



CROSS CATHOLIC OUTREACH, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019





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 consist of the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2020 and 2019, 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.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
October 21, 2020

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CROSS CATHOLIC OUTREACH, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 7,884,407	\$ 3,207,690
Investments	791,186	740,566
Due from cooperating ministry	327,115	344,331
Other assets	261,300	438,000
Inventory	—	1,377,488
Property and equipment, net	954,902	1,039,950
Total assets	\$ 10,218,910	\$ 7,148,025

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 688,515	\$ 786,687
Note payable	2,644,052	—
Total liabilities	3,332,567	786,687
NET ASSETS		
Without donor restrictions	6,841,736	6,336,338
With donor restrictions	44,607	25,000
Total net assets	6,886,343	6,361,338
Total liabilities and net assets	\$ 10,218,910	\$ 7,148,025

The Accompanying Notes are an Integral
Part of These Financial Statements

CROSS CATHOLIC OUTREACH, INC.
STATEMENTS OF ACTIVITIES

	For The Year Ended June 30, 2020			For The Year Ended June 30, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Noncash contributions without donor restrictions	\$ 302,850,658	\$ —	\$ 302,850,658	\$ 318,869,806
Cash contributions without donor restrictions	16,638,343	—	16,638,343	16,419,937
Cash contributions with donor restrictions	—	24,286,111	24,286,111	18,425,300
Other revenue	288,180	—	288,180	324,696
Net assets released from time and use restrictions	24,266,504	(24,266,504)	—	—
Total public support and revenue and net assets released from restrictions	344,043,685	19,607	344,063,292	354,039,739
EXPENSES				
Program	326,185,896	—	326,185,896	337,404,767
Management and general	10,617,721	—	10,617,721	9,944,384
Fundraising	6,734,670	—	6,734,670	6,168,236
Total expenses	343,538,287	—	343,538,287	353,517,387
Change in net assets without donor restrictions	505,398	—	505,398	497,352
Change in net assets with donor restrictions	—	19,607	19,607	25,000
CHANGE IN NET ASSETS	505,398	19,607	525,005	522,352
NET ASSETS - Beginning of year	6,336,338	25,000	6,361,338	5,838,986
NET ASSETS - End of year	\$ 6,841,736	\$ 44,607	\$ 6,886,343	\$ 6,361,338

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CROSS CATHOLIC OUTREACH, INC.
STATEMENTS OF CASH FLOWS

	For The Years Ended	
	June 30,	
	2020	2019
OPERATING CASH FLOWS		
Cash received from contributors	\$ 40,953,492	\$ 34,861,058
Cash received from other sources	237,560	315,211
Cash paid for operating activities and costs	(38,837,369)	(34,078,805)
Net operating cash flows	2,353,683	1,097,464
INVESTING CASH FLOWS		
Purchases of and improvements to property and equipment	(321,018)	(379,739)
Net investing cash flows	(321,018)	(379,739)
FINANCING CASH FLOWS		
Proceeds from borrowings	2,644,052	—
Net financing cash flows	2,644,052	—
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,676,717	717,725
CASH AND CASH EQUIVALENTS - Beginning of year	3,207,690	2,489,965
CASH AND CASH EQUIVALENTS - End of year	\$ 7,884,407	\$ 3,207,690
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 525,005	\$ 522,352
Adjustments to reconcile change in net assets to net operating cash flows		
Net gain on investments	(50,620)	(9,485)
Depreciation	406,066	371,464
Change in due from cooperating ministry	17,216	55,669
Change in other assets	176,700	4,315
Change in inventory	1,377,488	(62,531)
Change in accounts payable and accrued expenses	(98,172)	215,680
Net operating cash flows	\$ 2,353,683	\$ 1,097,464

