

**CHRISTIANS REACHING
OUT TO SOCIETY, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2023
(with comparable totals for 2022)**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6-7
Statement of Functional Expenses	8
NOTES TO FINANCIAL STATEMENTS	9-22
SUPPLEMENTARY INFORMATION	
Schedule of Program Services	23



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Christians Reaching Out to Society, Inc.
Lake Worth, Florida

Opinion

We have audited the accompanying financial statements of Christians Reaching Out to Society, Inc. (CROS) (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, cash flows, and functional expenses for the year 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 CROS as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 CROS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 CROS's ability to continue as a going concern within one year after the date that the consolidated 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 CROS'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 CROS'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.

Report on Summarized Comparative Information

We have previously audited Christians Reaching Out to Society Inc.'s December 31, 2022 financial statements, and we expressed an unmodified audit opinion in our report dated June 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program services on page 23, is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Holyfield & Thomas, LLC

West Palm Beach, Florida
June 12, 2024

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

*As of December 31, 2023**(with comparable totals for 2022)*

	Without Donor Restrictions	With Donor Restrictions	2023 Totals	2022 Totals
ASSETS				
Cash and cash equivalents	\$ 337,574	\$ 31,105	\$ 368,679	\$ 1,264,787
Accounts receivable	9,574	-	9,574	2,779
Grants receivable	-	18,066	18,066	28,797
Promises to give	-	79,976	79,976	149,976
Inventories	223,000	-	223,000	294,000
Investments	1,120,514	-	1,120,514	997,601
Prepaid expenses	14,646	-	14,646	10,798
Total current assets	1,705,308	129,147	1,834,455	2,748,738
Other assets	4,656	-	4,656	11,538
Investments in endowment	263,797	-	263,797	263,797
Beneficial interest in trusts	-	164,849	164,849	149,356
Property and equipment, net	1,628,130	-	1,628,130	262,894
Right-of-use assets:				
Operating leases, net	16,648	-	16,648	285,597
Finance leases, net	16,386	-	16,386	23,433
Total assets	<u>\$ 3,634,925</u>	<u>\$ 293,996</u>	<u>\$ 3,928,921</u>	<u>\$ 3,745,353</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 29,611	\$ -	\$ 29,611	\$ 26,688
Mortgage payable, current portion	24,283	-	24,283	-
Lease obligations, current portion:				
Operating leases	16,648	-	16,648	94,750
Finance leases	7,333	-	7,333	6,129
Total current liabilities	77,875	-	77,875	127,567
Long-term liabilities:				
Mortgage payable	1,059,717	-	1,059,717	-
Lease obligations:				
Operating leases	-	-	-	191,947
Finance leases	13,043	-	13,043	20,951
Total liabilities	<u>1,150,635</u>	<u>-</u>	<u>1,150,635</u>	<u>340,465</u>
Net assets:				
Without donor restrictions:				
Undesignated	2,220,493	-	2,220,493	2,741,800
Designated by the Board	263,797	-	263,797	263,797
Total without donor restrictions	2,484,290	-	2,484,290	3,005,597
With donor restrictions:				
Purpose restrictions	-	129,147	129,147	249,935
Time restrictions	-	114,849	114,849	99,356
Perpetual in nature	-	50,000	50,000	50,000
Total with donor restrictions	-	293,996	293,996	399,291
Total net assets	<u>2,484,290</u>	<u>293,996</u>	<u>2,778,286</u>	<u>3,404,888</u>
Total liabilities and net assets	<u>\$ 3,634,925</u>	<u>\$ 293,996</u>	<u>\$ 3,928,921</u>	<u>\$ 3,745,353</u>

