

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

FINANCIAL STATEMENTS

**YEARS ENDED
DECEMBER 31, 2010 AND 2009**

CHRISTIANS REACHING OUT TO SOCIETY, INC.

YEARS ENDED DECEMBER 31, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Christians Reaching Out to Society, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christians Reaching Out to Society, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2010, on our consideration of Christians Reaching Out to Society, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedules of functional expenses on pages 23 and 24 are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Tedamonsn & Perry

September 13, 2011

FINANCIAL STATEMENTS

CHRISTIANS REACHING OUT TO SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31, 2010	December 31, 2009
ASSETS		
Cash	\$ 220,470	\$ 437,746
Certificate of deposit	123,118	121,719
Investments	246,611	184,263
Accounts receivable	12,530	13,191
Grants receivable	9,500	9,897
Promises to give	240,451	207,071
Inventories	63,000	41,000
Prepaid expenses	10,354	6,293
Investments held for endowment purposes	267,205	265,628
Property and equipment, net	126,452	117,419
Total	\$ 1,319,691	\$ 1,404,227
LIABILITIES		
Accounts payable	\$ 8,037	\$ 12,243
Accrued expenses	284	278
Capital lease obligation	15,221	21,407
Total liabilities	23,542	33,928
NET ASSETS		
Unrestricted		
Unreserved	755,310	711,724
Designated for endowment purposes	263,797	263,797
Temporarily restricted	273,634	393,000
Permanently restricted	3,408	1,778
Total net assets	1,296,149	1,370,299
Total	\$ 1,319,691	\$ 1,404,227

The accompanying notes are an integral part of the financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2010	Year Ended December 31, 2009
Unrestricted net assets		
Revenues and gains		
Contributions	\$ 681,221	\$ 942,343
In-kind contributions	865,070	806,447
Federal, state and local financial assistance	52,098	59,726
Special events	142,776	136,916
Investment return and interest earnings	69,603	52,378
	1,810,768	1,997,810
Net assets released from restrictions		
Restrictions satisfied by payments and time	219,502	211,651
	2,030,270	2,209,461
Expenses		
Program services	1,840,147	1,734,777
Supporting services		
Management and general	73,284	72,369
Fund-raising	67,623	61,185
	1,981,054	1,868,331
	49,216	341,130
Temporarily restricted net assets		
United Way of Palm Beach County funding for subsequent year	9,679	18,135
United Way of Palm Beach funding for subsequent year	4,000	2,500
Contributions for subsequent years or specific expenses	82,457	172,328
Net assets released from restrictions		
Restrictions satisfied by payments and time	(219,502)	(211,651)
	(123,366)	(18,688)
	(74,150)	322,442
Net assets at beginning of year	1,370,299	1,047,857
Net assets at end of year	\$ 1,296,149	\$ 1,370,299

The accompanying notes are an integral part of the financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (74,150)	\$ 322,442
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Depreciation	25,225	27,237
In-kind contribution of inventory	(18,960)	2,400
In-kind facilities usage from promise to give	22,920	21,624
In-kind contribution of investments	-	(3,074)
Unrealized (gain) on investments	(62,131)	(46,011)
(Increase) decrease in operating assets:		
Accounts receivable	661	180
Grants receivable	397	1,595
Promises to give	(56,300)	92,816
Inventories	(3,040)	3,600
Prepaid expenses	(4,061)	(134)
(Decrease) increase in operating liabilities:		
Accounts payable	(4,206)	(13,942)
Accrued expenses	6	-
Net cash provided by (used by) operating activities	(173,639)	408,733
Cash flows from investing activities		
Payments to beneficiaries - split-interest agreement	-	(4,408)
Investments sold	86,392	4,766
Investments purchased	(8,334)	(84,241)
Cash restricted/designated for endowment purposes	(1,630)	(100,000)
Payments for property and equipment	(34,258)	(1,121)
Net cash provided by (used by) investing activities	42,170	(185,004)
Cash flows from financing activities		
Principal payments on capital lease obligation	(6,186)	(5,395)
Net cash (used by) financing activities	(6,186)	(5,395)
Net increase (decrease) in cash	(137,655)	218,334
Cash and cash equivalents at beginning of year	560,769	342,435
Cash and cash equivalents at end of year	\$ 423,114	\$ 560,769

The accompanying notes are an integral part of the financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash and cash equivalents at end of year consist of the following:		
Cash	\$ 220,470	\$ 437,746
Certificate of deposit	123,118	121,719
Investments - Cash management fund	79,526	1,304
Total	\$ 423,114	\$ 560,769

Supplemental Disclosures

Interest paid	\$ 2,916	\$ 3,528
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The accompanying notes are an integral part of the financial statements.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

Note 1 – Nature of the Organization’s Activity

Christians Reaching Out to Society, Inc. (CROS Ministries) is a Florida not-for-profit entity, which was incorporated in 1978 and has an auxiliary affiliation with the United Methodist Church. CROS Ministries is engaged in administering Christian based ministerial and social services to the people and communities of Palm Beach and surrounding counties in Florida. Its purpose is to provide a forum for people of all faiths to work together to identify needs in the community and to assist in creating solutions for those needs. CROS Ministries is supported primarily through donor contributions, grants and governmental financial assistance.