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, 2020

	Program Activities				Supporting Activities			Total Expenses
	Medical, Food, and Other Assistance	Project Development	Missions Education	Total Program	Management and General	Fundraising	Total Supporting	
Salaries	\$ 800,090	\$ 735,584	\$ 2,292,279	\$ 3,827,953	\$ 4,976,869	\$ 2,620,544	\$ 7,597,413	\$ 11,425,366
Employee benefits	479	—	816,368	816,847	1,115,770	663,299	1,779,069	2,595,916
Payroll taxes	60,217	50,635	73,097	183,949	373,232	174,310	547,542	731,491
Total personnel-related expenses	860,786	786,219	3,181,744	4,828,749	6,465,871	3,458,153	9,924,024	14,752,773
Goods distributed	304,228,145	—	—	304,228,145	—	—	—	304,228,145
Grants	87,436	11,761,655	—	11,849,091	—	—	—	11,849,091
Shipping expenses	2,428,981	—	23,778	2,452,759	2,212	4,498	6,710	2,459,469
Printing	163,128	—	638,906	802,034	119	923,160	923,279	1,725,313
Travel	114,812	72,251	608,476	795,539	70,472	412,955	483,427	1,278,966
Other expenses	16,751	89,356	13,769	119,876	947,011	151,564	1,098,575	1,218,451
Postage	3,395	505	126,149	130,049	297,284	683,481	980,765	1,110,814
Occupancy	319,386	141,936	721	462,043	319,950	104,316	424,266	886,309
Data processing	—	—	11,448	11,448	612,022	106,502	718,524	729,972
Equipment rental	519	4,667	6,634	11,820	693,933	19,414	713,347	725,167
Contractors and consultants	113,980	79,031	25,444	218,455	231,668	244,241	475,909	694,364
Advertising and solicitation	39,452	—	20,076	59,528	45,294	471,924	517,218	576,746
Professional services	6,153	—	13,879	20,032	298,711	19,579	318,290	338,322
Merchant processing and bank fees	—	—	—	—	332,094	—	332,094	332,094
Product acquisition fees	167,555	—	—	167,555	—	89,773	89,773	257,328
Property insurance	—	—	—	—	203,507	—	203,507	203,507
Office supplies	15,559	373	8,504	24,436	48,839	18,927	67,766	92,202
Software	3,651	626	60	4,337	48,734	613	49,347	53,684
Airtime	—	—	—	—	—	25,570	25,570	25,570
Total	\$ 308,569,689	\$ 12,936,619	\$ 4,679,588	\$ 326,185,896	\$ 10,617,721	\$ 6,734,670	\$ 17,352,391	\$ 343,538,287

The Accompanying Notes are an Integral
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CROSS CATHOLIC OUTREACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2019

	Program Activities				Supporting Activities			Total Expenses
	Medical, Food, and Other Assistance	Project Development	Missions Education	Total Program	Management and General	Fundraising	Total Supporting	
Salaries	\$ 876,325	\$ 621,033	\$ 1,437,796	\$ 2,935,154	\$ 4,978,999	\$ 2,705,882	\$ 7,684,881	\$ 10,620,035
Employee benefits	571	—	574,157	574,728	974,895	529,123	1,504,018	2,078,746
Payroll taxes	68,803	43,237	27,699	139,739	406,389	169,379	575,768	715,507
Total personnel-related expenses	945,699	664,270	2,039,652	3,649,621	6,360,283	3,404,384	9,764,667	13,414,288
Goods distributed	318,807,276	—	—	318,807,276	—	—	—	318,807,276
Grants	88,944	9,202,056	—	9,291,000	—	—	—	9,291,000
Shipping	2,436,598	—	31,872	2,468,470	12,558	12,466	25,024	2,493,494
Travel	142,984	90,633	705,293	938,910	174,820	699,210	874,030	1,812,940
Printing	87,274	—	672,775	760,049	12	552,174	552,186	1,312,235
Postage	17,566	474	310,697	328,737	356,021	377,954	733,975	1,062,712
Occupancy	324,267	156,336	—	480,603	305,937	225,503	531,440	1,012,043
Other	30,136	60,200	26,629	116,965	592,442	163,576	756,018	872,983
Equipment rental	4,556	5,419	8,021	17,996	677,599	16,666	694,265	712,261
Contractors and consultants	103,736	73,226	35,689	212,651	116,802	248,997	365,799	578,450
Data processing	982	—	—	982	515,111	51,242	566,353	567,335
Advertising and solicitation	47,998	—	77,770	125,768	26,103	295,658	321,761	447,529
Merchant processing and bank fees	—	—	—	—	323,367	—	323,367	323,367
Product acquisition fees	140,255	—	—	140,255	—	67,965	67,965	208,220
Professional services	80	—	3,956	4,036	166,278	23,024	189,302	193,338
Property insurance	—	—	—	—	148,043	—	148,043	148,043
Office supplies	24,320	1,159	7,395	32,874	76,962	13,582	90,544	123,418
Software	6,724	—	1,340	8,064	92,046	2,325	94,371	102,435
Airtime	7,000	—	13,510	20,510	—	13,510	13,510	34,020
Total	\$ 323,216,395	\$ 10,253,773	\$ 3,934,599	\$ 337,404,767	\$ 9,944,384	\$ 6,168,236	\$ 16,112,620	\$ 353,517,387

