

THE CROSS-OVER MINISTRY, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2026 AND 2025

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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, 2026 and 2025, 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. ("Cross-Over") as of June 30, 2026 and 2025, 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 opinions.

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 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 24, 2026

THE CROSS-OVER MINISTRY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2026 AND 2025

	2026	2025
ASSETS		
Cash and restricted cash	\$ 7,583,271	\$ 6,819,141
Medicaid receivables, net	94,263	131,120
Grants and contributions receivable, net	1,804,974	2,479,533
Inventory	917,535	881,614
Prepaid expenses	42,630	17,360
Property and equipment, net	3,522,806	2,783,327
Right-of-use asset - operating, net of accumulated amortization of \$49,983 and \$36,943, respectively	11,156	24,196
	<u>\$ 13,976,635</u>	<u>\$ 13,136,291</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 13,187	\$ 13,171
Accrued expenses	211,112	191,924
Long-term debt	-	721,370
Lease liability - operating	11,156	24,196
	<u>235,455</u>	<u>950,661</u>
TOTAL LIABILITIES	<u>235,455</u>	<u>950,661</u>
NET ASSETS		
Without donor restrictions	6,433,232	5,338,382
With donor restrictions	7,307,948	6,847,248
	<u>13,741,180</u>	<u>12,185,630</u>
TOTAL NET ASSETS	<u>13,741,180</u>	<u>12,185,630</u>
	<u>\$ 13,976,635</u>	<u>\$ 13,136,291</u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2026

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Philanthropy	\$ 3,503,446	\$ 1,239,500	\$ 4,742,946
Membership organizations	422,009	-	422,009
Partnerships	112,152	-	112,152
In-kind			
Pharmaceuticals	4,511,523	-	4,511,523
Services	969,086	-	969,086
Rent	65,000	-	65,000
Total Support	9,583,216	1,239,500	10,822,716
Special Events			
Special event revenue	56,587	-	56,587
Less: Direct benefits to donors	(53,366)	-	(53,366)
Net Support from Special Events	3,221	-	3,221
Program Services Revenue			
Patient services			
Medicaid	1,026,212	-	1,026,212
Patient revenue	827,675	-	827,675
Total Program Services Revenue	1,853,887	-	1,853,887
Other Revenues			
Interest income	129,319	-	129,319
Loss on disposal of assets	(1,738)	-	(1,738)
Total Other Revenues	127,581	-	127,581
Net Assets Released from Restrictions			
Satisfaction of program restrictions	719,770	(719,770)	-
Satisfaction of time restrictions	59,030	(59,030)	-
Total Net Assets Released from Restrictions	778,800	(778,800)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	12,346,705	460,700	12,807,405
EXPENSES			
Program Services			
Patient services	10,031,656	-	10,031,656
Management and General	660,947	-	660,947
Fundraising	559,252	-	559,252
TOTAL EXPENSES	11,251,855	-	11,251,855
CHANGE IN NET ASSETS	1,094,850	460,700	1,555,550
NET ASSETS, beginning of year	5,338,382	6,847,248	12,185,630
NET ASSETS, end of year	\$ 6,433,232	\$ 7,307,948	\$13,741,180

