



CROSS INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2017





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Cross International, Inc.
Pompano Beach, Florida

We have audited the accompanying financial statements of Cross International, Inc. ("the Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows, and functional expenses for the six months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cross International, Inc. as of June 30, 2017, the changes in its net assets, and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Fort Lauderdale, Florida
March 23, 2018

CROSS INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS

ASSETS

Cash and cash equivalents	\$ 338,544
Investments	187,562
Inventories	4,010,903
Pledges and other receivables, net	160,768
Other assets	77,922
Investments restricted to endowment	233,000
Property and equipment, net	<u>25,237</u>

Total assets	<u>\$ 5,033,936</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 161,671
Due to affiliate	<u>783,645</u>

Total liabilities	<u>945,316</u>
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NET ASSETS

Unrestricted	3,855,620
Permanently restricted	<u>233,000</u>

Total net assets	<u>4,088,620</u>
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Total liabilities and net assets	<u>\$ 5,033,936</u>
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CROSS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For The Six Months Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Noncash contributions	\$ 60,467,207	\$ —	\$ —	\$ 60,467,207
Cash contributions	550,916	2,282,476	—	2,833,392
Other revenue	131,484	—	—	131,484
Net assets released from time and use restrictions	<u>2,305,581</u>	<u>(2,305,581)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>63,455,188</u>	<u>(23,105)</u>	<u>—</u>	<u>63,432,083</u>
EXPENSES				
Program	61,514,125	—	—	61,514,125
Management and general	936,441	—	—	936,441
Fundraising	<u>1,016,924</u>	<u>—</u>	<u>—</u>	<u>1,016,924</u>
Total expenses	<u>63,467,490</u>	<u>—</u>	<u>—</u>	<u>63,467,490</u>
CHANGE IN NET ASSETS	(12,302)	(23,105)	—	(35,407)
NET ASSETS - Beginning of year	145,753	23,105	233,000	401,858
ELIMINATION OF AMOUNT PAYABLE TO COOPERATING MINISTRY (Note D)	<u>3,722,169</u>	<u>—</u>	<u>—</u>	<u>3,722,169</u>
NET ASSETS - End of year	<u>\$ 3,855,620</u>	<u>\$ —</u>	<u>\$ 233,000</u>	<u>\$ 4,088,620</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

CROSS INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For The Six Months Ended June 30, 2017

OPERATING CASH FLOWS

Cash received from contributors	\$ 2,929,344
Cash received from other sources	103,597
Cash paid for operating activities and costs	<u>(3,959,795)</u>

Net operating cash flows	<u>(926,854)</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS	(926,854)
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CASH AND CASH EQUIVALENTS - Beginning of year	<u>1,265,398</u>
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CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 338,544</u></u>
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RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS

Change in net assets	\$ (35,407)
Adjustments to reconcile change in net assets to net operating cash flows	
Net gain on investments	(27,887)
Depreciation	18,752
Change in inventories	(1,577,732)
Change in pledges and other receivables	680,450
Change in other assets	(36,719)
Change in accounts payable and accrued expenses	(25,926)
Change in due to affiliate	<u>77,615</u>

Net operating cash flows	<u><u>\$ (926,854)</u></u>
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CROSS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Six Months Ended June 30, 2017