Description of Program Services

The following are the descriptions of the program services provided by Christians Reaching Out to Society, Inc. in Palm Beach and surrounding counties:

Camps and Children’s Ministries – Three summer camp opportunities are offered to children from families with low incomes throughout Palm Beach County. Three six-week day camps are held Monday through Friday for children six to eleven years old. Arts and crafts, singing, bible stories, recreation, field trips, educational speakers, lunch and snack are all part of the day camp program. Camp Outreach is a one-week residential camp in Clewiston, Florida for children ages nine to eleven years old. Children enjoy arts and crafts, bible study, recreation, swimming, and guest speakers who talk about relevant issues. Scholarships are provided for youth ages twelve to eighteen to the Florida United Methodist Camp facility for a week of recreation, arts and crafts, bible study, and fellowship.

Caring Kitchen – Five different meal programs are offered to needy individuals and families. The Lunch Program provides meals to homeless and near homeless individuals and families, people with low incomes, senior citizens, and children. The Breakfast and Lunch Programs provide meals each weekday to homeless and near homeless individuals and families, people with low incomes, senior citizens, and children. Shut-in Meal Program provides hot meals three days a week that are delivered to shut-ins. Volunteers delivering these meals visit with the shut-ins and determine if they have any additional needs. Weekend Meal/Brown Bag Lunch Program provides two bag lunches on Saturday mornings (one for Saturday and one for Sunday) to homeless and near homeless individuals and families, people with low incomes, senior citizens, and children. In addition, the Caring Kitchen has added numerous services such as job search assistance, referrals to human service and social service agencies in an effort to move people to self-sufficiency and the P.E.L.T.S. program that prepares clients for employment by addressing the lack of basic job skills.

Food Pantries – Three food pantries operate within Palm Beach County and one food pantry in Martin County that provide food for needy individuals and families on a temporary emergency basis. Various local social service agencies and organizations, churches and synagogues refer these individuals and families. Two food pantries serve as ACCESS sites offering assistance with completing online applications for food stamps and other benefits. ACCESS assistance is also offered through outreach efforts in Belle Glade and Western Palm Beach County. Beginning in early 2011, food pantries will be established in Jupiter to serve Northern Palm Beach County and Belle Glade to serve the communities of Western Palm Beach County.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

Gleaning – Revives the biblical initiative that involves volunteers picking produce from farmers' fields that has been left after commercial harvesting methods. The produce gleaned is distributed through a local food bank to local agencies that work to feed the hungry in the community.

Long-Term Hurricane Recovery – Provided case management to determine the unmet needs of hurricane victims in Palm Beach, St. Lucie, Martin and Indian River counties. This program picked up where FEMA and other agencies had left off after the hurricanes. In addition, it assisted in the coordinating of volunteers to assist in performing the tasks to meet the needs of hurricane victims. This program ended during the first quarter of 2009.

Indiantown Outreach Center – Assists residents of Martin County with basic needs by distributing food and clothing. The Center offers other programs to clients through community partners such as Martin County Library and Council on Aging and serves as a community center by offering space to Boy Scout and Girl Scout troops.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Christians Reaching Out to Society, Inc. prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

CROS Ministries is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Advertising

Christians Reaching Out to Society, Inc. uses advertising to promote its programs in the community it serves. The production costs of advertising are expensed as incurred. During 2010 and 2009 advertising costs totaled \$1,986 and \$954, respectively.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, CROS Ministries considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, that are performed by individuals with those skills, and would otherwise be purchased by the Organization. In addition, many individuals volunteer their time and perform a variety of tasks that assist CROS Ministries with program

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

service activities, clerical duties and various board and committee assignments. CROS Ministries received more than 56,846 and 59,803 volunteer hours, respectively during 2010 and 2009.

Donated Assets, Transportation Services and Facilities Use

Donations of noncash assets, food, materials and transportation services are recorded as contributions at their estimated fair value. The donated use of facilities is recorded as contributions at their estimated fair market rental value.

Donated Property and Equipment

Donations of property and equipment are reported as contributions at their estimated fair value at date of donation. Such donations are reported as an increase in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, CROS Ministries reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. CROS Ministries reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounts Receivable

Accounts receivable consist of amounts owed to CROS Ministries by various organizations. Substantially all of the recorded accounts receivable are deemed collectible by management.

