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CERTIFIED PUBLIC ACCOUNTANTS

Cross Catholic Outreach, Inc.

Financial Statements

For The Years Ended June 30, 2023 and 2022



Batts Morrison
Wales & Lee

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITOR

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

Opinion

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, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cross Catholic Outreach, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 the Organization’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 risk 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.

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- 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 Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
November 9, 2023

CROSS CATHOLIC OUTREACH, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 25,088,305	\$ 30,522,226
Investments	873,864	882,483
Inventory	656,115	43,525,612
Right-of-use assets	1,948,351	—
Other assets	267,572	433,638
Due from cooperating ministry	172,133	206,566
Property and equipment, net	831,137	740,451
Total assets	\$ 29,837,477	\$ 76,310,976

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 947,104	\$ 1,164,718
Lease liabilities	1,948,351	—
Goods distributed in transit	—	43,014,139
Total liabilities	2,895,455	44,178,857
NET ASSETS		
Without donor restrictions	26,295,276	32,128,119
With donor restrictions	646,746	4,000
Total net assets	26,942,022	32,132,119
Total liabilities and net assets	\$ 29,837,477	\$ 76,310,976

The Accompanying Notes are an Integral
Part of These Financial Statements

CROSS CATHOLIC OUTREACH, INC.
STATEMENTS OF ACTIVITIES

	For The Years Ended June 30,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS						
Noncash contributions	\$ 389,264,703	\$ —	\$ 389,264,703	\$ 322,823,539	\$ —	\$ 322,823,539
Cash contributions	23,312,915	30,422,208	53,735,123	26,583,949	33,658,880	60,242,829
Investment income (loss), net	831,070	—	831,070	(77,621)	—	(77,621)
Other revenue	—	—	—	1,006,837	—	1,006,837
Net assets released from time and use restrictions	<u>29,779,462</u>	<u>(29,779,462)</u>	<u>—</u>	<u>33,654,880</u>	<u>(33,654,880)</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>443,188,150</u>	<u>642,746</u>	<u>443,830,896</u>	<u>383,991,584</u>	<u>4,000</u>	<u>383,995,584</u>
EXPENSES						
Program activities						
Health, food, and other assistance	396,104,527	—	396,104,527	328,766,763	—	328,766,763
Project development	18,669,984	—	18,669,984	16,218,916	—	16,218,916
Missions education	<u>7,448,686</u>	<u>—</u>	<u>7,448,686</u>	<u>5,552,358</u>	<u>—</u>	<u>5,552,358</u>
Total program activities	<u>422,223,197</u>	<u>—</u>	<u>422,223,197</u>	<u>350,538,037</u>	<u>—</u>	<u>350,538,037</u>
Supporting activities						
Management and general	12,856,037	—	12,856,037	10,734,976	—	10,734,976
Fundraising	<u>13,941,759</u>	<u>—</u>	<u>13,941,759</u>	<u>10,937,925</u>	<u>—</u>	<u>10,937,925</u>
Total supporting expenses	<u>26,797,796</u>	<u>—</u>	<u>26,797,796</u>	<u>21,672,901</u>	<u>—</u>	<u>21,672,901</u>
Total expenses	<u>449,020,993</u>	<u>—</u>	<u>449,020,993</u>	<u>372,210,938</u>	<u>—</u>	<u>372,210,938</u>
CHANGE IN NET ASSETS	(5,832,843)	642,746	(5,190,097)	11,780,646	4,000	11,784,646
NET ASSETS - Beginning of year	<u>32,128,119</u>	<u>4,000</u>	<u>32,132,119</u>	<u>20,347,473</u>	<u>—</u>	<u>20,347,473</u>
NET ASSETS - End of year	<u>\$ 26,295,276</u>	<u>\$ 646,746</u>	<u>\$ 26,942,022</u>	<u>\$ 32,128,119</u>	<u>\$ 4,000</u>	<u>\$ 32,132,119</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

