

THE CROSS INTERNATIONAL ALLIANCE

***REPORT ON EXAMINATION OF
COMBINED FINANCIAL STATEMENTS***

YEAR ENDED DECEMBER 31, 2007

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INDEPENDENT AUDITORS' REPORT

September 15, 2008

Boards of Trustees
Cross International, Inc.
Cross International Catholic Outreach, Inc.

We have audited the accompanying combined statements of financial position of Cross International, Inc., and Cross International Catholic Outreach, Inc. (not-for-profit corporations), collectively referred to as The Cross International Alliance, (The Alliance), as of December 31, 2007, and the related combined statements of activity and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of The Alliance. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Cross International, Inc. and Cross International Catholic Outreach, Inc. both separately and combined as of December 31, 2007, and the changes in their net assets and cash flows both separately and combined for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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Certified Public Accountants
Sunrise, Florida



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**THE CROSS INTERNATIONAL ALLIANCE
COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007**

	Cross International Inc.	Cross International Catholic Outreach Inc.	Elimination	Combined Totals
ASSETS				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 233,347	\$ 2,903,686	\$ -	\$ 3,137,033
Pledges receivable	190,813	814,300	-	1,005,113
Accounts receivable - miscellaneous	31,757	1,750	-	33,507
Accounts receivable - related party	-	1,064,992	(1,064,992)	-
Donated inventory not committed	422,860	-	-	422,860
Prepaid expenses	3,818	8,800	-	12,618
Total Current Assets	<u>882,595</u>	<u>4,793,528</u>	<u>(1,064,992)</u>	<u>4,611,131</u>
<u>Non-Current Assets</u>				
Property and equipment-net of accumulated depreciation	115,185	73,781	-	188,966
Cash and cash equivalents	285,115	14,593	-	299,708
Total Non-Current Assets	<u>400,300</u>	<u>88,374</u>	<u>-</u>	<u>488,674</u>
	<u>\$ 1,282,895</u>	<u>\$ 4,881,902</u>	<u>\$ (1,064,992)</u>	<u>\$ 5,099,805</u>
LIABILITIES AND NET ASSETS				
<u>Current Liabilities</u>				
Accounts payable & accrued expenses	\$ 38,391	\$ 405,199	\$ -	\$ 443,590
Accounts payable - related party	1,064,992	-	(1,064,992)	-
Note payable	-	25,215	-	25,215
Total Current Liabilities	<u>1,103,383</u>	<u>430,414</u>	<u>(1,064,992)</u>	<u>468,805</u>
<u>Net Assets</u>				
Restricted - permanently	233,000	-	-	233,000
Restricted - temporarily	248,698	1,253,902	-	1,502,600
Designated - property & equipment	115,185	73,781	-	188,966
Unrestricted	(417,371)	3,123,805	-	2,706,434
Total Net Assets	<u>179,512</u>	<u>4,451,488</u>	<u>-</u>	<u>4,631,000</u>
	<u>\$ 1,282,895</u>	<u>\$ 4,881,902</u>	<u>\$ (1,064,992)</u>	<u>\$ 5,099,805</u>

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**THE CROSS INTERNATIONAL ALLIANCE
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2007**

