



CROSS CATHOLIC OUTREACH, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Cross Catholic Outreach, Inc.
Pompano Beach, Florida

We have audited the accompanying financial statements of Cross Catholic Outreach, Inc. ("the Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year 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 Catholic Outreach, Inc. as of June 30, 2018, 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.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
November 19, 2018

CROSS CATHOLIC OUTREACH, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

ASSETS

Cash and cash equivalents	\$ 2,489,965
Investments	731,081
Due from affiliate	400,000
Other assets	442,315
Inventory	1,314,957
Property and equipment, net	<u>1,031,675</u>

Total assets \$ 6,409,993

LIABILITIES AND UNRESTRICTED NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	<u>\$ 571,007</u>
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Total liabilities **571,007**

UNRESTRICTED NET ASSETS

5,838,986

Total liabilities and net assets \$ 6,409,993

CROSS CATHOLIC OUTREACH, INC.

STATEMENT OF ACTIVITIES For The Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Noncash contributions	\$ 288,953,175	\$ —	\$ 288,953,175
Cash contributions	16,008,972	17,190,251	33,199,223
Other revenue	328,337	—	328,337
Net assets released from time and use restrictions	<u>17,190,251</u>	<u>(17,190,251)</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>322,480,735</u>	<u>—</u>	<u>322,480,735</u>
EXPENSES			
Program	306,605,017	—	306,605,017
Management and general	9,796,427	—	9,796,427
Fundraising	<u>5,521,870</u>	<u>—</u>	<u>5,521,870</u>
Total expenses	<u>321,923,314</u>	<u>—</u>	<u>321,923,314</u>
CHANGE IN NET ASSETS	557,421	—	557,421
NET ASSETS - Beginning of year	<u>5,281,565</u>	<u>—</u>	<u>5,281,565</u>
NET ASSETS - End of year	<u>\$ 5,838,986</u>	<u>\$ —</u>	<u>\$ 5,838,986</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

CROSS CATHOLIC OUTREACH, INC.

STATEMENT OF CASH FLOWS For The Year Ended June 30, 2018

OPERATING CASH FLOWS	
Cash received from contributors	\$ 33,473,589
Cash received from other sources	262,855
Cash paid for operating activities and costs	<u>(33,381,508)</u>
Net operating cash flows	<u>354,936</u>
INVESTING CASH FLOWS	
Purchases of and improvements to property and equipment	<u>(63,572)</u>
Net investing cash flows	<u>(63,572)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	291,364
CASH AND CASH EQUIVALENTS - Beginning of year	<u>2,198,601</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 2,489,965</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS	
Change in net assets	\$ 557,421
Adjustments to reconcile change in net assets to net operating cash flows	
Net gain on investments	(65,482)
Depreciation	360,329
Change in due from affiliate	383,645
Change in inventory	(1,314,957)
Change in other assets	556,537
Change in accounts payable and accrued expenses	<u>(122,557)</u>
Net operating cash flows	<u>\$ 354,936</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

CROSS CATHOLIC OUTREACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2018

	Program				Supporting			Total Expenses
	Medical, Food, and Other Assistance	Project Development	Missions Education	Total Program	Management and General	Fundraising	Total Supporting	
Salaries	\$ 834,270	\$ 684,230	\$ 2,194,083	\$ 3,712,583	\$ 4,352,717	\$ 1,634,757	\$ 5,987,474	\$ 9,700,057
Employee benefits	75,868	40,077	74,205	190,150	1,653,912	120,228	1,774,140	1,964,290
Payroll taxes	64,022	44,761	56,477	165,260	305,529	109,717	415,246	580,506
Total personnel-related expenses	974,160	769,068	2,324,765	4,067,993	6,312,158	1,864,702	8,176,860	12,244,853
Goods distributed	288,828,431	—	—	288,828,431	—	—	—	288,828,431
Grants	73,715	8,919,282	—	8,992,997	—	—	—	8,992,997
Shipping expenses	2,570,027	—	16,875	2,586,902	3,258	5,343	8,601	2,595,503
Printing	26,164	—	265,955	292,119	9,213	1,219,520	1,228,733	1,520,852
Travel	117,032	89,551	642,117	848,700	102,815	439,295	542,110	1,390,810
Other expenses	45,744	228,110	3,567	277,421	689,903	190,269	880,172	1,157,593
Postage	10,883	139	43,671	54,693	203,647	788,294	991,941	1,046,634
Occupancy	291,916	—	—	291,916	504,105	23,115	527,220	819,136
Advertising and solicitation	46,394	—	8,820	55,214	639	519,646	520,285	575,499
Data processing	—	—	—	—	482,273	58,519	540,792	540,792
Contractors and consultants	72,672	64,563	15,469	152,704	90,724	265,472	356,196	508,900
Equipment rental	958	5,426	91	6,475	466,096	25,018	491,114	497,589
Merchant processing and bank fees	—	—	—	—	420,233	—	420,233	420,233
Professional services	26,044	—	492	26,536	166,789	14,391	181,180	207,716
Office supplies	18,394	689	220	19,303	151,472	14,224	165,696	184,999
Product acquisition fees	76,211	—	—	76,211	—	76,120	76,120	152,331
Property insurance	—	—	—	—	125,450	—	125,450	125,450
Software	4,014	73	—	4,087	67,652	4,027	71,679	75,766
Airtime	9,400	—	13,915	23,315	—	13,915	13,915	37,230
Total	\$ 293,192,159	\$ 10,076,901	\$ 3,335,957	\$ 306,605,017	\$ 9,796,427	\$ 5,521,870	\$ 15,318,297	\$ 321,923,314