	Program				Supporting			Total Expenses
	Medical, Food, and Other Assistance	Project Development	Missions Education	Total Program	Management and General	Fundraising	Total Supporting	
Salaries	\$ 65,452	\$ 77,791	\$ 80,030	\$ 223,273	\$ 329,649	\$ 201,918	\$ 531,567	\$ 754,840
Employee benefits	14,476	35,672	14,735	64,883	112,909	57,140	170,049	234,932
Payroll taxes	5,326	6,056	6,968	18,350	26,278	16,238	42,516	60,866
Total personnel-related expenses	85,254	119,519	101,733	306,506	468,836	275,296	744,132	1,050,638
Goods distributed	58,889,475	—	—	58,889,475	—	—	—	58,889,475
Grants	—	1,627,005	—	1,627,005	—	—	—	1,627,005
Airtime	—	—	414,985	414,985	—	350,943	350,943	765,928
Other expenses	621	146	100	867	174,741	70,508	245,249	246,116
Shipping expenses	204,382	—	—	204,382	61	32	93	204,475
Travel	3,550	66	42,143	45,759	11,618	64,167	75,785	121,544
Printing	—	—	144	144	356	85,153	85,509	85,653
Postage	456	56	2,940	3,452	15,013	60,707	75,720	79,172
Data processing	—	—	—	—	65,392	12,501	77,893	77,893
Advertising and solicitation	—	—	—	—	3,600	69,484	73,084	73,084
Occupancy	8,013	—	—	8,013	51,756	—	51,756	59,769
Equipment rental	—	299	—	299	46,282	50	46,332	46,631
Contractors and consultants	3,769	5,485	2,025	11,279	14,670	15,536	30,206	41,485
Merchant processing and bank fees	—	—	—	—	35,058	—	35,058	35,058
Professional services	—	—	202	202	25,622	1,797	27,419	27,621
Office supplies	382	60	—	442	14,355	2,913	17,268	17,710
Product acquisition fees	1,100	—	—	1,100	—	6,824	6,824	7,924
Property insurance	—	—	—	—	5,887	—	5,887	5,887
Software	215	—	—	215	3,194	1,013	4,207	4,422
Total	\$ 59,197,217	\$ 1,752,636	\$ 564,272	\$ 61,514,125	\$ 936,441	\$ 1,016,924	\$ 1,953,365	\$ 63,467,490

The Accompanying Notes are an Integral
Part of These Financial Statements

CROSS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE A – NATURE OF ACTIVITIES

Cross International, Inc. (the “Organization”) was established in 2001 as a Florida not-for-profit corporation with its mission to mobilize the global Church to transform the poor and their communities materially and spiritually for the glory of Jesus Christ. Protestant churches located in Africa, the Caribbean, Latin America, and Southeast Asia are key beneficiaries. These ministries have dreams of helping the poor in their communities, but they lack the resources or funds needed to realize their goals. The Organization was created to empower these ministries by funding water and housing projects, providing food to feeding centers, medicines to clinics, educational materials to schools, and other specific commodities to outreaches of various kinds. The Organization also assists with operating expenses, including providing funding for teachers to schools and local crews for building construction. In this way, The Organization makes effective use of existing infrastructure by better utilizing the buildings and staff already in place overseas.

The Organization is an accredited member of the Evangelical Council for Financial Accountability, a national accrediting organization with standards in the areas of financial accountability, transparency, fundraising, and board governance.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as “net assets released from time and use restrictions.” Contributions of noncash assets are recorded at estimated fair value on the date of the gift.

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash and cash equivalents.

Inventories

Inventories consist of humanitarian relief goods which were not yet distributed to beneficiaries as of June 30, 2017. Inventories are recorded at estimated fair value on the date of the gift.

Investments restricted to endowment

Investments restricted to endowment held by the Organization consist of amounts invested in a mutual fund, carried at estimated fair value, distributions from which are required to be used for food and medicinal aid.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is computed using either the straight-line method or accelerated methods over the estimated useful lives of the respective assets.

Temporarily restricted net assets

Temporarily restricted net assets consist primarily of amounts held by the Organization for use toward specific projects. The Organization satisfies certain use restrictions by distributing donated gifts in-kind. However, the Organization strives to use at least 50% of restricted cash gifts in carrying out the related project.

CROSS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The Organization has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements. The Organization has not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America.

Use of estimates

Management uses estimates and assumptions in preparing the accompanying financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported revenues and expenses. Significant estimates used in preparing these financial statements include those used in determining the useful lives of property and equipment and the estimated fair value of noncash contributions. Actual results could differ from the estimates.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through March 23, 2018, the date as of which the accompanying financial statements were available to be issued.

NOTE C – CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

During the six months ended June 30, 2017, approximately 97% of total noncash contribution revenue was sourced from the Organization's largest donor.

NOTE D – TRANSACTIONS WITH COOPERATING MINISTRY

The Organization cooperates in ministry with Cross Catholic Outreach, Inc. ("CCO"), an organization that shares management with the Organization. The Organization and CCO previously presented combining and combined financial statements. Effective with the six month period ended June 30, 2017, management determined that separate financial statements for each organization are more meaningful than combining and combined financial statements. Accordingly, combining and combined financial statements are no longer presented. Shared costs are generally allocated 17% to the Organization and 83% to CCO.