CROSS CATHOLIC OUTREACH, INC.
STATEMENTS OF CASH FLOWS

	For The Years Ended	
	June 30,	
	2023	2022
OPERATING CASH FLOWS		
Cash received from contributors	\$ 53,735,123	\$ 60,242,829
Cash received from grants	—	1,995,797
Cash received from other sources	839,689	95,104
Cash paid for operating activities and costs	(59,699,388)	(49,249,375)
Net operating cash flows	(5,124,576)	13,084,355
INVESTING CASH FLOWS		
Purchases of and improvements to property and equipment	(309,345)	(147,543)
Net investing cash flows	(309,345)	(147,543)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,433,921)	12,936,812
CASH AND CASH EQUIVALENTS - Beginning of year	30,522,226	17,585,414
CASH AND CASH EQUIVALENTS - End of year	\$ 25,088,305	\$ 30,522,226

SUPPLEMENTAL DISCLOSURE

As of July 1, 2022, the Organization recognized approximately \$3,027,000 of right-of-use assets in exchange for the same amount of lease liabilities. See Note J.

CROSS CATHOLIC OUTREACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2023

	Program activities				Supporting activities			Total expenses
	Health, food, and other assistance	Project development	Missions education	Total program	Management and general	Fundraising	Total supporting	
Salaries	\$ 1,239,677	\$ 1,009,988	\$ 2,966,446	\$ 5,216,111	\$ 6,925,536	\$ 3,460,762	\$ 10,386,298	\$ 15,602,409
Employee benefits	-	-	802,404	802,404	1,080,171	651,953	1,732,124	2,534,528
Payroll taxes	87,455	69,808	114,598	271,861	485,402	237,080	722,482	994,343
Total personnel-related expenses	1,327,132	1,079,796	3,883,448	6,290,376	8,491,109	4,349,795	12,840,904	19,131,280
Goods distributed	388,996,843	-	-	388,996,843	-	-	-	388,996,843
Grants	182,342	16,992,890	-	17,175,232	-	-	-	17,175,232
Printing	219,694	-	2,008,016	2,227,710	2,749	4,139,945	4,142,694	6,370,404
Shipping	3,811,137	-	25	3,811,162	-	7,217	7,217	3,818,379
Postage	6,465	869	697,218	704,552	191,913	1,429,466	1,621,379	2,325,931
Advertising and solicitation	62,509	-	28,820	91,329	188,483	1,906,534	2,095,017	2,186,346
Travel	87,905	90,828	726,035	904,768	160,932	492,740	653,672	1,558,440
Contractors and consultants	240,939	159,058	23,549	423,546	458,512	583,915	1,042,427	1,465,973
Occupancy	623,727	301,182	-	924,909	366,180	156,500	522,680	1,447,589
Data processing	-	-	24,750	24,750	554,576	206,740	761,316	786,066
Product acquisition fees	310,260	-	-	310,260	-	421,451	421,451	731,711
Other	34,970	32,250	8,453	75,673	478,378	108,797	587,175	662,848
Equipment rental	7,256	7,598	28,195	43,049	587,325	24,779	612,104	655,153
Merchant processing and bank fees	-	-	-	-	516,390	-	516,390	516,390
Professional services	-	-	13,192	13,192	267,699	20,041	287,740	300,932
Promotional items	171,131	34	2,365	173,530	17,529	42,984	60,513	234,043
Depreciation	-	-	-	-	218,659	-	218,659	218,659
Memberships and subscriptions	3,918	872	3,174	7,964	98,133	25,812	123,945	131,909
Property insurance	-	-	-	-	108,796	-	108,796	108,796
Office supplies	16,447	789	1,340	18,576	52,193	20,845	73,038	91,614
Software	1,844	3,818	-	5,662	52,919	4,092	57,011	62,673
Internet fees	8	-	-	8	43,562	-	43,562	43,570
Airtime	-	-	106	106	-	106	106	212
Total	\$ 396,104,527	\$ 18,669,984	\$ 7,448,686	\$ 422,223,197	\$ 12,856,037	\$ 13,941,759	\$ 26,797,796	\$ 449,020,993