Grants Receivable

Substantially all of the grants receivable relate to grant reimbursements. All of the recorded grants receivable are deemed collectible by management.

Income Taxes

Christians Reaching Out to Society, Inc. is exempt from federal income tax under 501(c) (3) of the Internal Revenue Code. It is exempt from filing nonprofit annual information returns with the United States Treasury Department (Internal Revenue Service) based upon its status as an integrated auxiliary of the United Methodist Church.

Inventories

Inventories consist of food received as in-kind contributions or purchased that is used in the Food Pantry and Caring Kitchen programs. Inventories are stated at the estimated lower of cost or market determined by the first-in, first out method.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

Investments

Christians Reaching Out to Society, Inc.'s investments in marketable securities, equity funds, cash management funds and certificates of deposit (initial maturities greater than three months), with readily determinable fair values are carried at those fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. Investments without readily determinable fair values are stated at cost.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment, Net

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over a 5 to 10 year period. Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the usefulness of the respective assets are expensed currently.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Note 3 – Certificate of Deposit

CROS Ministries has a certificate of deposit with a local bank in the amount of \$123,118 (.75% interest rate) and \$121,719 (1.49% interest rate), respectively at December 31, 2010 and 2009. Each certificate had an initial maturity of 3 months and a penalty for early withdrawal. Any penalty for early withdrawal would not have a material effect on the financial statements.

Note 4 – Investments

Christians Reaching Out to Society, Inc. maintained two separate categories of investments on the Statements of Financial Position; (1) Investments that are not restricted or designated and (2) Investments held for endowment purposes. All investments are stated on the Statements of Financial Position at their estimated fair value based on closing published prices at year-end. Accordingly, investment earnings, realized gains and losses and unrealized appreciation or depreciation of investments are included in the Statements of Activities as increases or decreases in unrestricted net assets.

	December 31, 2010	
	Cost	Fair Value
Investments – unrestricted and undesignated		
Equity fund	\$ 162,400	\$ 163,558
Equity stocks	3,074	3,526
Cash management fund	79,527	79,527
Total	\$ 245,001	\$ 246,611
Investments held for endowment purposes		
Equity fund	\$ 267,205	\$ 267,205

	December 31, 2009	
	Cost	Fair Value
Investments – unrestricted and undesignated		
Certificates of deposit	\$ 78,000	\$ 77,939
Equity fund	112,922	101,655
Equity stocks	3,074	3,364
Cash management fund	1,305	1,305
Total	\$ 195,301	\$ 184,263

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

Investments held for endowment purposes			
Cash	\$	100,000	\$ 100,000
Equity fund		165,575	165,628
Total	\$	265,575	\$ 265,628

The equity funds are pooled investment accounts managed by the Florida United Methodist Foundation.

	Year Ended December 31, 2010	Year Ended December 31, 2009
Investment return is summarized as follows:		
Investment earnings	\$ 8,643	\$ 6,156
Net realized and unrealized gains and losses	62,193	46,068
Investment fees paid	(3,621)	(2,183)
Total	\$ 67,215	\$ 50,041

Note 5 – Fair Value Measurements

Fair Value Measurements

CROS Ministries adopted the provisions of ASC 820 – “Fair Value Measurements and Disclosures” (formerly SFAS No. 157, “Fair Value Measurements”) effective January 1, 2009 and the adoption did not have a material impact on the Organization’s financial statements when adopted. Under ASC 820, fair value is determined as the price that would be received to sell an asset or paid to transfer a liability (i.e. “the exit price”) in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity; unobservable inputs reflect the entity’s own assumptions from sources about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three level of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the whole term of the assets or liabilities.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in ASC 820. The three valuation techniques are as follows:

- Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities,
- Cost approach – Amount that would be required to replace the service capability of an asset (i.e. replacement cost); and
- Income approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

Fair values of assets measured on a recurring basis are as follows at:

December 31, 2010			
	Level 1	Level 2	Level 3
Investments – unrestricted and undesignated			
Equity fund	\$ -	\$ 163,558	\$ -
Equity stocks	3,526	-	-
Cash management funds	79,527	-	-
Investments held for endowment purposes			
Equity fund	-	267,205	-
	\$ 83,053	\$ 430,763	\$ -

December 31, 2009			
	Level 1	Level 2	Level 3
Investments – unrestricted and undesignated			
Certificates of deposit	-	77,939	-
Equity fund	\$ -	\$ 101,655	\$ -
Equity stocks	3,364	-	-
Cash management funds	1,305	-	-
Investments held for endowment purposes			
Equity fund	-	165,628	-
	\$ 4,669	\$ 345,222	\$ -

