

THE CROSS-OVER MINISTRY, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 28, 2023

THE CROSS-OVER MINISTRY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 2,611,510	\$2,639,774
Receivables, net		
Accounts	139,540	113,233
Medicaid	21,682	50,008
Grants and contributions	1,119,519	191,911
Inventory	570,385	613,514
Prepaid expenses	25,651	48,733
Property and equipment, net	2,818,696	2,622,426
Right-of-use asset - operating, net of accumulated amortization of \$11,962	49,177	-
	<u>\$ 7,356,160</u>	<u>\$6,279,599</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 7,864	\$ 3,940
Accrued expenses	215,538	140,893
Security deposits	-	2,250
Long-term debt	1,921,370	1,959,101
Lease liability - operating	49,177	-
	<u>2,193,949</u>	<u>2,106,184</u>
NET ASSETS		
Without donor restrictions	3,334,665	3,977,846
With donor restrictions	1,827,546	195,569
	<u>5,162,211</u>	<u>4,173,415</u>
	<u>\$ 7,356,160</u>	<u>\$6,279,599</u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Philanthropy	\$ 1,730,317	\$ 2,273,452	\$ 4,003,769
Partnerships	218,250	-	218,250
Membership organizations	523,544	-	523,544
In-kind			
General	782,531	-	782,531
Pharmaceuticals	2,814,647	-	2,814,647
Total Support	<u>6,069,289</u>	<u>2,273,452</u>	<u>8,342,741</u>
Special Events			
Special event revenue	62,548	-	62,548
Less: Direct benefits to donors	<u>(45,366)</u>	<u>-</u>	<u>(45,366)</u>
Net Support from Special Events	<u>17,182</u>	<u>-</u>	<u>17,182</u>
Program Services Revenue			
Patient services			
Patient revenue	1,216,350	-	1,216,350
Medicaid	<u>726,825</u>	<u>-</u>	<u>726,825</u>
Total Program Services Revenue	<u>1,943,175</u>	<u>-</u>	<u>1,943,175</u>
Other Revenues			
Rental revenue	6,500	-	6,500
Interest income	<u>16,587</u>	<u>-</u>	<u>16,587</u>
Total Other Revenues	<u>23,087</u>	<u>-</u>	<u>23,087</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	641,475	(641,475)	-
Satisfaction of time restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>641,475</u>	<u>(641,475)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>8,694,208</u>	<u>1,631,977</u>	<u>10,326,185</u>
EXPENSES			
Program Services			
Patient services	7,980,244	-	7,980,244
Management and General	655,845	-	655,845
Fundraising	<u>701,300</u>	<u>-</u>	<u>701,300</u>
TOTAL EXPENSES	<u>9,337,389</u>	<u>-</u>	<u>9,337,389</u>
CHANGE IN NET ASSETS	<u>(643,181)</u>	<u>1,631,977</u>	<u>988,796</u>
NET ASSETS, beginning of year	<u>3,977,846</u>	<u>195,569</u>	<u>4,173,415</u>
NET ASSETS, end of year	<u>\$ 3,334,665</u>	<u>\$ 1,827,546</u>	<u>\$ 5,162,211</u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Philanthropy	\$ 2,412,187	\$ 611,205	\$ 3,023,392
Partnerships	120,125	-	120,125
Membership organizations	325,231	-	325,231
In-kind			
General	664,875	-	664,875
Pharmaceuticals	2,085,782	-	2,085,782
Total Support	<u>5,608,200</u>	<u>611,205</u>	<u>6,219,405</u>
Special Events			
Special event revenue	44,776	-	44,776
Less: Direct benefits to donors	(29,956)	-	(29,956)
Net Support from Special Events	<u>14,820</u>	<u>-</u>	<u>14,820</u>
Program Services Revenue			
Patient services			
Patient revenue	1,352,085	-	1,352,085
Medicaid	563,287	-	563,287
Total Program Services Revenue	<u>1,915,372</u>	<u>-</u>	<u>1,915,372</u>
Other Revenues			
Rental revenue	9,784	-	9,784
Interest income	1,298	-	1,298
Total Other Revenues	<u>11,082</u>	<u>-</u>	<u>11,082</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	651,365	(651,365)	-
Satisfaction of time restrictions	223,895	(223,895)	-
Total Net Assets Released from Restrictions	<u>875,260</u>	<u>(875,260)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>8,424,734</u>	<u>(264,055)</u>	<u>8,160,679</u>
EXPENSES			
Program Services			
Patient services	7,466,779	-	7,466,779
Management and General	425,078	-	425,078
Fundraising	515,325	-	515,325
TOTAL EXPENSES	<u>8,407,182</u>	<u>-</u>	<u>8,407,182</u>
CHANGE IN NET ASSETS	17,552	(264,055)	(246,503)
NET ASSETS, beginning of year	3,960,294	459,624	4,419,918
NET ASSETS, end of year	<u>\$ 3,977,846</u>	<u>\$ 195,569</u>	<u>\$ 4,173,415</u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Patient Services	Management and General	Fundraising	Total
Salaries and wages	\$ 2,795,406	\$ 259,555	\$ 394,551	\$ 3,449,512
Payroll taxes	223,985	16,805	27,378	268,168
Employee benefits	204,109	33,774	24,345	262,228
	<u>3,223,500</u>	<u>310,134</u>	<u>446,274</u>	<u>3,979,908</u>
In-kind contributed pharmaceuticals	2,857,776	-	-	2,857,776
In-kind contributed services and supplies	782,531	-	-	782,531
Medical supplies	423,920	7,721	8,593	440,234
Depreciation	-	178,888	-	178,888
Computer maintenance and software	133,350	15,323	25,145	173,818
Interest expense	113,940	6,702	13,405	134,047
Facilities	78,093	14,166	18,802	111,061
Capital campaign	-	-	104,389	104,389
Utilities	80,053	12,051	5,679	97,783
Medicaid billing	96,259	-	-	96,259
Special event costs	209	-	68,888	69,097
Miscellaneous	33,015	5,940	10,914	49,869
Insurance	33,842	7,109	2,273	43,224
Dues and subscriptions	13,037	28,261	1,005	42,303
Public relations	7,568	559	31,585	39,712
Repairs and maintenance	35,577	566	2,933	39,076
Staff development	3,670	34,419	824	38,913
Office expense	25,609	5,772	1,705	33,086
Professional fees	11,095	17,578	1,540	30,213
Lease expense	16,118	3,513	1,033	20,664
Taxes and licenses	9,956	7,083	1,171	18,210
Travel	1,126	60	508	1,694
	<u>7,980,244</u>	<u>655,845</u>	<u>746,666</u>	<u>9,382,755</u>
TOTAL EXPENSES				
Direct benefits to donors	-	-	(45,366)	(45,366)
	<u>7,980,244</u>	<u>655,845</u>	<u>701,300</u>	<u>9,337,389</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, 2022