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, 2022

	Program activities				Supporting activities			Total expenses
	Health, food, and other assistance	Project development	Missions education	Total program	Management and general	Fundraising	Total supporting	
Salaries	\$ 1,084,343	\$ 841,011	\$ 2,707,490	\$ 4,632,844	\$ 5,316,427	\$ 2,972,708	\$ 8,289,135	\$ 12,921,979
Employee benefits	—	—	694,224	694,224	939,707	564,057	1,503,764	2,197,988
Payroll taxes	76,657	57,709	100,351	234,717	349,616	200,522	550,138	784,855
Total personnel-related expenses	1,161,000	898,720	3,502,065	5,561,785	6,605,750	3,737,287	10,343,037	15,904,822
Goods distributed	322,474,269	—	—	322,474,269	—	—	—	322,474,269
Grants	117,653	14,884,508	—	15,002,161	—	—	—	15,002,161
Shipping	3,610,798	—	—	3,610,798	946	38,246	39,192	3,649,990
Printing	144,108	—	762,510	906,618	1,558	2,707,728	2,709,286	3,615,904
Postage	4,320	354	550,615	555,289	150,850	1,340,312	1,491,162	2,046,451
Advertising and solicitation	60,750	—	20,170	80,920	142,184	1,233,780	1,375,964	1,456,884
Occupancy	516,079	266,188	—	782,267	372,692	146,086	518,778	1,301,045
Contractors and consultants	143,610	116,598	24,012	284,220	414,469	478,614	893,083	1,177,303
Travel	79,759	22,898	648,162	750,819	96,233	268,634	364,867	1,115,686
Product acquisition fees	327,568	—	—	327,568	—	524,118	524,118	851,686
Data processing	—	—	4,680	4,680	576,862	158,230	735,092	739,772
Equipment rental	7,225	8,519	1,536	17,280	572,121	19,425	591,546	608,826
Merchant processing and bank fees	—	—	—	—	523,503	—	523,503	523,503
Professional services	—	—	14,100	14,100	343,764	20,134	363,898	377,998
Property insurance	—	—	—	—	267,095	—	267,095	267,095
Other	7,033	19,622	6,363	33,018	157,926	49,362	207,288	240,306
Depreciation	—	—	—	—	191,561	—	191,561	191,561
Promotional items	76,509	—	949	77,458	8,605	91,303	99,908	177,366
Memberships and subscriptions	3,671	—	823	4,494	128,681	29,999	158,680	163,174
Software	4,452	660	1,328	6,440	99,230	3,849	103,079	109,519
Airtime	6,785	—	12,075	18,860	—	72,404	72,404	91,264
Office supplies	21,166	849	2,751	24,766	43,140	17,187	60,327	85,093
Internet fees	8	—	219	227	37,806	1,227	39,033	39,260
Total	\$ 328,766,763	\$ 16,218,916	\$ 5,552,358	\$ 350,538,037	\$ 10,734,976	\$ 10,937,925	\$ 21,672,901	\$ 372,210,938

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 and consist of holdings in a limited partnership. 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 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 as of June 30, 2023 and 2022. Inventory is recorded at estimated fair value on the date of the gift. Inventory which has been shipped, but for which legal title has not yet passed from the Organization to the intended beneficiaries, is included in “goods distributed in transit” liability.

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 (as further described in note H). The Organization satisfies nearly 100% of food restrictions with donated gifts in-kind to maximize the value of the donor’s contribution as it is more cost effective to ship donated meals than to purchase food utilizing cash grants in country.

CROSS CATHOLIC OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Material aid

The Organization receives donations of medicines, medical supplies, food, water, disaster relief supplies, and other supplies and utilizes such donations for use in relieving suffering and poverty throughout the world through its various program activities. Noncash contributions are not monetized. Unless otherwise noted, noncash contributions do not have donor-imposed restrictions. 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 for pharmaceuticals sold in the United States. 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.

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.

Leases

The Organization leases real property and equipment as further described in Note J. The Organization assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases that are immaterial to the overall financial statements or with an initial term of twelve months or less are not recorded on the statements of financial position. Lease expense is recognized for those leases on a straight-line basis.

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 present value of lease payments (including the lease terms and treasury rates), useful lives of property and equipment, and the estimated fair value of noncash contributions. Actual results could differ from the estimates.

New accounting pronouncement

Management adopted Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842) which is effective for the Organization’s financial statements for the year ended June 30, 2023. The Organization adopted the ASU using the modified retrospective approach, with July 1, 2022 as the date of initial adoption. The ASU applies to organizations who hold long-term leases (as lessee) and requires recognition of right-of-use assets and related lease obligation liabilities in the statement of financial position. The Organization elected practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. As a result of adopting the new standards effective July 1, 2022, the Organization recorded additional lease assets and liabilities as further described in Note J.