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

The following are the financial instruments of CROS Ministries' carrying values not remeasured at fair value on a recurring basis that approximates their fair value at:

	December 31, 2010	December 31, 2009
Financial assets		
Cash	\$ 220,470	\$ 437,746
Certificate of deposit	123,118	121,719
Accounts receivables	12,530	13,191
Grants receivable	9,500	9,897
Promises to give	240,451	207,071
Investments held for endowment purposes – cash	-	100,000
Financial liability		
Capital lease obligation	15,221	21,407

Note 6 – Accounts Receivable

Accounts receivable consists of the following at:

	December 31, 2010	December 31, 2009
Florida United Methodist Conference	\$ 12,530	\$ 13,191

Note 7 – Grants Receivable

Grants receivable consists of the following at:

	December 31, 2010	December 31, 2009
Palm Beach County Community Services Department	\$ 9,500	\$ 9,897

Note 8 – Promises to Give

Unconditional promises to give consist of the following at:

	December 31, 2010	December 31, 2009
American Legion – long-term lease for facilities usage	\$ 203,344	\$ 237,712
Margaret Biddle Foundation – Caring Kitchen program	35,000	-
Florida United Methodist Conference	25,800	-
Town of Palm Beach United Way – gleaning program	8,000	2,500

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

Holy Trinity Episcopal Church – food pantry program	5,000	-
Adrian Dominican Sisters – PELTS program	-	10,000
Others	-	5,000
Total	\$ 277,144	\$ 255,212

Receivable in less than one year	\$ 108,168	\$ 51,868
Receivable in one to five years	168,976	171,840
Receivable in more than five years	-	31,504
	277,144	255,212
Less discounts to net present value	(36,693)	(48,141)
Total	\$ 240,451	\$ 207,071

Promises to give receivable in more than one year are discounted at 6%. Uncollectible promises to give are expected to be insignificant.

Note 9 – Property and Equipment, Net

Property and equipment consists of the following at:

	December 31, 2010	December 31, 2009
Kitchen equipment	\$ 34,992	\$ 34,992
Computer equipment	19,917	17,193
Vehicles	40,446	12,736
Office equipment and fixtures	54,286	54,286
Software	6,430	6,430
Leasehold improvements	87,222	83,822
	243,293	209,459
Less accumulated depreciation	(116,841)	(92,040)
Total	\$ 126,452	\$ 117,419

Office equipment includes leased property under a capital lease of \$31,869, less accumulated amortization of \$19,121 and \$12,748 at December 31, 2010 and 2009, respectively. Amortization expense for leased property in the amount of \$6,374 is included in depreciation expense for 2010 and 2009.

Note 10 – Endowment Net Assets

During 1993, the Board of Directors established an endowment fund for the purpose of providing contributors the opportunity to make charitable gifts to CROS Ministries that would conserve their principal. Its endowment includes both donor-restricted funds and funds

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors by a three-quarter (3/4) vote may withdraw funds designated by the Board.

The Organization has a spending policy of allowing the investment return on its endowment funds to be appropriated, when necessary. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in an equity fund that is intended to result in a consistent rate of return that has sufficient liquidity to make distributions, when appropriate. The Florida United Methodist Foundation (See Note 4) manages the investments of the endowment fund.

Endowment

In August 2008, the FASB provided guidance by FASB ASC 958-205 (formerly FSP FAS 117-1, *Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*) which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and additional disclosures about an organization's endowment funds. The State of Florida has not yet adopted UPMIFA. The following disclosures are made as required by FASB ASC 958-205.

Interpretation of Relevant Law

The Board of Directors of CROS Ministries has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CROS Ministries classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. In accordance with SPMIFA, CROS Ministries considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of CROS Ministries and (7) its investment policies.

Endowment net asset composition by type of fund as of:

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

December 31, 2010			
Type of Fund	Board- designated Unrestricted	Permanently Restricted	Total Net Endowment Assets
Board-designated endowment	\$ 263,797	\$ -	\$ 263,797
Donor-designated endowment	-	3,408	3,408
Total funds	\$ 263,797	\$ 3,408	\$ 267,205

December 31, 2009			
Type of Fund	Board- designated Unrestricted	Permanently Restricted	Total Net Endowment Assets
Board-designated endowment	\$ 263,797	\$ -	\$ 263,797
Donor-designated endowment	-	1,778	1,778
Total funds	\$ 263,797	\$ 1,778	\$ 265,575

Changes in endowment net assets as of:

Year Ended December 31, 2010			
	Board- designated Unrestricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 263,797	\$ 1,778	\$ 265,575
Permanently restricted contribution	-	1,630	1,630
Investment income	5,986	-	5,986
Net appreciation	46,559	-	46,559
Amounts appropriated for expenditures	(52,545)	-	(52,545)
Endowment net assets, end of year	\$ 263,797	\$ 3,408	\$ 267,205