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF ACTIVITIES

*For the Year Ended December 31, 2023**(with comparable totals for 2022)*

	Without Donor Restrictions	With Donor Restrictions	2023 Totals	2022 Totals
Support and revenues:				
Congregation support	\$ 120,819	\$ 83,936	\$ 204,755	\$ 184,982
Foundation support	334,250	251,076	585,326	591,850
Government support	60,120	155,351	215,471	522,345
Donated goods and services:				
Food	2,764,641	-	2,764,641	1,583,768
Facility usage	85,600	-	85,600	67,180
Professional service	5,000	-	5,000	-
Supplies and equipment	250	-	250	6,265
Other contributions	291,148	35,513	326,661	358,374
United Way allocation	-	153,840	153,840	134,500
Bequest	-	-	-	328
Camp program fees	-	-	-	15,535
Miscellaneous	2,439	4,446	6,885	4,894
Special events	79,162	-	79,162	48,486
Investment income, net	51,175	-	51,175	19,412
Realized and unrealized gain (loss) on investments	71,609	-	71,609	(102,179)
Change in value of beneficial interest in trusts	-	15,493	15,493	(25,523)
	<u>3,866,213</u>	<u>699,655</u>	<u>4,565,868</u>	<u>3,410,217</u>
Total support and revenues				
Net assets released from restrictions	<u>804,950</u>	<u>(804,950)</u>	<u>-</u>	<u>-</u>
	<u>4,671,163</u>	<u>(105,295)</u>	<u>4,565,868</u>	<u>3,410,217</u>
Expenses:				
Program services	4,858,597	-	4,858,597	3,536,449
Supporting services:				
Management and general	179,215	-	179,215	220,777
Fundraising	154,658	-	154,658	110,959
	<u>5,192,470</u>	<u>-</u>	<u>5,192,470</u>	<u>3,868,185</u>
Total expenses				
Change in net assets	(521,307)	(105,295)	(626,602)	(457,968)
Net assets, beginning of year	<u>3,005,597</u>	<u>399,291</u>	<u>3,404,888</u>	<u>3,862,856</u>
Net assets, end of year	<u>\$ 2,484,290</u>	<u>\$ 293,996</u>	<u>\$ 2,778,286</u>	<u>\$ 3,404,888</u>

See accompanying notes to financial statements.

For the Year Ended December 31, 2023***(with comparable totals for 2022)***

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from:		
Contributions and support	\$ 1,559,989	\$ 1,796,335
Camp program fees	-	15,535
Special events	79,162	48,486
Investment income, net	51,175	19,412
Cash paid to vendors and employees	(2,155,383)	(2,152,381)
Operating leases, net	-	1,100
Miscellaneous income	6,885	4,894
	<u>(458,172)</u>	<u>(266,619)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,462,828)	(17,328)
Purchase of investments	-	(642,563)
	<u>(1,462,828)</u>	<u>(659,891)</u>
Cash flows from financing activities:		
Proceeds from note payable	1,084,000	-
Principal payments on lease obligations	(59,108)	(6,129)
	<u>1,024,892</u>	<u>(6,129)</u>
Net cash used in operating activities	(458,172)	(266,619)
Net cash used in investing activities	(1,462,828)	(659,891)
Net cash provided by (used in) financing activities	1,024,892	(6,129)
Net change in cash	(896,108)	(932,639)
Cash and cash equivalents, beginning of year	<u>1,264,787</u>	<u>2,197,426</u>
Cash and cash equivalents, end of year	<u>\$ 368,679</u>	<u>\$ 1,264,787</u>

See accompanying notes to financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023***(with comparable totals for 2022)***

	<u>2023</u>	<u>2022</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ (626,602)	\$ (457,968)
Adjustments to reconcile change in net cash to net cash used in operating activities:		
Depreciation	104,639	103,162
Realized and unrealized loss (gain) on investments	(71,609)	102,179
Change in value of beneficial interest in trusts	(15,493)	25,523
(Increase) decrease in certain assets:		
Accounts receivable	(6,795)	19,718
Grants receivable	10,731	4,238
Promises to give	70,000	(20,000)
Inventories	71,000	(42,000)
Prepaid expenses	(3,848)	9,407
Other assets	6,882	-
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	2,923	(11,978)
Operating lease obligations	-	1,100
Net cash used in operating activities	<u>\$ (458,172)</u>	<u>\$ (266,619)</u>

See accompanying notes to financial statements.

