



CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.

COMBINING AND COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013





REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying combining and combined financial statements of Cross Catholic Outreach, Inc. and Cross International, Inc. (collectively "the Ministries"), which comprise the combining and combined statement of financial position as of December 31, 2013, and the related individual and combined statements of activities, combining and combined cash flows, and individual functional expenses for the year then ended, and the related notes to the combining and combined financial statements.

Management's Responsibility for the Combining and Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combining and combined 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 combining and combined 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 combining and combined 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 combining and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining and combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Ministries' preparation and fair presentation of the combining and combined 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 Ministries' 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 combining and combined 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 combining and combined financial statements referred to above present fairly, in all material respects, the combining and combined financial position of Cross Catholic Outreach, Inc. and Cross International, Inc. as of December 31, 2013, the individual and combined changes in their net assets, and their combining and combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
June 12, 2014

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CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
 COMBINING AND COMBINED STATEMENT OF FINANCIAL POSITION
 December 31, 2013

ASSETS

	Cross Catholic Outreach, Inc.	Cross International, Inc.	Eliminations	Combined Total
ASSETS				
Cash and cash equivalents	\$ 7,320,855	\$ 1,558,805	\$ —	\$ 8,879,660
Inventories	—	2,356,258	—	2,356,258
Due from affiliate	3,422,598	—	(3,422,598)	—
Other assets	159,997	356,557	—	516,554
Investments restricted to endowment	—	233,000	—	233,000
Property and equipment, net	427,194	95,835	—	523,029
Total assets	\$ 11,330,644	\$ 4,600,455	\$ (3,422,598)	\$ 12,508,501

LIABILITIES AND NET ASSETS

LIABILITIES				
Accounts payable and accrued expenses	\$ 786,038	\$ 63,849	\$ —	\$ 849,887
Due to affiliate	—	3,422,598	(3,422,598)	—
Total liabilities	786,038	3,486,447	(3,422,598)	849,887
NET ASSETS				
Unrestricted	10,544,606	809,079	—	11,353,685
Temporarily restricted	—	71,929	—	71,929
Permanently restricted	—	233,000	—	233,000
Total net assets	10,544,606	1,114,008	—	11,658,614
Total liabilities and net assets	\$ 11,330,644	\$ 4,600,455	\$ (3,422,598)	\$ 12,508,501

The Accompanying Notes are an Integral
 Part of These Combining and Combined Financial Statements

CROSS CATHOLIC OUTREACH, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Noncash contributions	\$ 231,586,527	\$ —	\$ —	\$ 231,586,527
Cash contributions	13,616,705	11,661,535	—	25,278,240
Grant from affiliate	2,084,257	—	—	2,084,257
Other revenue	145,410	—	—	145,410
Net assets released from time and use restrictions	<u>12,394,876</u>	<u>(12,394,876)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>259,827,775</u>	<u>(733,341)</u>	<u>—</u>	<u>259,094,434</u>
EXPENSES				
Program	246,838,066	—	—	246,838,066
Management and general	5,952,615	—	—	5,952,615
Fund raising	<u>4,806,675</u>	<u>—</u>	<u>—</u>	<u>4,806,675</u>
Total expenses	<u>257,597,356</u>	<u>—</u>	<u>—</u>	<u>257,597,356</u>
CHANGE IN NET ASSETS	2,230,419	(733,341)	—	1,497,078
NET ASSETS - Beginning of year	<u>8,314,187</u>	<u>733,341</u>	<u>—</u>	<u>9,047,528</u>
NET ASSETS - End of year	<u><u>\$ 10,544,606</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 10,544,606</u></u>

The Accompanying Notes are an Integral
Part of These Combining and Combined Financial Statements