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

Year Ended December 31, 2009

	Board- designated Unrestricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 163,797	\$ 1,778	\$ 165,575
Board designated contribution	100,000	-	100,000
Investment income	3,885	-	3,885
Net appreciation	111	-	111
Amounts appropriated for expenditures	(3,996)	-	(3,996)
Endowment net assets, end of year	\$ 263,797	\$ 1,778	\$ 265,575

Note 11 – Temporarily Restricted Net Assets

The following are net assets that are temporarily restricted and are available for the following expenditures at:

	December 31, 2010	December 31, 2009
Caring Kitchen long-term facilities usage	\$ 166,651	\$ 189,571
Caring Kitchen program	10,000	38,000
Caring Kitchen program - van	8,490	-
Comprehensive Food Pantry Initiative	-	15,964
Food Pantries	24,346	85,760
Food for WPB families/End Hunger	11,417	15,116
Food Recovery program – United Way	4,000	8,468
Gleaning program – United Ways	13,678	12,167
Homeless Housing fund	722	8,092
Outreach - 2011	25,800	-
PELTS program	-	13,282
Related assistance expenses and various other program costs	8,530	6,580
Total	\$ 273,634	\$ 393,000

Note 12 – Assistance from Governmental Agencies

The following are assistance from federal, state and local governmental agencies during the:

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

	Year Ended December 31, 2010	Year Ended December 31, 2009
Federal financial assistance		
U.S. Department of Homeland Security Emergency Food and Shelter National Board Program pass through United Way of America	\$ 10,000	\$ 12,000
State financial assistance		
State of Florida Governor's Council for Community Health	-	6,773
Local financial assistance		
Palm Beach County Community Services Department		
Contract R2010 – 1819	9,500	-
Contract R2009 – 1256	32,598	9,897
Contract R2008 – 1614	-	31,056
	42,098	40,953
Total	\$ 52,098	\$ 59,726

All amounts above represent cost reimbursements.

Note 13 – Donated Materials

Christians Reaching Out to Society, Inc. receives a majority of the food used in its Food Pantry and Caring Kitchen programs in the form of donated food from individuals, local churches, corporations and local food banks. The following are the estimated fair value of donated in-kind materials received during the:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Food assembled into food packages and distributed to needy individuals and families by the Food Pantry program	\$ 249,000	\$ 297,000
Food received and used in various meal programs by the Caring Kitchen program	416,000	310,000
Food received and used in various Camp programs	16,000	22,000
Non-food supplies used in various meal programs by the Caring Kitchen program	15,000	11,000

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

Gift cards received and used in the Christmas Gift program	22,000	28,000
Share food packages received and distributed in the various programs	18,000	19,000
Transportation services used in the Food Pantry program	7,000	-
Transportation services used in the Caring Kitchen program	4,000	-
Various supplies and transportation services used in the Camp and Child Ministries programs	3,000	5,000
Total	\$ 750,000	\$ 692,000

All of the above donations of materials have been recorded in in-kind contributions and program expenses.

Note 14 – Donated Facility Usage and Leasehold Improvements

Christians Reaching Out to Society, Inc. received the contributed use of facilities at several locations. The following are the estimated fair market rental value of the facilities as determined by CROS Ministries during the:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Administrative offices are operated from office facilities owned by local Methodist Churches	\$ 52,000	\$ 52,000
Food pantry program and administrative office is operated out of offices supplied by the State of Florida and in addition has the use of several storage units	17,000	23,000
Caring Kitchen program is operated at facilities provided by a local American Legion Post	12,000	14,000
Day camp programs are furnished facilities at various local churches	29,000	21,000
Hurricane relief, mentoring and computer programs utilize facilities at various local churches	-	3,000
Total	\$ 110,000	\$ 113,000

CHRISTIANS REACHING OUT TO SOCIETY, INC.
Notes to Financial Statements

All of the above donations of facilities have been recorded as in-kind contributions and facilities usage expense.

Note 15 – Donated Services

Christians Reaching Out to Society, Inc. recognized contribution revenue for donated services related to nursing services provided to CROS Ministries' summer camp program. During 2010 and 2009, contribution revenue from services was measured based on the fair value of these services and amounted to \$5,100 and \$1,700, respectively.

Numerous volunteers have donated significant amounts of time to the Organization in the years ended December 31, 2010 and 2009 that did not meet the criteria for recognition. Although no amounts have been reflected in the financial statements, management estimated the fair value of those services to be approximately \$1,214,225 and \$1,211,000 for the years ended December 31, 2010 and 2009, respectively. These donated services were utilized by all program and supporting services of CROS Ministries.