*For the Year Ended December 31, 2023**(with comparable totals for 2022)*

	Program Services	Supporting Activities		2023 Totals	2022 Totals
		Management and General	Fundraising		
Salaries	\$ 834,275	\$ 94,341	\$ 54,587	\$ 983,203	\$ 956,501
Payroll taxes	59,233	5,570	4,038	68,841	65,229
Health benefits	75,919	9,670	5,546	91,135	85,617
Other employee benefits	27,832	5,407	1,808	35,047	33,556
Total salaries and related benefits	997,259	114,988	65,979	1,178,226	1,140,903
Advertising and promotion	1,266	146	1,718	3,130	2,649
Building rent expense	8,652	234	103	8,989	13,909
Casual labor	513	-	-	513	30,011
Computer maintenance	2,811	217	124	3,152	9,529
Conferences and meetings	6,897	933	1,818	9,648	10,602
Depreciation expense	102,222	1,536	881	104,639	103,162
Insurance	14,167	1,033	592	15,792	12,478
Interest expense	1,625	1,108	183	2,916	2,740
IT services	35,532	7,763	4,004	47,299	42,901
Lease expense	106,876	4,827	2,801	114,504	114,864
Office expense	12,872	789	7,161	20,822	20,192
Other expenses	16,816	14,029	15,055	45,900	23,538
Photocopying and printing	330	1,946	11,617	13,893	15,398
Postage and delivery	162	1,357	3,548	5,067	7,651
Professional fees	6,000	25,250	4,000	35,250	35,100
Program expenses:					
Food	451,902	-	-	451,902	459,159
Operations	88,432	-	-	88,432	125,156
Repairs and maintenance	57,902	713	317	58,932	24,397
Special events venue	-	-	30,186	30,186	15,127
Telephone and Internet	16,330	853	656	17,839	18,669
Travel	12,345	444	461	13,250	13,999
Utilities	22,471	1,049	466	23,986	18,782
Volunteer expense	7,724	-	-	7,724	3,670
Website expense	-	-	2,988	2,988	3,237
Total expenses before In-kind expenses	1,971,106	179,215	154,658	2,304,979	2,267,823
Donated goods and services:					
Food	2,796,641	-	-	2,796,641	1,531,768
Facilities	85,600	-	-	85,600	67,180
Professional service	5,000	-	-	5,000	-
Supplies and equipment	250	-	-	250	1,414
Total expenses	\$ 4,858,597	\$ 179,215	\$ 154,658	\$ 5,192,470	\$ 3,868,185

See accompanying notes to financial statements.

For the Year Ended December 31, 2023

1. *Business and Summary of Significant Accounting Policies**Organization*

Christians Reaching Out To Society, Inc. ("CROS Ministries") is a Florida nonprofit entity that was incorporated in 1978 and has an affiliation with the United Methodist Church. CROS Ministries serves the hungry in Palm Beach and Martin Counties through community collaborations. CROS Ministries is supported primarily through donor contributions, grants, and governmental financial assistance. Some of the programs offered by CROS Ministries include:

CROS Camp

CROS Camp is a nine-week summer day camp program for children, from kindergarten through 8th grade, living in Title I zip codes (neighborhoods receiving federal funding for schools where at least 40% of the students are from families with low incomes) in Lake Worth. The camp program promotes school readiness, ensuring proper nutrition, and guaranteeing a safe, nurturing place for campers to call "home" during the day. CROS campers receive lunch, and snacks daily from Palm Beach County's Summer BreakSpot program and breakfast as needed. Camp activities include: laying the foundation of Christian values, on site or off-site field trips, academics, music, sports, arts and crafts.

The Caring Kitchen

The Caring Kitchen is a hot meal program located in Delray Beach, FL. The program serves the homeless, individuals and families with low-incomes, people with disabilities, and senior citizens. Volunteers and staff provide hot lunches five days a week, meals to the homebound five days a week, and bagged lunches on the weekend.

Community Food Pantries

CROS Ministries operates eight community food pantries, located in low-income communities in Palm Beach and Martin Counties, which distribute food to families and individuals. Pantries are open one to five days a week, depending on the location. One of the pantries is mobile and serves multiple community sites.

Gleaning and Food Recovery

Gleaning revives the biblical initiative that involves volunteers picking produce from farmers' fields that has been left after commercial harvesting methods. The produce gleaned is distributed through community partners to local agencies that work to feed the hungry in the community. Gleaning occurs from November to July.

Basis of Accounting

The accompanying financial statements of CROS Ministries have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

For the Year Ended December 31, 2023

1. Business and Summary of Significant Accounting Policies, continued*Financial Statement Presentation*

CROS Ministries follows Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605, *Not-for-Profit Entities, Revenue Recognition*. Under this standard, CROS Ministries is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net Assets Without Donor Restrictions* – are those currently available for use in the current operations of CROS Ministries under the direction of the Board of Directors.
- *Net Assets With Donor Restrictions* – are those subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the restricted amounts are reclassified to net assets without donor restrictions.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Fair Value of Financial Instruments

CROS Ministries follows FASB ASC 820-10, *Fair Value Measurements and Disclosures*, which provides a common definition of fair value, establishes a framework to measure fair value within accounting principles generally accepted in the United States of America, and expands the disclosures about fair value measurements. The standard does not create any new fair value measurements. Instead, it applies under existing accounting pronouncements that require or permit fair value measurements.