During the six months ended June 30, 2017, CCO notified the Organization of its unconditional commitment to forgive \$3,722,169 of amounts owed by the Organization to CCO in consideration of comparable past grants made by the Organization to CCO's aid programs. This amount is included in the accompanying statement of activities as "elimination of amount payable to cooperating ministry." As of June 30, 2017, the Organization's financial statements included a liability ("due to affiliate") of \$783,645 for amounts owed by the Organization to CCO. The Organization plans to repay CCO as positive cash flows permit.

CROSS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE D – TRANSACTIONS WITH COOPERATING MINISTRY (Continued)

In addition, during the six months ended June 30, 2017, CCO made contributions to a retirement plan sponsored by the Organization in the approximate amount of \$90,000 (see Note H). CCO also paid approximately \$276,000 for office rent and common area costs pursuant to a lease under which the Organization is liable (see Note J).

NOTE E – PROPERTY AND EQUIPMENT

As of June 30, 2017, property and equipment consisted of the following:

<u>Category</u>	
Leasehold improvements	\$ 84,560
Furniture and equipment	<u>231,310</u>
Total property and equipment	315,870
Less: Accumulated depreciation	<u>(290,633)</u>
Net property and equipment	<u>\$ 25,237</u>

Depreciation expense was \$18,752 for the six months ended June 30, 2017.

NOTE F – RESTRICTIONS ON NET ASSETS

Temporarily restricted net asset activity during the six months ended June 30, 2017 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30</u>
Food, water, and medicinal aid	\$ 14,340	\$ 1,162,549	\$ (1,176,889)	\$ —
Disaster, educational, and other aid	8,765	933,004	(941,769)	—
Housing-related aid	—	144,525	(144,525)	—
Aid to orphans and vulnerable children	<u>—</u>	<u>42,398</u>	<u>(42,398)</u>	<u>—</u>
Total	<u>\$ 23,105</u>	<u>\$ 2,282,476</u>	<u>\$ (2,305,581)</u>	<u>\$ —</u>

Permanently restricted net assets consist of an endowment held by the Organization, distributions from which are restricted for food and medicinal aid.

CROSS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE G – NONCASH CONTRIBUTIONS

The Organization receives donations of food, water, medicine, and other supplies for use in relieving suffering and poverty throughout the world. Noncash contributions are recognized as revenue at their estimated fair value on the date the gifts are received and are recognized as expenses when the related gifts are distributed to the end user or the date upon which the Organization no longer exercises practical control over the gifts. Pharmaceutical noncash contributions are generally valued using “wholesale acquisition cost” when available or 80% of the “average wholesale price” according to the Red Book, a well-known industry pricing guide. Non-pharmaceutical noncash contributions, such as clothing, building supplies, food, and water, are generally valued at 65% of the retail price for new items and 25% of the retail price for used items. The Organization considers the valuation practices used for noncash contributions to be consistent with industry standards.

NOTE H – RETIREMENT PLAN

The Organization has adopted a 401(k) Profit Sharing Plan (“the Plan”) for the benefit of the Organization’s and CCO’s employees. All employees meeting the Plan’s eligibility requirements may participate in the Plan. During the six months ended June 30, 2017, the Organization contributed approximately \$18,000 to the Plan.

NOTE I – FUNDRAISING ACTIVITIES

During the six months ended June 30, 2017, the Organization incurred joint costs in the amount of \$765,928 for informational activities which included fundraising appeals in connection with the Organization’s exempt purposes. Of those costs, \$350,943 was allocated to fundraising expense and \$414,985 was allocated to missions education expense.

NOTE J – OPERATING LEASES

The Organization leases building space and equipment under operating lease agreements. Total rent expense for all operating leases for the six months ended June 30, 2017 (including common area charges and short-term rentals) amounted to approximately \$74,000.

Future minimum rental payments under noncancelable operating leases are approximately as follows:

Year Ending	
<u>June 30,</u>	
2018	\$ 524,000
2019	513,000
2020	<u>257,000</u>
Total	<u>\$ 1,294,000</u>