CROSS CATHOLIC OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting pronouncement (continued)

The adoption of the ASU had no net effect on the Organization’s net assets as of July 1, 2021 or the change in net assets for the year ended June 30, 2022.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through the date of the report of independent auditor, 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:

	June 30,	
	2023	2022
Financial assets available:		
Cash and cash equivalents	\$ 25,088,305	\$ 30,522,226
Investments	873,864	882,483
Total financial assets available	25,962,169	31,404,709
Less amounts unavailable for general expenditure within one year	—	—
Net financial assets available within one year	\$ 25,962,169	\$ 31,404,709

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 were 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.

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.

During the years ended June 30, 2023 and 2022, approximately 95% and 86% of total noncash contribution revenue was sourced from the Organization’s three largest donors, respectively.

CROSS CATHOLIC OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E – TRANSACTIONS WITH COOPERATING MINISTRY

The Organization cooperates in ministry with Cross International, Inc. (“CI”). The Organization and CI operated under a shared services agreement through June 30, 2022, the terms of which are defined in the agreement. CI paid the Organization \$113,000 for services under the agreement during the year ended June 30, 2022. Additionally, CI has a note payable to the Organization for which the balance was approximately \$172,000 and \$207,000 as of June 30, 2023, and 2022, respectively, which is recognized in the accompanying statements of financial position as “due from cooperating ministry”.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 361,149	\$ 361,149
Furniture and equipment	<u>2,923,042</u>	<u>2,613,696</u>
Total property and equipment	3,284,191	2,974,845
Less: Accumulated depreciation	<u>(2,453,054)</u>	<u>(2,234,394)</u>
Net property and equipment	<u>\$ 831,137</u>	<u>\$ 740,451</u>

Depreciation expense amounted to \$218,659 and \$191,561 during the years ended June 30, 2023 and 2022, respectively.

NOTE G – EMPLOYEE RETENTION TAX CREDIT

During the year ended June 30, 2022, the Organization filed amended payroll tax returns claiming the Employee Retention Credit (“the Credit”) available under the Coronavirus Aid, Relief, and Economic Security Act, as modified by the Consolidated Appropriations Act and the American Rescue Plan Act. The Credit, which represents federal stimulus/relief funds, provides funding in the form of a refundable payroll tax credit for eligible employers applicable to activity during certain portions of calendar years 2020 and 2021. The amount of the Credit is based on certain criteria related to a reduction of gross receipts and/or a full or partial suspension of operations due to government orders during the applicable periods. The Organization claimed a credit of approximately \$1,000,000, for the second quarter of 2021, and \$1,000,000 for the third quarter of 2021. During the year ended June 30, 2022, the Organization received the entire amount of the claimed credit. Approximately \$1,000,000 of the Organization’s claim was recognized as revenue during the year ended June 30, 2021. The remaining \$1,000,000 claim is included in “other revenue” in the accompanying statement of activities for the year ended June 30, 2022.

Official, authoritative guidance regarding criteria for eligibility and determination of the amount of the Credit is limited and, in some respects, not abundantly clear. Accordingly, it is at least possible that the Internal Revenue Service could challenge Credit amounts claimed by the Organization. Under current law, the statute of limitations with respect to claims related to the first and second quarters of 2021 is expected to run in April 2025. The statute of limitations with respect to claims related to the third quarter of 2021 is expected to run in April 2027. The IRS also may, in certain circumstances, file a civil lawsuit in an attempt to recover an “erroneous refund” for a period of time that may extend beyond the regular statute of limitations in certain instances. It is also possible that federal legislation may be adopted that further extends the period during which the IRS may examine or challenge claims for the Credit.

CROSS CATHOLIC OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G – EMPLOYEE RETENTION TAX CREDIT (continued)

The accompanying financial statements do not reflect any adjustment or allowance for Credit amounts claimed, as management has concluded that it is more likely than not that the Organization's positions with respect to the Credit will be sustained in the event of an IRS challenge.