For assets and liabilities measured at fair value on a recurring basis, entities should disclose information that allows financial statement users to assess (1) the inputs used to develop such measurements, such as Level 1 (i.e., quoted price in an active market for an identical asset or liability), Level 2 (i.e., quoted price for similar assets or liabilities in active markets), or Level 3 (i.e., unobservable inputs); and (2) the effect on changes in net assets of recurring measurements that use significant unobservable (Level 3) inputs.

For the Year Ended December 31, 2023

1. Business and Summary of Significant Accounting Policies, continued*Comparative Financial Information*

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CROS Ministries' financial statements for the year ended December 31, 2022, from which the summarized information was derived. Certain 2022 amounts may have been reclassified to conform to 2023 classifications. Such reclassifications had no effect on the change in net assets as previously reported.

Cash and Cash Equivalents

For purposes of statement of cash flows, CROS Ministries considers cash in banks, money market funds, and short-term investments with a maturity of three months or less when purchased, other than amounts in its investment and endowment accounts, to be cash and cash equivalents. Cash accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time-to-time balances of these cash accounts exceed federally insured limits. CROS Ministries has not experienced any loss on such accounts and management believes CROS Ministries is not exposed to any significant credit risk arising from such balances. As of December 31, 2023, there was approximately \$552,000 in excess of the FDIC limit.

Investments

Pursuant to FASB ASC 958-320, *Investments – Debt and Equity Securities*, CROS Ministries' investments are stated at market value, based on quoted bid prices on a national stock exchange. Investments are principally held in asset growth funds and a cash management fund for the benefit of CROS Ministries. Securities transactions are recorded on a trade date basis. Interest income that is reported on the statement of activities is net of fees of approximately \$4,000, is recorded on the accrual basis and dividend income is recorded on the ex-dividend date.

Accounts Receivable

Accounts receivable consist of amounts owed to CROS Ministries by various organizations and individuals. Substantially all of the recorded accounts receivable are deemed collectible by management and no allowance is required.

Grants Receivable and Promises to Give

Grants receivable relate to gleaning activities provided for the community, and are recorded when services have been rendered and the granting authority has been billed. If events or changes in circumstances indicate that specific receivable balances may be disallowed by the granting authority, the receivable balances are written-off as an operating expense.

Unconditional promises to give are recognized as support in the period received, at the estimated amount to be ultimately realized.

For the Year Ended December 31, 2023

1. Business and Summary of Significant Accounting Policies, continued*Inventories*

Inventories consist of food received as in-kind contributions or purchased that is used in the Community Food Pantries and The Caring Kitchen programs. Inventories are stated at the estimated at fair value at the date of the donation. The estimated fair value used during the year was \$1.93 per pound, which is the average wholesale value as determined by a national network of food banks.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Donations of property and equipment are recorded as support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, CROS Ministries reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, ranging from 5 to 40 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Support and Revenues

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received, including unconditional promises, are recognized as support when the donor's commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increase that net asset class. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Program service fees are recognized as revenue in the period in which the related services commence.

Donated Goods and Services

Donated goods and services are reflected as support and expenses in the accompanying financial statements and are recorded at their estimated fair value. These amounts primarily include food, supplies, equipment, services and facilities usage, and are recorded as donated goods and services on the statement of activities and statement of functional expenses. Donated food is valued at the price per pound determined with reference to value use in a national network of food banks. Donated supplies, equipment, and professional services are valued at their estimated fair value at date of donation. Donated use of facilities is recorded at their estimated fair market rental value. Additionally, in connection with a reduction in the ending inventory for December 31, 2023, CROS realized an additional \$32,000 of donated goods expense in excess of its donated goods support.

For the Year Ended December 31, 2023

1. Business and Summary of Significant Accounting Policies, continued*Donated Goods and Services, continued*

The value of the donated goods and services are as follows for the year ended December 31, 2023:

	<u>Amount</u>	<u>Valuation</u>
Food	\$ 2,764,641	National food network
Facility Usage	85,600	Local area rents
Professional service	5,000	Common billing rates
Supplies and equipment	<u>250</u>	Market based pricing
Total	<u>\$ 2,855,491</u>	

In addition, many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, were not met. It is impracticable to determine the fair market value of all donated services by the volunteers of CROS Ministries beyond those required to be recognized as income, however CROS Ministries received approximately 25,000 volunteer hours in support of its program services and special events.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Costs that are not directly associated with providing specific services are allocated based upon the relative time spent by employees of CROS Ministries providing those services.