The Accompanying Notes are an Integral
Part of These Financial Statements

CROSS CATHOLIC OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

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 the International Catholic Stewardship Council. Their mission is to foster an environment in which stewardship is understood, accepted, and practiced throughout the Catholic church.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. Contributions received are recorded as without or with donor restrictions 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements 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.

Investments

Investments are carried at estimated fair value. For fair value measurement purposes, the Organization considers such amounts to be valued using “Level 2” inputs which is defined by accounting principles generally accepted in the United States of America (“U.S. GAAP”) as other significant observable inputs (such as quoted prices for similar items).

Inventory

Inventory consists of humanitarian relief goods which were not yet distributed to beneficiaries. Inventory is 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.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions 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 projects.

CROSS CATHOLIC OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

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.

Economic uncertainties

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Organization’s financial condition and has taken actions to mitigate its impact. Such actions include availing the Organization of relief measures available under federal law and reducing the overall scope and cost of operations. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for the year ending June 30, 2021.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through October 21, 2020, the date as of which the accompanying financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the statements of financial position are as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets available:		
Cash and cash equivalents	\$ 7,884,407	\$ 3,207,690
Investments	791,186	740,566
Total financial assets available	8,675,593	3,948,256
Less amounts unavailable for general expenditure within one year	—	—
Net financial assets available within one year	\$ 8,675,593	\$ 3,948,256

CROSS CATHOLIC OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Organization is primarily supported by contributions. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Donor-restricted net assets are available for general expenditure within one year of the date of the statements of financial position, because the restrictions on net assets are expected to be met by conducting the normal activities of the Organization in the coming year. Management believes the Organization has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or immediate liquidity need. The Organization also has a revolving line of credit up to \$1,000,000 available to be drawn as an additional source of liquidity (see Note L).

NOTE D – 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.

The Organization's note payable is held by one financial institution.

During the years ended June 30, 2020 and 2019, approximately 93% and 97% of total noncash contribution revenue was sourced from the Organization's two largest donors.

NOTE E – TRANSACTIONS WITH COOPERATING MINISTRY

The Organization cooperates in ministry with Cross International, Inc. ("CI"). The Organization and CI began to operate under a shared services agreement during the year ended June 30, 2019, the terms of which are defined in the agreement. CI paid the Organization \$114,000 and \$18,000 for services under the agreement during the years ended June 30, 2020, and 2019, respectively

During the year ended June 30, 2019, the Organization paid CI approximately \$566,000 for office rent and common area costs pursuant to a lease under which CI was liable.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	June 30.	
	2020	2019
Leasehold improvements	\$ 355,102	\$ 307,114
Furniture and equipment	<u>2,397,017</u>	<u>2,747,112</u>
Total property and equipment	2,752,119	3,054,226
Less: Accumulated depreciation	<u>(1,797,217)</u>	<u>(2,014,276)</u>
Net property and equipment	<u>\$ 954,902</u>	<u>\$ 1,039,950</u>

Depreciation expense amounted to \$406,066 and \$371,464 during the years ended June 30, 2020 and 2019, respectively.