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Philanthropy	\$ 3,535,473	\$ 2,992,867	\$ 6,528,340
Membership organizations	385,568	-	385,568
Partnerships	143,100	-	143,100
In-kind			
Pharmaceuticals	5,184,948	-	5,184,948
Services	995,262	-	995,262
Rent	-	-	-
Total Support	10,244,351	2,992,867	13,237,218
Special Events			
Special event revenue	60,450	-	60,450
Less: Direct benefits to donors	(50,618)	-	(50,618)
Net Support from Special Events	9,832	-	9,832
Program Services Revenue			
Patient services			
Medicaid	1,184,774	-	1,184,774
Patient revenue	1,391,000	-	1,391,000
Total Program Services Revenue	2,575,774	-	2,575,774
Other Revenues			
Interest income	100,994	-	100,994
Loss on disposal of assets	-	-	-
Total Other Revenues	100,994	-	100,994
Net Assets Released from Restrictions			
Satisfaction of program restrictions	698,343	(698,343)	-
Satisfaction of time restrictions	24,590	(24,590)	-
Total Net Assets Released from Restrictions	722,933	(722,933)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	13,653,884	2,269,934	15,923,818
EXPENSES			
Program Services			
Patient services	10,999,971	-	10,999,971
Management and General	613,113	-	613,113
Fundraising	965,217	-	965,217
TOTAL EXPENSES	12,578,301	-	12,578,301
CHANGE IN NET ASSETS	1,075,583	2,269,934	3,345,517
NET ASSETS, beginning of year	4,262,799	4,577,314	8,840,113
NET ASSETS, end of year	\$ 5,338,382	\$ 6,847,248	\$12,185,630

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2026

	Patient Services	Management and General	Fundraising	Total
Salaries and wages	\$ 2,790,737	\$ 361,738	\$ 385,254	\$ 3,537,729
Payroll taxes	233,918	26,606	21,684	282,208
Employee benefits	298,692	20,533	14,511	333,736
	<u>3,323,347</u>	<u>408,877</u>	<u>421,449</u>	<u>4,153,673</u>
In-kind contributed pharmaceuticals	4,475,602	-	-	4,475,602
In-kind contributed services and supplies	969,086	-	-	969,086
Medical supplies	367,166	3,271	3,060	373,497
Depreciation	180,940	21,287	10,644	212,871
Computer maintenance and software	160,852	14,294	30,110	205,256
Medicaid billing	128,622	-	-	128,622
Professional fees	30,065	82,453	3,060	115,578
Utilities	81,410	23,292	5,962	110,664
Facilities	71,573	11,088	3,103	85,764
In-kind contributed rent	55,250	6,500	3,250	65,000
Miscellaneous	23,344	11,640	17,370	52,354
Insurance	44,400	3,389	4,195	51,984
Dues and subscriptions	7,935	32,228	385	40,548
Repairs and maintenance	31,220	3,439	2,656	37,315
Staff development	3,242	23,567	1,071	27,880
Interest	21,871	2,492	2,287	26,650
Public relations	1,183	282	23,885	25,350
Lease	21,620	2,178	1,082	24,880
Taxes and licenses	15,016	8,317	1,513	24,846
Office expense	17,912	1,804	897	20,613
Special event costs	-	-	73,444	73,444
Capital campaign	-	-	2,776	2,776
Travel	-	549	419	968
TOTAL EXPENSES	<u>10,031,656</u>	<u>660,947</u>	<u>612,618</u>	<u>11,305,221</u>
Direct benefits to donors	<u>-</u>	<u>-</u>	<u>(53,366)</u>	<u>(53,366)</u>
PER STATEMENT OF ACTIVITIES	<u>\$ 10,031,656</u>	<u>\$ 660,947</u>	<u>\$ 559,252</u>	<u>\$ 11,251,855</u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025