Income Taxes

CROS Ministries is a Florida not-for-profit corporation, pursuant to Internal Revenue Code Section 501(c)(3) and, as such, is not required to pay income taxes on its exempt function income.

CROS Ministries evaluates its uncertain tax positions in accordance with FASB ASC 740, "*Income Taxes*," which states that management's determination of the taxable status of an entity, including its status as a tax-exempt entity, is a tax position subject to the standards required for accounting for uncertainty in income taxes. Management does not believe that CROS Ministries has any significant uncertain tax positions that would be material to the financial statements. Furthermore, there is no Federal or State open-year tax return under audit.

For the Year Ended December 31, 2023

2. Liquidity and Availability

Financial assets available for general expenditure within one year, that is, without donor restrictions or other restrictions limiting their use comprise the following:

Cash and cash equivalents	\$ 337,574
Account receivable	9,574
Investments	<u>1,120,514</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,467,662</u>

CROS Ministries is substantially supported by contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, CROS Ministries must maintain sufficient resources to meet those responsibilities to its donors.

CROS Ministries investment balances consist of \$1,120,514 without donor restrictions and \$263,797 held in Board Designated endowment. The endowment funds are designated by the board to support their mission to serve the hungry in Palm Beach and Martin Counties. Although the board desires to maintain the principal amount as an endowment, it is available to support the operation if needed.

Additionally, part of CROS Ministries' liquidity management plan is to invest cash in excess of the monthly requirements into short-term investments such as certificates deposit and money market funds.

3. Fair Value Measurements

FASB ASC 820-10 establishes a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that CROS Ministries has the ability to access at the measurement date.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liabilities; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect CROS Ministries' own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

For the Year Ended December 31, 2023

3. Fair Value Measurements, continued

The fair value measurement of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair Value of Financial Instruments: The following methods and assumptions were used by CROS Ministries in estimating fair value of financial instruments that are not disclosed under FASB ASC 820-10.

Cash and cash equivalents – The carrying amount reported approximates fair value.

Accounts and grants receivable – The carrying amounts approximate fair value due to the short-term of these receivables.

Promises to give – The carrying amount approximates fair value due to the relatively short-term of these promises.

Accounts payable and accrued expenses – The carrying amount reported approximates fair value due to the short-term duration of the instruments.

Leases obligations and mortgage payable – The carrying amount reported approximates fair value as the stated interest rates approximate market rates.

Items measured at Fair Value on a Recurring Basis: The following methods and assumptions were used by CROS Ministries in estimating the fair value of financial instruments that are measured at fair value on a recurring basis under FASB ASC 820-10:

Investments:

- *Cash and U.S. Treasury Bills* – Valued at the reported brokerage amounts.
- *Money Market funds* – Valued at the price quoted by the custodian as of the close of business at year end December 31, 2023.
- *Asset growth funds* – Valued at the net asset value (“NAV”) as quoted by the custodian as of the close of business at year end December 31, 2023.

Beneficial interest in trust:

- *Remainder beneficiary in an irrevocable trust* – CROS Ministries values this asset using the current fair value of underlying investment assets in the account, the estimated life expectancy of the income beneficiary, and a discount rate that approximates current market rates.
- *Income beneficiary in a perpetual trust* – Valued by the 3rd party trustee at the current fair value of underlying investment assets in the account, which provides a perpetual stream of income to CROS Ministries.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CROS Ministries believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There was no change in the methodology used for the fiscal year ended December 31, 2023.

For the Year Ended December 31, 2023**3. Fair Value Measurements, continued**

The following table sets forth by level, within the fair value hierarchy, CROS's assets at fair value, except those measured by using NAV shares as a practical expedient, as of December 31, 2023:

	Investments Measured at NAV	Assets at Fair Value			Total
		Level 1	Level 2	Level 3	
Investments:					
Cash	\$ -	\$ 2,927	\$ -	\$ -	\$ 2,927
Money market	-	693,867	-	-	693,867
Asset growth funds	687,517	-	-	-	687,517
Beneficial interest in trusts	-	-	-	164,849	164,849
Total assets at fair value	<u>\$ 687,517</u>	<u>\$ 696,794</u>	<u>\$ -</u>	<u>\$ 164,849</u>	<u>\$1,549,160</u>

Changes in the value of beneficial interest in trusts have been reported in the statement of activities as increases (decreases) in net assets with donor restrictions. The table below sets forth a summary of changes in the fair value of CROS Ministries' Level 3 assets, beneficial interest in trusts, for the year ended December 31, 2023.