NOTE H – RESTRICTIONS ON NET ASSETS

Net assets were restricted by donors for the following purposes during the year ended June 30, 2023:

	Balance July 1	Contributions	Releases	Balance June 30
Disaster, educational, and other aid	\$ 4,000	\$ 9,597,177	\$ (9,161,699)	\$ 439,478
Housing-related aid	—	5,686,144	(5,478,876)	207,268
Food, water, and medicinal aid	—	12,837,790	(12,837,790)	—
Aid to orphans and vulnerable children	—	2,301,097	(2,301,097)	—
Total	\$ 4,000	\$ 30,422,208	\$ (29,779,462)	\$ 646,746

Net assets were restricted by donors for the following purposes during the year ended June 30, 2022:

	Balance July 1	Contributions	Releases	Balance June 30
Disaster, educational, and other aid	\$ —	\$ 15,611,906	\$ (15,607,906)	\$ 4,000
Food, water, and medicinal aid	—	13,350,357	(13,350,357)	—
Housing-related aid	—	2,672,793	(2,672,793)	—
Aid to orphans and vulnerable children	—	2,023,824	(2,023,824)	—
Total	\$ —	\$ 33,658,880	\$ (33,654,880)	\$ 4,000

NOTE I – MATERIAL AID

Noncash contributions recognized in the statements of activities include:

	For The Years Ended June 30,	
Category	2023	2022
Health	\$ 376,847,948	\$ 312,638,500
Food	6,282,070	5,297,300
Other	4,597,097	1,610,422
Disaster relief supplies	1,392,946	2,928,047
Amounts held as inventory	144,642	349,270
Total noncash contributions	\$ 389,264,703	\$ 322,823,539

CROSS CATHOLIC OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE J – LEASES

The Organization is party to certain lease agreements granting it the right to use certain real property and other equipment to conduct certain ministry operations. Material lease agreements are collectively referred to herein as “the lease agreements.”

The lease agreements have terms from approximately 1 to 5 years. Certain lease agreements include options to renew the related lease agreement at the Organization’s sole discretion. Additional lease terms available pursuant to renewal options are only included in the recognition of the underlying right-of-use assets and lease liabilities if it is reasonably certain that the renewal option will be exercised.

The lease agreements contain lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on the terms of the lease contracts. The non-lease components are not included in the recognition of the “right-of-use assets” and “lease liabilities,” and are expensed as incurred.

As of July 1, 2022, the assets and liabilities related to the lease agreements were recorded at the present value of the remaining lease payments and are calculated utilizing applicable risk free rates as the discount rates.

Following is a summary of leases held as of June 30, 2023:

Operating lease right-of-use assets	\$ 764,995
Finance lease right-of-use assets	<u>1,183,356</u>
Total right-of-use assets	<u>\$ 1,948,351</u>
Operating lease liabilities	\$ 764,995
Finance lease liabilities	<u>1,183,356</u>
Total lease liabilities	<u>\$ 1,948,351</u>

Following is a summary of right-of-use assets recognized in exchange for lease liabilities during the year ended June 30, 2023:

Operating lease right-of-use assets	\$ 1,659,049
Finance lease right-of-use assets	<u>1,368,033</u>
Total right-of-use assets recognized in exchange for lease liabilities	<u>\$ 3,027,082</u>

Following is a summary of the weighted average lease term by type of lease as of June 30, 2023:

Operating leases	0.80 years
Finance lease	3.78 years

Following is a summary of the weighted average discount rate by type of lease as of June 30, 2023:

Operating leases	3.47%
Finance lease	3.47%

CROSS CATHOLIC OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J – LEASES (Continued)

Following is a summary of total lease cost for the year ended June 30, 2023:

Operating lease cost	\$ 1,017,026
Finance lease – amortization of right-of-use assets	293,859
Finance lease – interest on lease liabilities	<u>45,054</u>
Total lease cost	<u>\$ 1,355,938</u>

Following is a schedule by years of future undiscounted payments required under the operating and finance leases reconciled to total lease liabilities as of June 30, 2023:

Year Ending June 30,	Operating	Finance	Total
2024	\$ 711,505	\$ 321,363	\$ 1,032,869
2025	56,241	321,363	377,784
2026	—	321,363	321,363
2027	—	245,235	245,235
2028	<u>—</u>	<u>6,715</u>	<u>6,715</u>
Total undiscounted payments	767,926	1,216,040	1,983,966
Less: Effect of discount rate applied	<u>(2,932)</u>	<u>(32,684)</u>	<u>(35,615)</u>
Total lease liabilities	<u>\$ 764,995</u>	<u>\$ 1,183,356</u>	<u>\$ 1,948,351</u>

NOTE K – 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 \$412,000 and \$347,000 to the Plan during the years ended June 30, 2023 and 2022, respectively.