	Patient Services	Management and General	Fundraising	Total
Salaries and wages	\$ 2,571,497	\$ 234,778	\$ 316,212	\$ 3,122,487
Payroll taxes	186,589	17,214	21,971	225,774
Employee benefits	216,077	21,864	27,154	265,095
	<u>2,974,163</u>	<u>273,856</u>	<u>365,337</u>	<u>3,613,356</u>
In-kind contributed pharmaceuticals	2,715,311	-	-	2,715,311
In-kind contributed services and supplies	664,875	-	-	664,875
Medical supplies	331,558	9,174	8,045	348,777
Computer maintenance and software	167,311	14,293	26,499	208,103
Rent	123,519	7,121	12,361	143,001
Depreciation	120,308	-	-	120,308
Medicaid billing	78,064	-	-	78,064
Utilities	59,281	11,422	4,361	75,064
Special event costs	-	-	53,765	53,765
Insurance	44,225	6,713	2,014	52,952
Facilities	47,911	1,411	2,513	51,835
Professional fees	11,567	22,916	14,212	48,695
Miscellaneous	34,577	10,858	1,630	47,065
Public relations	7,865	1,253	34,051	43,169
Repairs and maintenance	29,791	8,876	1,186	39,853
Dues and subscriptions	7,692	25,312	2,060	35,064
Office expense	24,490	7,491	2,705	34,686
Staff development	4,709	15,297	3,958	23,964
Interest expense	14,340	844	1,687	16,871
Bank and credit card fees	4,287	951	8,851	14,089
Real estate taxes	-	7,171	-	7,171
Travel	935	119	46	1,100
	<u>7,466,779</u>	<u>425,078</u>	<u>545,281</u>	<u>8,437,138</u>
TOTAL EXPENSES				
Direct benefits to donors	-	-	(29,956)	(29,956)
	<u>7,466,779</u>	<u>425,078</u>	<u>515,325</u>	<u>8,407,182</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 988,796	\$ (246,503)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	178,888	120,308
(Increase) decrease in		
Receivables		
Accounts	(26,307)	(53,933)
Medicaid	28,326	(33,995)
Grants and contributions	(927,608)	31,984
Inventory	43,129	629,530
Prepaid expenses	23,082	14,704
Increase (decrease) in		
Accounts payable	3,925	(5,875)
Accrued expenses	74,645	(6,978)
Fiscal agent funds	-	(12,851)
Security deposits	(2,250)	2,250
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>384,626</u>	<u>438,641</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(212,890)	(243,808)
NET CASH USED IN INVESTING ACTIVITIES	<u>(212,890)</u>	<u>(243,808)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(200,000)	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(200,000)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(28,264)	194,833
CASH, beginning of year	<u>2,639,774</u>	<u>2,444,941</u>
CASH, end of year	<u>\$ 2,611,510</u>	<u>\$ 2,639,774</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 134,047	\$ 16,871
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES		
Purchase of property and equipment with long-term debt	\$ 162,269	\$ 1,959,101
Right-of-use asset obtained in exchange for new lease liability - operating	\$ 61,139	\$ -