Balance, beginning of year	\$ 149,356
Change in value	<u>15,493</u>
Balance, end of year	<u>\$ 164,849</u>

FASB ASC 820-10 requires disclosure of quantitative information about the unobservable inputs used to measure Level 3 assets and liabilities. The following table provides information about the beneficial interest in trusts:

	Fair Value	Valuation Techniques	Unobservable Inputs
Remainder beneficiary (Charitable remainder Trust)	\$ 92,097	Discounted cash flows	Discount rate; life expectancy of income beneficiary
Income beneficiary (Perpetual income trust)	\$ 72,752	Discounted cash flows; 3 rd Party valuation pricing	Capitalization rate

4. Promises to Give

Promises to give are recorded for unconditional promises to fund CROS Ministries' various programs. Promises to give, as of December 31, 2023, are collectible through December 2024. Management considers these promises to give to be fully collectible and, therefore, no allowance for doubtful accounts was considered necessary. As of December 31, 2023, a total of \$79,976 is to be received in connection with these promises.

For the Year Ended December 31, 2023**5. Prepaid Expenses**

Prepaid expenses consisted of prepaid rent, insurance, postage, maintenance contracts, and other miscellaneous. As of December 31, 2023, the prepaid expenses were \$14,646.

6. Other Assets

Other assets consisted of security and utility deposits, and last month's rent. As of December 31, 2023, the other assets were \$4,656.

7. Investments

The fair value of CROS Ministries' investments as of December 31, 2023 is summarized as follows:

	<u>Fair Value</u>	<u>Historical Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash management fund	\$ 2,927	\$ 2,927	\$ -
Money market	693,867	693,867	-
Asset growth funds	<u>687,517</u>	<u>687,577</u>	<u>(60)</u>
Total	<u>\$1,384,311</u>	<u>\$1,384,371</u>	<u>\$ (60)</u>

Investments are reported in the statement of financial position as investments, \$1,120,514 and investments in endowment, \$263,797.

8. Endowment Funds

As of December 31, 2023, the Board of Directors designated \$263,797 of net assets without donor restrictions as a general endowment to support the mission of CROS Ministries. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions. The Board of Directors by a three-quarter (3/4) vote may withdraw or change such designated funds.

FASB ASC 958 provides guidance on the net asset classification of donor-restricted and board-designated endowment funds for a nonprofit organization that is subject to an enacted version of the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) to improve disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to FUPMIFA.

In accordance with FUPMIFA, CROS Ministries considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of CROS Ministries
- The investment policies of CROS Ministries

For the Year Ended December 31, 2023

8. Endowment Funds, continued

Changes in the board designated endowment net assets for the year ended December 31, 2023, consist of the following:

Endowment net assets, beginning of year	\$ 263,797
Investment returns:	
Investment income	5,455
Investment expenses	(1,614)
Net appreciation	<u>27,353</u>
Net investment return (loss)	31,194
Contributions	-
Appropriation of endowment assets for expenditure	<u>(31,194)</u>
Endowment net assets, end of year	<u>\$ 263,797</u>

Spending Policy

CROS Ministries has a spending policy of appropriating for distribution quarterly the investment earnings less the investment expenses incurred, when available for distribution. The Board's intention is to maintain the principal amount as a designated endowment and to adjust such amount as deemed necessary from time to time. In establishing this policy, CROS Ministries considered the long-term expected investment return on its endowment. Accordingly, over the long-term, CROS Ministries expects the current spending policy to allow its general endowment fund to maintain the principal amount of endowment.

Investment Objective and Risk Parameters

The primary objective of the endowment investment policy is to maximize total return consistent with an acceptable level of risk.

Strategies Employed for Achieving Investment Objectives

Endowment assets are in an asset growth fund that is primarily invested in domestic and international equity securities that target long-term growth. CROS Ministries expects this strategy to result in a consistent rate of return that has sufficient liquidity to make distributions, when appropriate. The Florida United Methodist Foundation manages the investments of the endowment fund.