CROSS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Noncash contributions	\$ 85,996,970	\$ —	\$ —	\$ 85,996,970
Cash contributions	1,045,514	5,063,914	—	6,109,428
Other revenue	144,987	—	—	144,987
Net assets released from time and use restrictions	<u>5,164,290</u>	<u>(5,164,290)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>92,351,761</u>	<u>(100,376)</u>	<u>—</u>	<u>92,251,385</u>
EXPENSES				
Program	88,894,161	—	—	88,894,161
Management and general	1,113,884	—	—	1,113,884
Fund raising	<u>1,945,509</u>	<u>—</u>	<u>—</u>	<u>1,945,509</u>
Total expenses	<u>91,953,554</u>	<u>—</u>	<u>—</u>	<u>91,953,554</u>
CHANGE IN NET ASSETS	398,207	(100,376)	—	297,831
NET ASSETS - Beginning of year	<u>410,872</u>	<u>172,305</u>	<u>233,000</u>	<u>816,177</u>
NET ASSETS - End of year	<u>\$ 809,079</u>	<u>\$ 71,929</u>	<u>\$ 233,000</u>	<u>\$ 1,114,008</u>

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CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
COMBINED STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS					
Noncash contributions	\$ 317,583,497	\$ —	\$ —	—	\$ 317,583,497
Cash contributions	14,662,219	16,725,449	—	—	31,387,668
Grant from affiliate	2,084,257	—	—	(2,084,257)	—
Other revenue	290,397	—	—	—	290,397
Net assets released from time and use restrictions	<u>17,559,166</u>	<u>(17,559,166)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>352,179,536</u>	<u>(833,717)</u>	<u>—</u>	<u>(2,084,257)</u>	<u>349,261,562</u>
EXPENSES					
Program	335,732,227	—	—	(2,084,257)	333,647,970
Management and general	7,066,499	—	—	—	7,066,499
Fund raising	<u>6,752,184</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,752,184</u>
Total expenses	<u>349,550,910</u>	<u>—</u>	<u>—</u>	<u>(2,084,257)</u>	<u>347,466,653</u>
CHANGE IN NET ASSETS	2,628,626	(833,717)	—	—	1,794,909
NET ASSETS - Beginning of year	<u>8,725,059</u>	<u>905,646</u>	<u>233,000</u>	<u>—</u>	<u>9,863,705</u>
NET ASSETS - End of year	<u>\$ 11,353,685</u>	<u>\$ 71,929</u>	<u>\$ 233,000</u>	<u>\$ —</u>	<u>\$ 11,658,614</u>

The Accompanying Notes are an Integral
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CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
COMBINING AND COMBINED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2013

	Cross Catholic Outreach, Inc.	Cross International, Inc.	Combined Total
OPERATING CASH FLOWS			
Cash received from contributors	\$ 25,278,240	\$ 6,109,428	\$ 31,387,668
Cash received from other sources	145,410	144,987	290,397
Cash paid for operating activities and costs	<u>(24,053,494)</u>	<u>(6,165,646)</u>	<u>(30,219,140)</u>
Net operating cash flows	<u>1,370,156</u>	<u>88,769</u>	<u>1,458,925</u>
INVESTING CASH FLOWS			
Purchases of and improvements to property and equipment	<u>(239,814)</u>	<u>—</u>	<u>(239,814)</u>
Net investing cash flows	<u>(239,814)</u>	<u>—</u>	<u>(239,814)</u>
FINANCING CASH FLOWS			
Repayments of principal	<u>(32,384)</u>	<u>—</u>	<u>(32,384)</u>
Net financing cash flows	<u>(32,384)</u>	<u>—</u>	<u>(32,384)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,097,958	88,769	1,186,727
CASH AND CASH EQUIVALENTS - Beginning of year	<u>6,222,897</u>	<u>1,470,036</u>	<u>7,692,933</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 7,320,855</u></u>	<u><u>\$ 1,558,805</u></u>	<u><u>\$ 8,879,660</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS			
Change in net assets	\$ 1,497,078	\$ 297,831	\$ 1,794,909
Adjustments to reconcile change in net assets to net operating cash flows:			
Depreciation	68,347	23,659	92,006
Change in inventories	—	(149,361)	(149,361)
Change in other assets	26,047	(85,445)	(59,398)
Change in accounts payable and accrued expenses	<u>(221,316)</u>	<u>2,085</u>	<u>(219,231)</u>
Net operating cash flows	<u><u>\$ 1,370,156</u></u>	<u><u>\$ 88,769</u></u>	<u><u>\$ 1,458,925</u></u>