	Patient Services	Management and General	Fundraising	Total
Salaries and wages	\$ 2,997,172	\$ 340,991	\$ 539,884	\$ 3,878,047
Payroll taxes	248,215	25,927	21,020	295,162
Employee benefits	243,956	29,201	28,902	302,059
	<u>3,489,343</u>	<u>396,119</u>	<u>589,806</u>	<u>4,475,268</u>
In-kind contributed pharmaceuticals	5,153,039	-	-	5,153,039
In-kind contributed services and supplies	995,262	-	-	995,262
Medical supplies	511,463	8,137	11,869	531,469
Depreciation	189,338	22,275	11,137	222,750
Computer maintenance and software	124,905	16,318	35,375	176,598
Professional fees	13,866	33,040	102,389	149,295
Medicaid billing	130,963	-	-	130,963
Utilities	78,142	23,286	6,864	108,292
Facilities	75,403	23,176	5,776	104,355
Capital campaign	-	-	79,588	79,588
Special event costs	88	-	79,414	79,502
Interest	62,063	7,758	7,758	77,579
Repairs and maintenance	45,100	5,772	20,479	71,351
Insurance	41,032	4,315	5,666	51,013
Public relations	3,961	200	32,680	36,841
Miscellaneous	17,747	6,480	12,309	36,536
Taxes and licenses	15,988	16,836	1,998	34,822
Dues and subscriptions	4,240	27,358	1,074	32,672
Office expense	24,517	3,319	4,535	32,371
Staff development	6,782	16,607	4,235	27,624
Lease	15,583	2,110	2,883	20,576
Travel	1,146	7	-	1,153
TOTAL EXPENSES	<u>10,999,971</u>	<u>613,113</u>	<u>1,015,835</u>	<u>12,628,919</u>
Direct benefits to donors	<u>-</u>	<u>-</u>	<u>(50,618)</u>	<u>(50,618)</u>
PER STATEMENT OF ACTIVITIES	<u>\$ 10,999,971</u>	<u>\$ 613,113</u>	<u>\$ 965,217</u>	<u>\$ 12,578,301</u>

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,555,550	\$ 3,345,517
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	225,911	235,420
(Increase) decrease in		
Medicaid receivables	36,857	(69,458)
Grants and contributions receivable	674,559	595,358
Inventory	(35,921)	(31,909)
Prepaid expenses	(25,270)	23,378
Increase (decrease) in		
Accounts payable	16	9,011
Accrued expenses	19,188	(40,066)
Lease liability	(13,040)	(12,670)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,437,850</u>	<u>4,054,581</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to construction in progress	(909,904)	-
Purchases of property and equipment	(42,446)	(97,792)
NET CASH USED IN INVESTING ACTIVITIES	<u>(952,350)</u>	<u>(97,792)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(721,370)	(600,000)
NET CASH USED IN FINANCING ACTIVITIES	<u>(721,370)</u>	<u>(600,000)</u>
INCREASE IN CASH	764,130	3,356,789
CASH AND RESTRICTED CASH, beginning of year	<u>6,819,141</u>	<u>3,462,352</u>
CASH AND RESTRICTED CASH, end of year	<u><u>\$ 7,583,271</u></u>	<u><u>\$ 6,819,141</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 26,650	\$ 77,579
Cash paid for operating leases	\$ 24,880	\$ 20,576

See Independent Auditor's Report and Notes to Financial Statements

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025

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.

Fair Value Measurements

Cross-Over reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States of America, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1:* Quoted prices for identical assets or liabilities in active markets to which Cross-Over has access at the measurement date.
- *Level 2:* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3:* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2026 AND 2025

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

Fair Value Measurements - Continued

When available, Cross-Over measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that Cross-Over is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in Cross-Over's financial statements are:

- Initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- Recurring measurement of in-kind contributions (Note N).

Cross-Over uses the following ways to determine the fair value of its investments:

- *Donated pharmaceuticals*: Determined by market pricing data for comparable pharmaceuticals.
- *Contributed professional and medical services*: Determined by estimated rates for comparable physician and nursing services based on credential, specialty, and hours contributed.
- *Donated rent or use of facilities*: Determined by comparable market rental rates for similar facilities based on location, square footage, type of space, and term of use.

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).

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2026 AND 2025

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, 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, 2026 and 2025.

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 three months or less. The carrying value of cash approximates fair value because of the short maturities of those financial instruments.

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 \$20,506 and \$23,742, respectively, as of June 30, 2026 and 2025.

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 N.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2026 AND 2025

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

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.

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.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2026 AND 2025

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

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 N.

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.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2026 AND 2025

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

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 K.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, Cross-Over's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of Cross-Over.

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.

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.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2026 AND 2025

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

Leases

Cross-Over determines if a contract contains a lease at inception based on whether Cross-Over has the right to control the asset during the contract period and other facts and circumstances. The lease classification is determined at the commencement date.