9. Beneficial Interest in Trusts

CROS Ministries is the beneficiary of a donor created irrevocable charitable remainder trust, the assets of which are not in the possession of CROS Ministries. The trust provides for payments of all trust income to beneficiaries designated by the donor. Upon the death of the designated beneficiaries, CROS Ministries is to receive a percentage of the assets remaining in the trust. CROS Ministries has legally enforceable rights and claims to a percentage of the remainder interest. The remainder interest is recorded at the estimated fair value of the distributions that CROS Ministries expects to receive upon termination of the trust. Fair value measurements were used to value the remainder interest, in accordance with FASB ASC 958, *Not-for-Profit Entities*, as the trust assets are held by an independent trustee.

For the Year Ended December 31, 2023

9. Beneficial Interest in Trusts, continued

CROS Ministries is also the income beneficiary of a perpetual income trust, whose assets are held by the Community Foundation for Palm Beach and Martin Counties, Inc. (the "Foundation") as an endowed component fund ("Fund"). Under the terms of the Fund, the Foundation's Board of Directors has a variance power to modify any restriction or condition on the distribution of funds for any specific charitable purpose or to specified organizations, if in their sole judgement (without the approval of any trustee, custodian, or agent), such restriction or conditions become, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or the area served by the Foundation. The Fund is subject to the Foundation's investment and spending policies. CROS Ministries reports the fair value of the Fund as Beneficial Interest in Assets Held at the Foundation in the statement of financial position. Changes in the value of the Fund are reported as change in value of beneficial interest in assets in the statement of activities. During the year ended December 31, 2023, CROS Ministries did not receive any distributions from the Fund.

10. Property and Equipment

Property and equipment as of December 31, 2023 consisted of the following:

Furniture and equipment	\$ 231,805
Warehouses	1,366,958
Vehicles	405,926
Leasehold improvements	<u>121,938</u>
	2,126,627
Less accumulated depreciation	<u>498,497</u>
Total property and equipment	<u>\$1,628,130</u>

Depreciation expense for the year ended December 31, 2023 was \$104,639.

On December 28, 2023, CROS closed on the purchase of two office/warehouse spaces, which were formerly leased. CROS borrowed \$1,084,000 from the Florida United Methodist Foundation in order to complete this purchase.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of December 31, 2023, consist of approximately \$25,300 and \$4,300 for general expenses and accrued salaries, respectfully.

12. Mortgage Payable

CROS borrowed \$1,084,000 from the Florida United Methodist Foundation (the Foundation) in order to complete the purchase of the warehouses on December 28, 2023. The Foundation uses a variable interest rate structure with quarterly review by the Foundation's Board. The initial interest rate at closing was 6.25%. On January 1, 2024, the rate was changed to 6.50%, which is the rate used to estimate the current portion of the mortgage and payments due thereafter. The mortgage requires monthly payments of principal and interest in the amount of \$7,980. The loan is secured by a first mortgage on real property located at 3677 23rd Avenue S., #B-101 and #B-106, Lake Worth, Florida, 33461 and matures on January 1, 2044.

For the Year Ended December 31, 2023

12. Mortgage Payable, continued

Approximate maturities of the note payable during the next five years and thereafter are as follow:

2024	\$ 24,283
2025	26,729
2026	28,545
2027	30,484
2028	32,371
Thereafter	<u>941,588</u>
	1,084,000
Less current portion of note payable	<u>24,283</u>
Long-term note payable	<u>\$ 1,059,717</u>

13. Net Assets with Donor Restrictions

Unexpended net assets with donor restrictions as of December 31, 2023 were as follows:

Use restriction:	
Caring Kitchen program	\$ 44,467
Food Pantry	42,477
Gleaning program	32,203
Other	<u>10,000</u>
	129,147
Time restriction:	
Beneficial interest in trusts	114,849
Restricted in perpetuity:	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 293,996</u>

14. Leases***Operating Leases***

CROS Ministries leases warehouse spaces in Lake Worth Beach, Florida and a kitchen facility in Delray Beach, Florida. These leases require minimum rental payments of \$2,992 and \$1,304 per month, respectively, and mature through May 2024.