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Cross-Over Ministry, Inc. (“Cross-Over”) is a nonprofit, 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

Cross-Over 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 Cross-Over are described subsequently to enhance the usefulness and understandability of the financial statements.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13 (“ASU 2016-13”), *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU replaces the current incurred loss model used to measure impairment losses with an expected loss model for trade and other receivables. The standard is effective for non-public entities for annual reporting periods beginning after December 15, 2022, with early adoption permitted and will be applied using a modified-retrospective approach through a cumulative-effect adjustment, if necessary, to net assets as of the beginning of the first reporting period in which the guidance is effective. Cross-Over is currently evaluating the reporting and economic implications of the new standard.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, “Leases (Topic 842)” superseding Topic 840 which provides a new approach to lease accounting with an objective to increase transparency and comparability among organizations by requiring the capitalization of substantially all leases on the statements of financial position and disclosure of key information about leasing arrangements. The FASB concluded that all leases give rise to assets and liabilities that should be recognized on the statements of financial position, but further concluded that the economics of leases differ from one another and those different economics should be reflected in the financial statements. Therefore, lessees classify leases as either a finance or operating lease. Both types of leases are recognized on the statements of financial position, but the amount, timing, and classification of expenses related to the leases differs depending on lease type.

The core principle of the new guidance is that an entity should recognize, at the lease commencement date, a right-of-use asset and lease liability when the lessee obtains control over the use of the leased asset. The right-of-use asset and lease liability are initially measured at the present value of the future lease payments.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

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

Adoption of New Accounting Standard - Continued

The transition guidance allows for the application of various practical expedients in the adoption of FASB ASC 842, Leases.

Effective July 1, 2022, Cross-Over adopted FASB ASC 842, Leases on a modified retrospective basis, therefore comparative financial information has not been restated and continues to be reported under FASB ASC 840.

Cross-Over elected to adopt the package of three practical expedients available under the transition guidance. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

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, Cross-Over's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Cross-Over'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

Cross-Over 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 Cross-Over's tax-exempt purpose could be subject to taxation as unrelated business income. In addition, Cross-Over 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).

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, Cross-Over 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 Cross-Over and various positions related to the potential sources of unrelated business taxable income (UBTI). Cross-Over has recognized no uncertain tax positions for the years ended June 30, 2023 and 2022.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

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

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

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

Accounts Receivable/Allowance

Accounts receivable are primarily unsecured non-interest-bearing amounts due from patients for medical services and pharmaceuticals. Management believes that all outstanding accounts receivable are collectible in full within one year, 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 \$15,001 and \$7,856, respectively, as of June 30, 2023 and 2022.

Grants and Contributions 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 and contributions receivable are collectible in full, therefore, no allowance for uncollectible receivables has been provided. Grants and contributions receivable that are expected to be collected in more than one year are recorded at fair value as of the date of the promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue.

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 M.

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 or fair value 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, 2023 AND 2022

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

Accrued Expenses

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

It is Cross-Over'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; Cross-Over 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 Cross-Over, unless the donor provides more specific directions about the period of its use.

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.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

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

In-Kind Contributions

Cross-Over 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 Cross-Over 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 Cross-Over's capitalization policy.