Note 16 – Retirement Plan

Christians Reaching Out to Society, Inc. has a defined contribution pension plan (Plan) allowed under Section 403(b) of the Internal Revenue Code that covers all full-time employees who are at least eighteen years old. CROS Ministries makes a contribution of 3% of the participant's compensation, after one year of service and they are making at least a minimum 3% contribution. Total expense for the year ended December 31, 2010 and 2009, was approximately \$7,905 and \$10,547, respectively.

In addition to the employee retirement plan, CROS Ministries contributes up to 12% of clergy salaries to the United Methodist Church benefit plan to which the contracted clergy are associated. For the year ended December 31, 2010 and 2009, CROS Ministries incurred benefit expense of \$20,850 and \$18,534, respectively, on behalf of the clergy.

Note 17 – Financial Instruments

Concentration of Credit Risk

CROS Ministries maintains its cash balances at several financial institutions located in Palm Beach County. These balances were insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. At December 31, 2010 and 2009, CROS Ministries' uninsured cash balances totaled approximately \$3,117 and \$305,500, respectively.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

Notes to Financial Statements

Note 18 – Leases

Capital Lease

During 2008, CROS Ministries leased office equipment from Konica Minolta under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of this asset through the lease, and accordingly, it is recorded in the Organization's assets and liabilities. The leased asset is office equipment with a cost of \$31,869 and accumulated amortization of \$19,121 as of December 31, 2010. The lease agreement's terms exceed 75% of the estimated economic life of the leased property.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of December 31, 2010:

Year Ending December 31:		
2011	\$	8,748
2012		8,748
2013		729
<hr/>		
Total minimum lease payments		18,225
Less amount representing interest		(3,004)
<hr/>		
Present value of minimum lease payments	\$	15,221

Operating Leases

CROS Ministries entered into an agreement with a local United Methodist Church to occupy space at its location to be used for administrative offices and other ministerial needs of the Organization. The agreement is for an indefinite period and is cancelable by either party. The Organization has provided improvements to this facility in the form of leasehold improvements totaling approximately \$84,000. If the local church requests CROS Ministries to leave, they will reimburse the Organization for the book value of the improvements, based on an annual depreciation rate of 10% per year. In addition, the Organization originally agreed to reimburse the church \$600 a month and increase the reimbursement to \$800 beginning June 2009 and beginning January 2010 increase the reimbursement to \$1,000 a month for various occupancy expenses. This amount will be reevaluated quarterly to ensure adequate coverage of expenses. The total amount of occupancy expenses paid during 2010 and 2009 was \$12,000 and \$8,600, respectively.

During 2006, CROS Ministries entered into a lease with a local American Legion Post for use of its facility to accommodate the Caring Kitchen program located in Delray Beach, Florida. The agreement is for ten years with an option to renew for ten additional years. The annual rent is one dollar. The Organization has determined the fair market value of the rental of this facility and recorded a long-term promise to give to reflect this in Note 7. CROS Ministries is responsible for the occupancy expenses. To date the Organization has provided improvements to the facilities in the form of kitchen equipment and leasehold improvements with a book value of approximately \$64,200. Upon termination of the lease all improvements attached or affixed to the property will be deemed part of the facility.

CHRISTIANS REACHING OUT TO SOCIETY, INC.
Notes to Financial Statements

In addition, during 2010 and 2009 the Organization leased various storage units on a month to month basis to store food inventory, as necessary. Total rent expense paid during 2010 and 2009 was \$12,094 and \$7,234, respectively

Note 19 – Subsequent Events

Management has evaluated subsequent events through September 13 2011, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CHRISTIANS REACHING OUT TO SOCIETY, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

