 2021 were held virtually and free to attend. Costs associated with these events have been included in fundraising expenses in the statement of functional expense.

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 \$34,185 and \$27,666 for the years ended June 30, 2021 and 2020, respectively.

NOTE J - OPERATING LEASES

The Organization leases office and clinic space in Henrico County, Virginia under an operating lease that expires March 31, 2022. The lease provides for annual inflationary adjustments. Rent expense for the years ended June 30, 2021 and 2020 was \$150,257 and \$134,987, respectively. Future minimum rent commitments are as follows:

2022	<u>\$ 103,218</u>
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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, 2021 AND 2020

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, 2021 and 2020 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 \$3.3 million and \$2.7 million for the years ended June 30, 2021 and 2020, 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 8,700 and 9,800 hours of volunteered professional services from various medical doctors (general practitioners and specialists), dentists, and nurses in the care of its patients during 2021 and 2020, respectively. The value of such volunteer hours was approximately \$480,274 and \$606,482 for the years ended June 30, 2021 and 2020, respectively, based on hourly rates obtained from The Virginia Association of Free Clinics.
- Medical supplies - Cross-Over also received approximately \$30,287 and \$4,030 of medical supplies, office furniture and equipment, and computers from various donors during 2021 and 2020, 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, 2021 AND 2020

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. The Organization had aggregate balances exceeding the FDIC insured amount by \$2,126,366 and \$1,292,022 as of June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020, approximately 86% and 74%, respectively, of the Organization's receivables were derived from four donors.

NOTE N - COVID-19

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 ongoing 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 future years.

NOTE O - SUBSEQUENT EVENTS

In the preparation of its financial statements, The Cross-Over Ministry, Inc. considered subsequent events through September 23, 2021, which was the date the financial statements were available to be issued.