	Cross International, Inc.			Totals 2007
	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	
<u>Revenues, Gains and Other Support</u>				
Donations and gifts	\$ 1,057,060	\$ 2,055,458	\$ -	\$ 3,112,518
Donations and gifts - in kind	80,795,178	-	-	80,795,178
Miscellaneous income	831	-	-	831
Investment income	47,986	-	-	47,986
Net assets released from restrictions:				
Restrictions from				
pledge receivables	129,545	(129,545)	-	-
Restrictions satisfied by				
payments for operations	<u>2,086,636</u>	<u>(2,086,636)</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 84,117,236	 (160,723)	 -	 83,956,513
<u>Expenses</u>				
Personnel	390,351	-	-	390,351
Donations made	1,652,027	-	-	1,652,027
Telephone	63,424	-	-	63,424
Supplies	13,013	-	-	13,013
Goods distributed	80,519,398	-	-	80,519,398
Interest	-	-	-	-
Occupancy	22,703	-	-	22,703
Maintenance	-	-	-	-
Printing, publications and video	258,949	-	-	258,949
Public relations and marketing	393,273	-	-	393,273
Professional fees	140,517	-	-	140,517
Travel	83,615	-	-	83,615
Board meetings	-	-	-	-
Shipping and postage	495,578	-	-	495,578
Other	<u>86,585</u>	<u>-</u>	<u>-</u>	<u>86,585</u>
 Total Expenses	 <u>84,119,433</u>	 <u>-</u>	 <u>-</u>	 <u>84,119,433</u>
 Change in Net Assets	 (2,197)	 (160,723)	 -	 (162,920)
 Net Assets at Beginning of Year	 <u>(299,989)</u>	 <u>409,421</u>	 <u>233,000</u>	 <u>342,432</u>
 Net Assets at End of Year	 <u>\$ (302,186)</u>	 <u>\$ 248,698</u>	 <u>\$ 233,000</u>	 <u>\$ 179,512</u>

**THE CROSS INTERNATIONAL ALLIANCE
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2007**

Cross International Catholic Outreach, Inc.				
	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Totals 2007
<u>Revenues, Gains and Other Support</u>				
Donations and gifts	\$ 8,572,473	\$ 4,491,545	\$ -	\$ 13,064,018
Donations and gifts - in kind	135,018,435	-	-	135,018,435
Miscellaneous income	26	-	-	26
Investment income	82,269	-	-	82,269
Net assets released from restrictions:				
Restrictions from pledge receivables	-	-	-	-
Restrictions satisfied by payments for operations	<u>3,949,089</u>	<u>(3,949,089)</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 147,622,292	 542,456	 -	 148,164,748
<u>Expenses</u>				
Personnel	3,732,394	-	-	3,732,394
Donations made	3,303,338	-	-	3,303,338
Telephone	174,320	-	-	174,320
Supplies	64,060	-	-	64,060
Goods distributed	135,079,792	-	-	135,079,792
Interest	9,759	-	-	9,759
Occupancy	190,031	-	-	190,031
Maintenance	19,546	-	-	19,546
Printing, publications and video	1,215,924	-	-	1,215,924
Public relations and marketing	-	-	-	-
Professional fees	196,595	-	-	196,595
Travel	697,171	-	-	697,171
Board meetings	25,373	-	-	25,373
Shipping and postage	1,212,814	-	-	1,212,814
Other	<u>362,810</u>	<u>-</u>	<u>-</u>	<u>362,810</u>
 Total Expenses	 <u>146,283,927</u>	 <u>-</u>	 <u>-</u>	 <u>146,283,927</u>
 Change in Net Assets	 1,338,365	 542,456	 -	 1,880,821
 Net Assets at Beginning of Year	 <u>1,859,221</u>	 <u>711,446</u>	 <u>-</u>	 <u>2,570,667</u>
 Net Assets at End of Year	 <u>\$ 3,197,586</u>	 <u>\$ 1,253,902</u>	 <u>\$ -</u>	 <u>\$ 4,451,488</u>

THE CROSS INTERNATIONAL ALLIANCE
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2007