	Program Services					Supporting Services				Total Expenses
	Camps and Children's Ministries	Caring Kitchen	Food Pantries	Gleaning	Other	Total	Management and General	Fund - Raising	Total	
Salaries	\$ 72,404	\$ 179,708	\$ 165,066	\$ 64,771	\$ 14,055	\$ 496,004	\$ 41,443	\$ 36,282	\$ 77,725	\$ 573,729
Payroll taxes	4,988	11,367	9,271	4,736	438	30,800	2,126	2,123	4,249	35,049
Health benefits	3,023	15,919	11,935	7,484	1,178	39,539	3,961	3,788	7,749	47,288
Other benefits	4,498	11,364	11,474	2,549	1,777	31,662	3,569	2,680	6,249	37,911
Total salaries and related expenses	84,913	218,358	197,746	79,540	17,448	598,005	51,099	44,873	95,972	693,977
Advertising & promotion	234	638	582	219	48	1,721	141	124	265	1,986
Casual labor	22,425	-	-	-	-	22,425	80	-	80	22,505
Computer	471	421	1,823	741	105	3,561	307	2,096	2,403	5,964
Conferences & meetings	116	499	1,522	120	177	2,434	187	520	707	3,141
Contribution	-	-	-	79,344	-	79,344	-	-	-	79,344
Depreciation	2,213	10,703	5,733	2,073	455	21,177	1,332	2,716	4,048	25,225
Facilities usage	41,132	42,212	26,075	9,101	1,286	119,806	9,127	5,755	14,882	134,688
Insurance	393	1,420	892	320	192	3,217	632	398	1,030	4,247
Interest	242	457	866	557	122	2,244	358	314	672	2,916
Miscellaneous	592	1,230	1,060	230	220	3,332	962	885	1,847	5,179
Office supplies & expenses	1,738	2,622	3,559	941	140	9,000	347	3,137	3,484	12,484
Outside services	-	6,218	10,830	-	-	17,048	788	-	788	17,836
Photocopying	365	880	1,193	21	-	2,459	693	379	1,072	3,531
Postage & delivery	2,339	664	393	264	-	3,660	1,863	3,387	5,250	8,910
Professional fees	-	135	-	18,191	-	18,326	2,000	300	2,300	20,626
Program expenses										
Food	22,011	419,932	276,244	-	12,843	731,030	-	-	-	731,030
Other	14,394	61,898	22,389	3,544	25,650	127,875	-	-	-	127,875
Repair & maintenance	131	8,084	510	302	66	9,093	194	170	364	9,457
Telephone & internet	1,072	4,044	6,634	1,638	282	13,670	644	634	1,278	14,948
Travel	3,211	958	4,693	1,925	59	10,846	194	470	664	11,510
Utilities	3,196	29,422	2,539	2,146	304	37,607	2,152	1,356	3,508	41,115
Volunteer expenses	804	608	467	388	-	2,267	184	109	293	2,560
Total	\$ 201,992	\$ 811,403	\$ 565,750	\$ 201,605	\$ 59,397	\$ 1,840,147	\$ 73,284	\$ 67,623	\$ 140,907	\$ 1,981,054

See Accountant's Report.

CHRISTIANS REACHING OUT TO SOCIETY, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2009

	Program Services							Supporting Services			Total Expenses
	Camps and Children's Ministries	Caring Kitchen	Food Pantries	Gleaning	Hurricane Recovery	Other	Total	Management and General	Fund - Raising	Total	
Salaries	\$ 66,201	\$ 184,406	\$ 119,229	\$ 58,327	\$ 26,131	\$ 20,851	\$ 475,145	\$ 46,079	\$ 34,216	\$ 80,295	\$ 555,440
Payroll taxes	4,153	10,742	5,200	4,069	1,694	971	26,829	2,334	1,758	4,092	30,921
Health benefits	5,511	13,457	8,259	5,621	1,834	1,798	36,480	3,420	2,911	6,331	42,811
Other benefits	4,081	11,673	9,518	2,711	1,810	1,941	31,734	3,987	2,942	6,929	38,663
Total salaries and related expenses	79,946	220,278	142,206	70,728	31,469	25,561	570,188	55,820	41,827	97,647	667,835
Advertising & promotion	-	-	-	-	-	-	-	743	211	954	954
Casual labor	9,199	-	-	-	-	-	9,199	-	-	-	9,199
Computer	791	402	2,172	730	254	168	4,517	368	1,649	2,017	6,534
Conferences & meetings	1,149	737	354	10	5	6	2,261	23	76	99	2,360
Contribution	-	-	-	60,680	-	-	60,680	-	-	-	60,680
Depreciation	2,336	12,348	4,419	2,067	920	747	22,837	1,631	2,769	4,400	27,237
Facilities usage	28,902	43,922	32,324	7,885	6,084	4,204	123,321	6,968	4,771	11,739	135,060
Insurance	428	1,318	673	331	163	197	3,110	732	548	1,280	4,390
Interest	630	481	689	558	198	202	2,758	440	330	770	3,528
Miscellaneous	473	1,002	698	306	(43)	340	2,776	990	375	1,365	4,141
Office supplies & expenses	974	2,583	1,846	426	202	192	6,223	458	2,396	2,854	9,077
Outside services	-	2,220	-	-	-	-	2,220	-	-	-	2,220
Photocopying	329	407	587	119	-	-	1,442	64	685	749	2,191
Postage & delivery	1,600	767	342	206	-	-	2,915	1,636	3,633	5,269	8,184
Professional fees	-	-	-	1,347	14,706	-	16,053	-	-	-	16,053
Program expenses											
Food	26,747	315,750	343,070	-	-	14,860	700,427	-	-	-	700,427
Other	10,146	54,250	9,044	2,550	23,494	33,799	133,283	-	-	-	133,283
Repair & maintenance	310	5,198	339	275	98	99	6,319	217	162	379	6,698
Telephone & internet	1,787	3,952	3,106	1,373	702	769	11,689	717	538	1,255	12,944
Travel	1,221	1,542	2,769	1,030	3,742	388	10,692	181	364	545	11,237
Utilities	2,973	30,287	1,588	1,303	826	383	37,360	1,151	789	1,940	39,300
Volunteer expenses	466	200	118	164	2,558	1,001	4,507	230	62	292	4,799
Total	\$ 170,407	\$ 697,644	\$ 546,344	\$ 152,088	\$ 85,378	\$ 82,916	\$ 1,734,777	\$ 72,369	\$ 61,185	\$ 133,554	\$ 1,868,331