Cross-Over has elected to apply the practical expedient allowing for leases with terms of 12 months or fewer to remain off the balance sheet.

Cross-Over has elected to apply the risk-free interest rate. Cross-Over has not elected to apply a single discount rate to each portfolio of leases.

Cross-Over applies the practical expedient to use hindsight in determining the lease term when a lease contains renewal or termination options. Options to renew are considered reasonably certain of being exercised based on evaluation of Cross-Over's economic and strategic initiatives.

Cross-Over has elected to combine lease and non-lease components as a single lease component for each class of assets. Lease and non-lease components are combined as a single lease payment and are included in the right-of-use asset and lease liability.

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, 2026 are:

Financial assets:	
Cash and restricted cash	\$ 7,583,271
Medicaid receivable, net	94,263
Grants and contributions receivable, net	1,804,974
Total financial assets	<u>9,482,508</u>
Less financial assets held to meet donor-imposed restrictions	
Purpose restricted net assets (Note J)	6,250,689
Less financial assets not available within one year	
Contributions receivable (Note J)	<u>1,057,259</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,174,560</u>

As part of its liquidity management plan, Cross-Over maintains an informal operating reserve target equal to approximately six months of operating expenses (Note C). Such amounts have not been formally designated by the board of directors and remain available to meet general operating needs. Cross-Over also has access to a \$275,000 line of credit (Note H).

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2026 AND 2025

NOTE C - CASH AND RESTRICTED CASH

Cash consists of the following as of June 30, 2026 and 2025:

	2026	2025
Operating	\$ 335,783	\$ 595,632
Restricted	4,809,657	4,261,435
Reserves	2,437,831	1,962,074
	<u>\$ 7,583,271</u>	<u>\$ 6,819,141</u>

NOTE D - MEDICAID RECEIVABLES

Medicaid receivables, net are as follows as of June 30, 2026, 2025, and 2024:

	2026	2025	2024
Medicaid receivables	\$ 114,769	\$ 154,862	\$ 77,989
Less: Allowance for contractual adjustments	20,506	23,742	16,327
Medicaid receivables, net	<u>\$ 94,263</u>	<u>\$ 131,120</u>	<u>\$ 61,662</u>

NOTE E - GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable, net as of June 30, 2026 and 2025 are due as follows:

	2026	2025
Less than one year	\$ 1,344,655	\$ 1,501,862
One year to five years	525,597	1,154,660
	1,870,252	2,656,522
Less: Unamortized discount at 7.75%	65,278	176,989
	<u>\$ 1,804,974</u>	<u>\$ 2,479,533</u>

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following as of June 30, 2026 and 2025:

	2026	2025
Land	\$ 537,155	\$ 537,155
Buildings	1,632,286	1,632,286
Building improvements	1,123,894	1,123,894
Machinery and equipment	578,401	552,809
Computer equipment	181,417	188,320
Furniture and fixtures	222,659	231,289
Construction in progress	909,904	-
	5,185,716	4,265,753
Less: Accumulated depreciation	1,662,910	1,482,426
	<u>\$ 3,522,806</u>	<u>\$ 2,783,327</u>

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2026 AND 2025

NOTE G - LEASES

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.

As of June 30, 2026 and 2025, the remaining lease term for the lease was .83 and 1.83 years, respectively.

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, 2026 and 2025 was 2.88%.

During the years ended June 30, 2026 and 2025, lease expense was as follows:

	2026	2025
Operating lease expense	\$ 13,533	\$ 13,533
Variable lease expense	11,347	7,043
Total lease expense	<u>\$ 24,880</u>	<u>\$ 20,576</u>

As of June 30, 2026 and 2025, the right-of-use asset and lease liability related to the operating lease was as follows:

	2026	2025
Operating lease - right-of-use asset	<u>\$ 11,156</u>	<u>\$ 24,196</u>
Operating lease liability:		
Current portion of operating lease liability	\$ 11,156	\$ 13,040
Operating lease liability, net of current portion	-	11,156
	<u>\$ 11,156</u>	<u>\$ 24,196</u>

Future payments due under the operating lease as of June 30, 2026 were as follows:

<u>Year Ending June 30,</u>	<u>Operating</u>
2027	\$ 11,277
Less: present value discount	121
Total lease liability	<u>\$ 11,156</u>

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2026 AND 2025

NOTE H - LINE OF CREDIT

Cross-Over maintains a \$275,000 line of credit agreement with TowneBank. 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, 2026 and 2025.