Cross-Over benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in Cross-Over'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.

Cross-Over's in-kind contributions are discussed further in Note M.

Revenue Recognition Policy

Cross-Over 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 Cross-Over expects to be entitled to in exchange for those products and services. Cross-Over 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. Cross-Over considers all services performed during a patient appointment to be one performance obligation.

Special Events

Cross-Over 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 J.

Expense Recognition and Allocation

The cost of providing Cross-Over'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.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

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

Expense Recognition and Allocation - Continued

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 Cross-Over.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Cross-Over 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.

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, 2023 are:

Financial assets:	
Cash	\$ 2,611,510
Accounts receivable	139,540
Medicaid receivable, net	21,682
Grants and contributions receivable, net	<u>1,119,519</u>
Total financial assets	<u>3,892,251</u>
Less financial assets held to meet donor-imposed restrictions	
Purpose restricted net assets (Note I)	1,010,194
Less financial assets not available within one year	
Contributions receivable (Note I)	<u>817,352</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,064,705</u>

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

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

NOTE C - CASH

Cash consists of the following as of June 30, 2023 and 2022:

	2023	2022
Operating	\$ 500,122	\$ 417,086
Restricted	109,481	201,835
Reserves	2,001,907	2,020,853
	<u>\$ 2,611,510</u>	<u>\$ 2,639,774</u>

NOTE D - GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of June 30, 2023 are due as follows:

Less than one year	\$ 645,667
One year to five years	570,000
	<u>1,215,667</u>
Less: Unamortized discount at 7.75%	96,148
	<u>\$ 1,119,519</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2023 and 2022:

	2023	2022
Land	\$ 537,156	\$ 537,156
Buildings	1,637,061	1,637,061
Building improvements	976,323	645,997
Machinery and equipment	571,746	545,100
Computer equipment	502,817	496,664
Furniture and fixtures	210,606	198,572
	<u>4,435,709</u>	<u>4,060,550</u>
Less: Accumulated depreciation	1,617,013	1,438,124
	<u>\$ 2,818,696</u>	<u>\$ 2,622,426</u>

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

NOTE F - LEASES

Cross-Over leased its office and clinic space in Henrico County, Virginia under an operating lease that expired in March 2022. Rent expense for the year ended June 30, 2022 was \$131,607. Subsequent to the lease expiration, Cross-Over purchased the building through a business loan agreement (Note H).

Cross-Over has a lease for office equipment that is considered an operating lease under the provisions of FASB ASC 842, Leases. The lease expires in April 2027 and requires guaranteed minimum rent payments. In addition to the guaranteed minimum rent payments, the operating lease requires additional rent for taxes, insurance, and other items (CAM).

As of June 30, 2023, the remaining lease term for the lease was 3.83 years.

The risk-free rate has been used as the discount rate when the rate implicit in the lease is unknown. The discount rate associated with the lease as of June 30, 2023 was 2.88%.

During the year ended June 30, 2023, lease expense was as follows:

Operating lease expense	\$ 13,533
Variable lease expense	7,131
Total lease expense	<u>\$ 20,664</u>

As of June 30, 2023, the right-of-use asset and lease liability related to the operating lease was as follows:

Operating lease - right-of-use asset	<u>\$ 49,177</u>
Operating lease liability:	
Current portion of operating lease liability	\$ 12,311
Operating lease liability, net of current portion	36,866
	<u>\$ 49,177</u>

Future payments due under the operating lease as of June 30, 2023 was as follows:

<u>Year Ending June 30,</u>	<u>Operating</u>
2024	\$ 13,533
2025	13,533
2026	13,533
2027	11,277
Total undiscounted cash flows	51,876
Less: present value discount	2,699
Total lease liability	<u>\$ 49,177</u>

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

NOTE G - LINE OF CREDIT

Cross-Over had a \$275,000 line of credit with Atlantic Union Bank which was due upon demand. The line of credit was secured by a deed of trust on the property at Cowardin Avenue and required monthly interest payments at the lesser of 5% or a variable interest rate equal to the bank's prime rate. The line of credit was terminated as of December 15, 2021.

Cross-Over entered a \$275,000 line of credit agreement with TowneBank on December 15, 2021. The line of credit is due upon demand and subject to an annual lender review for renewal. The line of credit is secured by substantially all assets of Cross-Over and requires monthly interest payments based on the Wall Street Journal Prime Rate less 0.5%, not to be less than 2.75%. There was no outstanding balance on the line of credit as of June 30, 2023 and 2022.