See Accountant's Report.

OTHER REPORTS

TEDAMONSON & PERRY

CERTIFIED PUBLIC ACCOUNTANTS

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MARK D. PERRY, CPA

JACLYN J. TEDAMONSON, CPA

MEMBERS
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CERTIFIED PUBLIC ACCOUNTANTS
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of Christians Reaching Out to Society, Inc. (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated September 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Christians Reaching Out to Society, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Christians Reaching Out to Society, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the

accompanying schedule of finding and response that we consider to be a significant deficiency in internal control over financial reporting. 2010-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Christians Reaching Out to Society, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Christians Reaching Out to Society, Inc. in a separate letter dated September 13, 2011.

Christians Reaching Out to Society, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of finding and response. We did not audit Christians Reaching Out to Society, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, the board of directors, others within the Organization, and a local assistance agency and is not intended to be and should not be used by anyone other than these specified parties.

Tedamouson & Perry

September 13, 2011

Schedule of Finding and Response

2010.1 – Provide Oversight of the Financial Reporting Process

Finding

Management is responsible for establishing and maintaining internal controls and for the fair presentation in the financial statements of financial position, results of activities, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). The Organization does not have a system of internal controls that would enable management to conclude the financial statements and the related disclosures are complete and presented in accordance with GAAP. As such, management again this year requested us to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in organizations of your size and is a result of management's cost benefit decision to use our accounting expertise rather than to incur internal resource costs.

Response

After analyzing the costs and benefits of using Organization personnel versus requesting assistance from our accounting firm, management made the decision to request assistance with the preparation of financial statements and disclosures from the Organization's accounting firm. The Organization is able to prepare the financial statements, but after weighing staff time and the cost determined it was better to request assistance. Management reviewed and approved the drafts of the financial statements and footnote disclosures as prepared by the accounting firm.

TEDAMONSON & PERRY

CERTIFIED PUBLIC ACCOUNTANTS

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MARK D. PERRY, CPA

JACLYN J. TEDAMONSON, CPA

MEMBERS
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To the Senior Management
and the Board of Directors of
Christians Reaching Out to Society, Inc.

In planning and performing our audit of the financial statements of Christians Reaching Out to Society, Inc. (Organization) for the year ended December 31, 2010, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. (We previously reported on the Organization's internal control in our report dated September 13, 2011.) This letter does not affect our report dated September 13, 2011, on the financial statements of Christians Reaching Out to Society, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with Organization personnel, and will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Timely Posting of Development Records and Reconciliation to the General Ledger

Due to turnover in development staff and the limited number of the Organization's employees, the posting of development records for a portion of the year and the reconciliation was done by the same individual who is responsible for the recording of contribution information in the general ledger. We recommend that management establish and implement procedures so that the development records are posted on a more timely basis and reconciled to the general ledger, by category, on a monthly basis with adequate segregation of duties. These procedures, if implemented properly, will be a significant control for both the accounting function and the development function.

Accounting Manual

The Organization has continued improving, revising and implementing its Financial Management Policy and Procedure Handbook. This handbook does not replace the need for a detailed accounting manual. We continue to recommend that management and staff

continue to review, refine, and implement an accounting manual for the Organization. The manual should be detailed enough to allow a qualified individual, not familiar with your accounting system, to step in and with minimal disruption to the Organization process the accounting information on an efficient and timely basis. In addition, this manual can be a valuable tool in training new or reassigned employees. It will also assist management and the audit committee in their role of reviewing the Organization's procedures and controls to determine if they are being properly adhered to and in determining when revisions need to be made.

Organizational Structure

The size of the Organization's accounting and administrative staff precludes certain control procedures that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors, audit committee or its representatives be involved in the financial affairs of the Organization to provide proper oversight and independent review functions.

We wish to thank the Reverend Cahoon, Karen Mills, Reverend Juanita Bryant Goode, Sonya DeWitt, and all of CROS's staff for their support and assistance during your audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Tedamson & Perry

September 13, 2011