The Accompanying Notes are an Integral
Part of These Financial Statements

CROSS CATHOLIC OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – NATURE OF ACTIVITIES

Cross Catholic Outreach, Inc. (“the Organization”) was established in 2001 as a Florida not-for-profit corporation with its mission to mobilize the global Catholic Church to transform the poor and their communities materially and spiritually for the glory of Jesus Christ. Catholic 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 a member of both the International Catholic Stewardship Council and the National Catholic Development Conference. The mission of the International Catholic Stewardship Council is to foster an environment in which stewardship is understood, accepted, and practiced throughout the Catholic church. The National Catholic Development Conference is an association of charitable religious fundraisers and works for and with its member organizations in the context of fundraising as a ministry.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor 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, 2018. Inventories are recorded at estimated fair value on the date of the gift.

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 CATHOLIC OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

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 November 19, 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 year ended June 30, 2018, approximately 92% of total noncash contribution revenue was sourced from the Organization's two largest donors.

NOTE D – TRANSACTIONS WITH COOPERATING MINISTRY

The Organization cooperates in ministry with Cross International, Inc. ("CI"), an organization which shares management with the Organization. Shared costs are generally allocated 83% to the Organization and 17% to CI.

During the year ended June 30, 2018, the Organization made contributions to a retirement plan sponsored by CI in the approximate amount of \$212,000 (see Note H). The Organization also paid approximately \$549,000 for office rent and common area costs pursuant to a lease under which CI is liable.

CROSS CATHOLIC OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E – PROPERTY AND EQUIPMENT

As of June 30, 2018, property and equipment consisted of the following:

<u>Category</u>	
Leasehold improvements	\$ 301,988
Furniture and equipment	<u>2,372,499</u>
Total property and equipment	2,674,487
Less: Accumulated depreciation	<u>(1,642,812)</u>
Net property and equipment	<u>\$ 1,031,675</u>

Depreciation expense was \$360,329 for the year ended June 30, 2018.

NOTE F – RESTRICTIONS ON NET ASSETS

Temporarily restricted net asset activity during the year ended June 30, 2018 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>June 30</u>
Disaster, educational, and other aid	\$ —	\$ 11,326,600	\$ (11,326,600)	\$ —
Food, water, and medicinal aid	—	3,529,954	(3,529,954)	—
Housing-related aid	—	1,817,325	(1,817,325)	—
Aid to orphans and vulnerable children	<u>—</u>	<u>516,372</u>	<u>(516,372)</u>	<u>—</u>
Total	<u>\$ —</u>	<u>\$ 17,190,251</u>	<u>\$ (17,190,251)</u>	<u>\$ —</u>

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’s employees are eligible to participate in a 401(k) Profit Sharing Plan (“the Plan”) adopted by CI for the benefit of both organizations’ employees. All employees meeting the Plan’s eligibility requirements may participate in the Plan. During the year ended June 30, 2018, the Organization contributed approximately \$212,000 to the Plan.

CROSS CATHOLIC OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – OPERATING LEASES

The Organization is obligated under non-cancelable lease agreements for the use of certain office equipment. Total rent expense for all operating leases for the year ended June 30, 2018 amounted to approximately \$436,000.

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

Year Ending <u>June 30.</u>	
2019	\$ 298,000
2020	291,000
2022	<u>36,000</u>
Total	<u>\$ 625,000</u>