CROSS CATHOLIC OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G – NOTE PAYABLE

Note payable consisted of the following as of June 30, 2020:

Paycheck Protection Program note payable ("PPP loan") to a financial institution at a fixed rate of 1.00% per annum; deferred interest and principal payments with the deferral period ending on the earlier of the date the Small Business Administration issues a decision on the forgiveness amount of the loan or August 16, 2021; matures May 2022; unsecured	\$ <u>2,644,052</u>
Total	\$ <u>2,644,052</u>

Pursuant to federal law, the loan amount may be forgiven in whole or in part based on the nature of the Organization's expenditures during an applicable period. Management expects that all or a significant portion of the loan will be forgiven. The Organization will recognize the amount forgiven as revenue when the conditions for forgiveness are met.

NOTE H – RESTRICTIONS ON NET ASSETS

Net assets were restricted by donors for the following purposes during the year ended June 30, 2020:

	<u>Balance</u> <u>July 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30</u>
Disaster, educational, and other aid	\$ 20,500	\$ 10,629,779	\$ (10,605,672)	\$ 44,607
Aid to orphans and vulnerable children	4,500	1,487,697	(1,492,197)	—
Food, water, and medicinal aid	—	9,215,008	(9,215,008)	—
Housing-related aid	—	2,953,627	(2,953,627)	—
Total	\$ <u>25,000</u>	\$ <u>24,286,111</u>	\$ <u>(24,266,504)</u>	\$ <u>44,607</u>

Net assets were restricted by donors for the following purposes during the year ended June 30, 2019:

	<u>Balance</u> <u>July 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30</u>
Disaster, educational, and other aid	\$ —	\$ 9,473,486	\$ (9,452,986)	\$ 20,500
Aid to orphans and vulnerable children	—	1,346,076	(1,341,576)	4,500
Food, water, and medicinal aid	—	4,710,076	(4,710,076)	—
Housing-related aid	—	2,895,662	(2,895,662)	—
Total	\$ <u>—</u>	\$ <u>18,425,300</u>	\$ <u>(18,400,300)</u>	\$ <u>25,000</u>

CROSS CATHOLIC OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE I – 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 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 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 J – RETIREMENT PLAN

The Organization has adopted a 401(k) Profit Sharing Plan (“the Plan”) for the benefit of the Organization’s employees. All employees meeting the Plan’s eligibility requirements may participate in the Plan. The Organization contributed approximately \$228,000 and \$258,000 to the Plan during the years ended June 30, 2020 and 2019, respectively.

NOTE K – OPERATING LEASES

The Organization is obligated under non-cancelable lease agreements for the use of certain office space and equipment. Total rent expense for all operating leases for the years ended June 30, 2020 and 2019 amounted to approximately \$1,219,000 and \$606,000, respectively.

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

Year Ending <u>June 30,</u>	
2021	\$ 1,088,000
2022	1,062,000
2023	1,014,000
2024	<u>431,000</u>
Total	<u>\$ 3,595,000</u>

NOTE L – COMMITMENT

During the year ended June 30, 2020, the Organization entered into a revolving line of credit agreement with a bank in the amount of \$1,000,000. The agreement requires payment of accrued interest at the applicable LIBOR rate plus 2.15% per annum, beginning in June 2020 on any outstanding amounts, until the expiration date in July 2021, at which time all outstanding principal and accrued and unpaid interest are due. The line is guaranteed by substantially all of the Organization’s assets. As of June 30, 2020, no amounts were outstanding under the line of credit.