The Accompanying Notes are an Integral
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CROSS CATHOLIC OUTREACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2013

	Program				Supporting			Total Expenses
	Medical, Food, and Other Assistance	Project Development	Missions Education	Total Program	Management and General	Fund raising	Total Supporting	
Salaries	\$ 331,216	\$ 585,748	\$ 1,967,831	\$ 2,884,795	\$ 2,585,236	\$ 1,031,805	\$ 3,617,041	\$ 6,501,836
Employee benefits	97,456	80,407	183,918	361,781	718,666	225,897	944,563	1,306,344
Payroll taxes	26,784	37,874	40,043	104,701	199,575	74,796	274,371	379,072
Total personnel-related expenses	455,456	704,029	2,191,792	3,351,277	3,503,477	1,332,498	4,835,975	8,187,252
Goods distributed	233,670,785	—	—	233,670,785	—	—	—	233,670,785
Grants	—	7,001,979	—	7,001,979	—	—	—	7,001,979
Printing	—	—	193,047	193,047	38,698	1,611,267	1,649,965	1,843,012
Postage	1,015	184	37,097	38,296	224,780	861,817	1,086,597	1,124,893
Shipping expenses	1,113,824	—	—	1,113,824	—	2,491	2,491	1,116,315
Other expenses	6,299	215,789	2,129	224,217	547,476	228,716	776,192	1,000,409
Travel	34,956	105,503	558,284	698,743	84,409	180,974	265,383	964,126
Data processing	—	—	—	—	600,112	116,187	716,299	716,299
Occupancy	149,600	—	—	149,600	527,110	18,311	545,421	695,021
Contractors and consultants	77,335	41,351	192	118,878	130,559	157,596	288,155	407,033
Advertising and solicitation	—	—	24,473	24,473	1,830	277,608	279,438	303,911
Merchant processing and bank fees	—	—	—	—	223,009	—	223,009	223,009
Product acquisition fees	233,014	—	—	233,014	—	510	510	233,524
Professional services	—	—	546	546	71,155	—	71,155	71,701
Airtime	—	—	19,387	19,387	—	18,700	18,700	38,087
Total	<u>\$ 235,742,284</u>	<u>\$ 8,068,835</u>	<u>\$ 3,026,947</u>	<u>\$ 246,838,066</u>	<u>\$ 5,952,615</u>	<u>\$ 4,806,675</u>	<u>\$ 10,759,290</u>	<u>\$ 257,597,356</u>

The Accompanying Notes are an Integral
Part of These Combining and Combined Financial Statements