For the Year Ended December 31, 2023**14. Leases, continued**

Operating right-of-use assets as of December 31, 2023, consisted of the following:

Warehouse spaces	\$ 59,104
Kitchen facility space	<u>32,006</u>
	91,110
Less accumulated depreciation	<u>(74,462)</u>
Total operating right-of-use assets	<u>\$ 16,648</u>

Operating lease obligations as of December 31, 2023, consisted of the following:

Warehouse and kitchen facility spaces	\$ 16,648
Less current portion	<u>16,648</u>
Non-current portion	<u>\$ -</u>

Operating lease expense for the year ended December 31, 2023, consisted of the following:

	<u>Depreciation</u>	<u>Finance Charges</u>	<u>Total</u>
Office, warehouses, and kitchen spaces	<u>\$ 122,537</u>	<u>\$ 3,324</u>	<u>\$ 125,861</u>

The discount for the office, warehouse, and kitchen space has been calculated using an interest rate of 6%, which approximates the incremental borrowing rates of CROS Ministries for the acquisition of the related assets at the time the leases were signed.

Finance Leases

CROS Ministries leases certain equipment under a capital lease agreement requiring monthly payments of \$740, and maturing July 2026. The assets and liabilities under the finance leases were recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The assets are amortized over the shorter of the lease terms or the estimated useful lives of the assets. Amortization of the equipment under finance leases are included in depreciation expense in the accompanying financial statements. Depreciation of assets under finance leases charged to expense during the year ended December 31, 2023 was \$7,048. Minimum future lease payments under finance leases as of December 31, 2023 for each of the next three years and in the aggregate are:

2024	\$ 8,869
2025	8,869
2026	<u>5,175</u>
Total minimum lease payments	22,193
Less amount representing interest	<u>2,537</u>
Present value of future minimum lease payments	20,376
Less current portion	<u>7,333</u>
Non-current portion	<u>\$ 13,043</u>

For the Year Ended December 31, 2023

15. Retirement Benefits

CROS Ministries has a defined contribution pension plan (Plan) allowed under Section 403(b) of the Internal Revenue Code that covers all full-time employees who are at least eighteen years old. Under this plan, CROS Ministries contributes 3% of the participant's compensation, after one year of service and if the participant is contributing a minimum 3%. For the year ended December 31, 2023, CROS Ministries contributed approximately \$15,000 to this plan.

In addition to the employee retirement plan, CROS Ministries contributes up to 15% of clergy salaries to the United Methodist Church benefit plan with which the contracted clergy is associated. For the year ended December 31, 2023, CROS Ministries incurred an associated benefit expense of approximately \$11,000 on behalf of its clergy.

16. Subsequent Events

Management has evaluated subsequent events through June 12, 2024, the date on which the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.

SUPPLEMENTARY INFORMATION

CHRISTIANS REACHING OUT TO SOCIETY, INC.

SCHEDULE OF PROGRAM SERVICES

For the Year Ended December 31, 2023

	The Caring Kitchen	Community Food Pantries	Gleaning and Food Recovery	Total Program Services
Salaries	\$ 206,314	\$ 496,071	\$ 131,890	\$ 834,275
Payroll taxes	14,734	35,153	9,346	59,233
Health benefits	20,619	42,573	12,727	75,919
Other employee benefits	6,998	15,859	4,975	27,832
Total salaries and related benefits	248,665	589,656	158,938	997,259
Advertising & Promotion	316	748	202	1,266
Building rent	198	8,259	195	8,652
Casual labor	-	513	-	513
Computer maintenance	469	1,577	765	2,811
Conferences and meetings	1,119	2,885	2,893	6,897
Depreciation expense	13,761	56,095	32,366	102,222
Insurance	2,691	7,036	4,440	14,167
Interest expense	360	984	281	1,625
IT services	7,855	21,542	6,135	35,532
Lease expense	17,928	57,083	31,865	106,876
Office expense	1,917	8,863	2,092	12,872
Other expenses	4,427	9,109	3,280	16,816
Photocopying and printing	-	223	107	330
Postage and delivery	26	126	10	162
Professional fees	-	-	6,000	6,000
Program expenses:				
Food	60,835	391,067	-	451,902
Operations	21,130	59,747	7,555	88,432
Repairs and maintenance	5,550	36,194	16,158	57,902
Telephone, fax, and Internet	4,996	9,822	1,512	16,330
Travel	1,398	9,746	1,201	12,345
Utilities	6,004	13,305	3,162	22,471
Volunteer expense	2,060	3,370	2,294	7,724
Total expenses before In-kind expenses	401,705	1,287,950	281,451	1,971,106
Donated goods and services:				
Food	180,687	1,713,565	902,389	2,796,641
Facilities	23,600	62,000	-	85,600
Professional service	-	5,000	-	5,000
Supplies and equipment	-	250	-	250
Total expenses	\$ 605,992	\$ 3,068,765	\$ 1,183,840	\$ 4,858,597

See independent auditor's report.