NOTE I - LONG-TERM DEBT

Cross-Over maintains a business loan agreement with TowneBank that is subject to an annual lender review. The loan is similar to a line of credit and contemplates multiple loan advances. The original agreement allowed draws of up to \$3,950,000 with an expiration date of December 15, 2026. During February 2026, the agreement was updated to reduce total draws allowed to \$1,500,000 and a revised expiration date of December 31, 2028. 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. During the years ended June 30, 2026 and 2025, there were no additional advances drawn on the loan, and principal payments of \$721,370 and \$600,000 were made during those years, respectively. As of June 30, 2026, there was no balance remaining on the loan. Cross-Over is subject to financial covenants with which it is in compliance as of June 30, 2026.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2026 and 2025, net assets with donor restrictions were available for the following purposes:

Purpose restrictions, available for spending:	2026	2025
Capital campaign	\$ 6,075,689	\$ 5,057,805
Pediatric provider	100,000	-
eClinical consulting	45,000	-
Pediatric dentist	30,000	-
Total purpose-restricted net assets	6,250,689	5,057,805
Time restrictions:		
Grants and contributions receivable, net, which are unavailable for spending until due, some of which are also subject to purpose restrictions	1,057,259	1,789,443
Total net assets with donor restrictions	<u>\$ 7,307,948</u>	<u>\$ 6,847,248</u>

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2026 AND 2025

NOTE K - SPECIAL EVENTS

Income from special events, including sponsorships and contributions, for the years ended June 30, 2026 and 2025 is as follows:

	2026	2025
Sponsorships and contributions	\$ 304,820	\$ 283,611
Registrations and tickets	56,587	60,450
Less: Direct benefits to donors	53,366	50,618
	<u>\$ 308,041</u>	<u>\$ 293,443</u>

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

NOTE L - 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 matching contributions of \$113,575 and \$97,975 for the years ended June 30, 2026 and 2025, respectively.

NOTE M - 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 N - 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, 2026 and 2025 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 \$4.5 million and \$5.2 million for the years ended June 30, 2026 and 2025, respectively, 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 Cross-Over.

THE CROSS-OVER MINISTRY, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2026 AND 2025

NOTE N - IN-KIND CONTRIBUTIONS - Continued

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 13,220 and 15,563 hours of volunteered professional services from various medical doctors (general practitioners and specialists), dentists, and nurses in the care of its patients during the years ended June 30, 2026 and 2025, respectively. The value of such volunteer hours was approximately \$969,086 and \$995,262 for the years ended June 30, 2026 and 2025, 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.
- Cross-Over receives an in-kind contribution of rental office and storage space. The value of in-kind rent was approximately \$65,000 for the year ended June 30, 2026.

NOTE O - 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 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. In addition, Cross-Over maintains insured cash sweep accounts to mitigate credit risk and exposure on its cash balances. Cross-Over did not have any balances exceeding the FDIC insured amount as of June 30, 2026 and 2025.

As of June 30, 2026, approximately 43% of Cross-Over's grants and contributions receivable were derived from three donors. As of June 30, 2025, approximately 33% of Cross-Over's grants and contributions receivable were derived from three donors.

NOTE P - SUBSEQUENT EVENTS

In the preparation of its financial statements, The Cross-Over Ministry, Inc. considered subsequent events through September 24, 2026, which was the date the financial statements were available to be issued. There are no material subsequent events that require disclosure in the accompanying financial statements.