NOTE H - LONG-TERM DEBT

Cross-Over entered into a \$3,950,000 business loan agreement with TowneBank on December 15, 2021. The loan is similar to a line of credit and contemplates multiple loan advances. The agreement expires December 15, 2026 and is subject to an annual lender review. The loan requires monthly interest-only payments based on the Wall Street Journal Prime Rate less 0.50%, not to be less than 2.75%. Cross-Over is required to make principal payments throughout the life of the loan with proceeds from a capital campaign. Scheduled principal payments include \$2,000,000 on December 31, 2023, \$2,500,000 on December 31, 2024, and \$3,000,000 on December 31, 2025. The outstanding balance as of June 30, 2022 was \$1,959,101, which represents loan proceeds used in March 2022 to acquire the building that was previously leased. Additional advances may be drawn on the loan to fund improvements to the property. During the year ending June 30, 2023, additional advances of \$162,269 were drawn on the loan, and principal payments of \$200,000 were made. The outstanding balance as of June 30, 2023 was \$1,921,370. Cross-Over is subject to financial covenants with which it is in compliance as of June 30, 2023.

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2023 and 2022, net assets with donor restrictions were available for the following purposes:

Purpose restrictions, available for spending:	2023	2022
Capital campaign	\$ 650,254	\$ -
Patient services	161,440	195,569
Pharmacy renovation	128,000	-
Equipment and software	70,500	-
Total purpose-restricted net assets	1,010,194	195,569
Time restrictions:		
Grants and contributions receivable, net, which are unavailable for spending until due, some of which are also subject to purpose restrictions	817,352	-
Total net assets with donor restrictions	\$ 1,827,546	\$ 195,569

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

NOTE J - SPECIAL EVENTS

Income from special events, including sponsorships and contributions, for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Sponsorships and contributions	\$ 238,506	\$ 312,589
Registrations and tickets	62,548	44,776
Less: Direct benefits to donors	(45,366)	(29,956)
	<u>\$ 255,688</u>	<u>\$ 327,409</u>

Costs associated with these events have been included in fundraising expenses in the statements of functional expense.

NOTE K - RETIREMENT PLAN

Cross-Over 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. Cross-Over made a matching contribution of \$62,099 and \$49,447 for the years ended June 30, 2023 and 2022, respectively.

NOTE L - GUARANTEES

Under its bylaws, Cross-Over 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 Cross-Over's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. Cross-Over's insurance policies serve to further limit its exposure. Cross-Over believes that the estimated fair value of these indemnification obligations is minimal.

NOTE M - IN-KIND CONTRIBUTIONS

As discussed below, Cross-Over 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, 2023 and 2022 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 \$2.8 million and \$2.1 million for the years ended June 30, 2023 and 2022, respectively, based on the "average weighted price" of such contributions as provided by the networks.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

NOTE M - IN-KIND CONTRIBUTIONS - Continued

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 Cross-Over.

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 13,045 and 11,250 hours of volunteered professional services from various medical doctors (general practitioners and specialists), dentists, and nurses in the care of its patients during 2023 and 2022, respectively. The value of such volunteer hours was approximately \$782,531 and \$664,875 for the years ended June 30, 2023 and 2022, respectively, based on hourly rates obtained from The Virginia Association of Free Clinics.
- Supplies - Cross-Over may occasionally receive medical supplies, office furniture and equipment, and computers from donors.
- 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.

NOTE N - CONCENTRATIONS

Financial instruments which potentially subject Cross-Over to concentrations of credit risk consist principally of cash, grants, contributions, and other receivables. Cross-Over 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. Cross-Over had aggregate balances exceeding the FDIC insured amount by \$2,373,584 and \$2,187,570 as of June 30, 2023 and 2022, respectively. Subsequent to June 30, 2023, Cross-Over opened insured cash sweep accounts to mitigate credit risk and exposure on its cash balances.

As of June 30, 2023, approximately 47% of Cross-Over's grants and contributions receivable were derived from three donors. As of June 30, 2022, approximately 52% of Cross-Over's grants and contributions receivable were derived from two donors.

NOTE O - SUBSEQUENT EVENTS

In the preparation of its financial statements, The Cross-Over Ministry, Inc. considered subsequent events through September 28, 2023, which was the date the financial statements were available to be issued.