CROSS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2013

	Program				Supporting			Total Expenses
	Medical, Food, and Other Assistance	Project Development	Missions Education	Total Program	Management and General	Fund raising	Total Supporting	
Salaries	\$ 67,458	\$ 136,829	\$ 69,824	\$ 274,111	\$ 365,050	\$ 362,878	\$ 727,928	\$ 1,002,039
Employee benefits	20,015	38,139	10,352	68,506	118,893	38,102	156,995	225,501
Payroll taxes	5,093	10,326	5,455	20,874	28,760	30,339	59,099	79,973
Total personnel-related expenses	92,566	185,294	85,631	363,491	512,703	431,319	944,022	1,307,513
Goods distributed	83,763,352	—	—	83,763,352	—	—	—	83,763,352
Grant to affiliate	—	2,084,257	—	2,084,257	—	—	—	2,084,257
Grants	—	1,522,529	—	1,522,529	—	—	—	1,522,529
Airtime	—	—	703,236	703,236	—	769,235	769,235	1,472,471
Shipping expenses	320,974	—	264	321,238	284	264	548	321,786
Printing	—	—	8,368	8,368	2,805	223,606	226,411	234,779
Postage	187	22	4,312	4,521	40,672	169,079	209,751	214,272
Data processing	—	—	63	63	188,620	19,797	208,417	208,480
Other expenses	1,494	5,883	1,718	9,095	131,209	49,014	180,223	189,318
Travel	5,117	87	53,102	58,306	6,928	79,847	86,775	145,081
Professional services	—	—	—	—	30,416	112,069	142,485	142,485
Occupancy	10,770	—	—	10,770	92,347	—	92,347	103,117
Contractors and consultants	9,704	15,483	—	25,187	26,656	31,752	58,408	83,595
Merchant processing and bank fees	—	—	—	—	80,958	—	80,958	80,958
Advertising and solicitation	—	—	—	—	286	54,622	54,908	54,908
Product acquisition fees	19,748	—	—	19,748	—	4,905	4,905	24,653
Total	\$ 84,223,912	\$ 3,813,555	\$ 856,694	\$ 88,894,161	\$ 1,113,884	\$ 1,945,509	\$ 3,059,393	\$ 91,953,554

The Accompanying Notes are an Integral
Part of These Combining and Combined Financial Statements

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
NOTES TO COMBINING AND COMBINED FINANCIAL STATEMENTS
December 31, 2013

NOTE A – NATURE OF ACTIVITIES

Cross International, Inc. (“CI”) and Cross Catholic Outreach, Inc. (“CCO”) form The Cross International Alliance (“the Alliance”) and were established in 2001 as Florida not-for-profit corporations for the purpose of helping Christian churches worldwide better serve the poor. Protestant and 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. CI and CCO were 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. CI and CCO also assist with operating expenses, including providing funding for teachers to schools and local crews for building construction. In this way, CI and CCO make effective use of existing infrastructure, better utilizing the buildings and staff already in place overseas.

The accompanying combining and combined financial statements include the accounts of CI and CCO, which operate under common management.

CI is an accredited member of ECFA, a national accrediting organization in the areas of financial integrity, transparency, accountability, and governance. CCO 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 fund raising as a ministry.

Collectively, CI and CCO will be referred to as “the Ministries” in the notes that follow.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the individual and combined 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 Ministries consider 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 December 31, 2013. Inventories are recorded at estimated fair value on the date of the gift.

Investments restricted to endowment

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

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
NOTES TO COMBINING AND COMBINED FINANCIAL STATEMENTS
December 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Ministries for use toward specific projects. The Ministries satisfy certain use restrictions by distributing donated gifts in-kind. However, the Ministries strive to use at least 50% of restricted cash gifts in carrying out the related project.

Income taxes

The Ministries are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Ministries are further classified as public charities and not private foundations for federal tax purposes. The Ministries have not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying combining and combined financial statements. The Ministries have not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America. Federal and state tax authorities may generally examine the Ministries' income tax positions or (if applicable) returns for periods of approximately three to six years.

Use of estimates

Management uses estimates and assumptions in preparing the combining and combined 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 combining and combined 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 Ministries have evaluated for possible financial reporting and disclosure subsequent events through June 12, 2014, the date as of which the combining and combined financial statements were available to be issued.

NOTE C – CONCENTRATIONS

The Ministries maintain their 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 Ministries have not experienced any losses in such accounts, and believe they are not exposed to any significant credit risk related to cash and cash equivalents.

During 2013, approximately 95% of noncash contribution revenue for CCO and CI was sourced from each Ministry's three largest donors.

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
NOTES TO COMBINING AND COMBINED FINANCIAL STATEMENTS
December 31, 2013

NOTE D - DUE FROM AND DUE TO AFFILIATE

As of December 31, 2013, CCO's financial statements included an asset ("due from affiliate") and CI's financial statements included a liability ("due to affiliate") of \$3,422,598 for amounts owed by CI to CCO due to prior year deficits incurred by CI which were funded by CCO. CI plans to repay CCO as positive cash flows permit.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>CCO</u>	<u>CI</u>
Leasehold improvements	\$ 73,787	\$ 83,605
Furniture and equipment	<u>759,257</u>	<u>231,310</u>
Total property and equipment	833,044	314,915
Less: Accumulated depreciation	<u>(405,850)</u>	<u>(219,080)</u>
Net property and equipment	<u>\$ 427,194</u>	<u>\$ 95,835</u>

Depreciation expense was \$68,347 for CCO and \$23,659 for CI for 2013.

NOTE F - RESTRICTIONS ON NET ASSETS

Temporarily restricted net asset activity during 2013 for CCO was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>December 31</u>
Disaster, educational, and other aid	\$ 439,048	\$ 5,180,980	\$ (5,620,028)	\$ —
Food, water, and medicinal aid	36,283	3,021,232	(3,057,515)	—
Aid to orphans and vulnerable Children	15,500	1,996,358	(2,011,858)	—
Housing-related aid	<u>242,510</u>	<u>1,462,965</u>	<u>(1,705,475)</u>	<u>—</u>
Total	<u>\$ 733,341</u>	<u>\$ 11,661,535</u>	<u>\$ (12,394,876)</u>	<u>\$ —</u>

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
NOTES TO COMBINING AND COMBINED FINANCIAL STATEMENTS
December 31, 2013

NOTE F - RESTRICTIONS ON NET ASSETS (Continued)

Temporarily restricted net asset activity during 2013 for CI was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Disaster, educational, and other aid	\$ 110,223	\$ 2,737,786	\$ (2,821,319)	\$ 26,690
Food, water, and medicinal aid	22,133	477,816	(473,376)	26,573
Housing-related aid	5,918	330,338	(322,889)	13,367
Aid to orphans and vulnerable children	<u>34,031</u>	<u>1,517,974</u>	<u>(1,546,706)</u>	<u>5,299</u>
Total	<u>\$ 172,305</u>	<u>\$ 5,063,914</u>	<u>\$ (5,164,290)</u>	<u>\$ 71,929</u>

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

NOTE G - NONCASH CONTRIBUTIONS

The Ministries receive 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 Ministries no longer exercise 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 Ministries consider the valuation practices used for noncash contributions to be consistent with industry standards.

During 2013, certain noncash contributions originally received by CI were granted to CCO pursuant to a strategic decision made by management based on the belief that CCO was better suited to distribute the noncash contributions to various geographic areas. These amounts are included in "grant to affiliate" (a component of "program expenses") in CI's financial statements and "grant from affiliate" in CCO's financial statements.

NOTE H - FUNDRAISING ACTIVITIES

During 2013, CI incurred joint costs in the amount of \$1,472,471 for informational activities which included fundraising appeals in connection with CI's exempt purposes. Of those costs, \$769,235 was allocated to fundraising expense and \$703,236 was allocated to missions education expense.

CROSS CATHOLIC OUTREACH, INC.
CROSS INTERNATIONAL, INC.
NOTES TO COMBINING AND COMBINED FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – OPERATING LEASES

The Ministries lease building space and equipment under operating lease agreements. Total rent expense for all operating leases for 2013 (including common area charges and short-term rentals) amounted to approximately \$534,000 for CCO and \$86,000 for CI.

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

<u>Year Ending</u> <u>December 31,</u>	
2014	\$ 569,000
2015	569,000
2016	531,000
2017	107,000
2018	<u>23,000</u>
Total	<u>\$ 1,799,000</u>