	Combined Totals			Totals 2007
	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	
<u>Revenues, Gains and Other Support</u>				
Donations and gifts	\$ 9,629,533	\$ 6,547,003	\$ -	\$ 16,176,536
Donations and gifts - in kind	215,813,613	-	-	215,813,613
Miscellaneous income	857	-	-	857
Investment income	130,255	-	-	130,255
Net assets released from restrictions:				
Restrictions from				
pledge receivables	129,545	(129,545)	-	-
Restrictions satisfied by				
payments for operations	<u>6,035,725</u>	<u>(6,035,725)</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 231,739,528	 381,733	 -	 232,121,261
<u>Expenses</u>				
Personnel	4,122,745	-	-	4,122,745
Donations made	4,955,365	-	-	4,955,365
Telephone	237,744	-	-	237,744
Supplies	77,073	-	-	77,073
Goods distributed	215,599,190	-	-	215,599,190
Interest	9,759	-	-	9,759
Occupancy	212,734	-	-	212,734
Maintenance	19,546	-	-	19,546
Printing, publications and video	1,474,873	-	-	1,474,873
Public relations and marketing	393,273	-	-	393,273
Professional fees	337,112	-	-	337,112
Travel	780,786	-	-	780,786
Board meetings	25,373	-	-	25,373
Shipping and postage	1,708,392	-	-	1,708,392
Other	<u>449,395</u>	<u>-</u>	<u>-</u>	<u>449,395</u>
 Total Expenses	 <u>230,403,360</u>	 <u>-</u>	 <u>-</u>	 <u>230,403,360</u>
 Change in Net Assets	 1,336,168	 381,733	 -	 1,717,901
 Net Assets at Beginning of Year	 <u>1,559,232</u>	 <u>1,120,867</u>	 <u>233,000</u>	 <u>2,913,099</u>
 Net Assets at End of Year	 <u>\$ 2,895,400</u>	 <u>\$ 1,502,600</u>	 <u>\$ 233,000</u>	 <u>\$ 4,631,000</u>

**THE CROSS INTERNATIONAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
CROSS INTERNATIONAL, INC.
YEAR ENDED DECEMBER 31, 2007**

	Restricted Program Services					Total
	Food Program	Medical Program	Disaster Relief Program	Orphan Program	Misc. Programs	
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants Distributed	516,398	101,535	-	460,441	573,652	1,652,026
Telephone	-	-	-	-	-	-
Office Supplies	-	-	-	-	-	-
Goods Distributed	987,617	77,063,911	-	355,507	2,112,363	80,519,398
Occupancy	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-
Printing	-	-	-	-	-	-
Data Processing	-	-	-	-	-	-
Public relations & marketing	-	-	-	-	-	-
Professional Fees	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Meetings	-	-	-	-	-	-
Postage and Shipping	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	\$ 1,504,015	\$ 77,165,446	\$ -	\$ 815,948	\$ 2,686,015	\$ 82,171,424

The accompanying notes are an integral part of these financial statements

**THE CROSS INTERNATIONAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
CROSS INTERNATIONAL, INC.
YEAR ENDED DECEMBER 31, 2007**

	Project Develop.	Unrestricted Program Services			Supporting Services			Totals All Services
		Mission Education	Shipping	Total	Mgmt and General	Fund Raising	Total	
Personnel	\$ 97,578	\$ 97,949	\$ 41,797	\$ 237,324	\$ 97,444	\$ 55,583	\$ 153,027	\$ 390,351
Grants Distributed	-	-	-	-	-	-	-	1,652,026
Telephone	-	-	278	278	27,478	34,828	62,306	62,584
Office Supplies	43	118	1,870	2,031	10,733	249	10,982	13,013
Goods Distributed	-	-	-	-	-	-	-	80,519,398
Occupancy	-	-	5,150	5,150	18,393	-	18,393	23,543
Maintenance	-	-	47	47	2,049	-	2,049	2,096
Printing	-	8,804	-	8,804	15,920	170,933	186,853	195,657
Data Processing	-	3,563	-	3,563	50,511	2,104	52,615	56,178
Public relations & marketing	-	197,275	-	197,275	-	195,997	195,997	393,272
Professional Fees	2,008	39,540	1,320	42,868	35,411	62,239	97,650	140,518
Travel	14,893	22,866	10,023	47,782	13,514	22,319	35,833	83,615
Meetings	34	64	42	140	1,257	8	1,265	1,405
Postage and Shipping	3,380	4,793	222,311	230,484	27,783	237,311	265,094	495,578
Other	1,058	7,133	56	8,247	73,758	8,194	81,952	90,199
Total	\$ 118,994	\$ 382,105	\$ 282,894	\$ 783,993	\$ 374,251	\$ 789,765	\$ 1,164,016	\$ 84,119,433

**THE CROSS INTERNATIONAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
CROSS INTERNATIONAL CATHOLIC OUTREACH, INC.
YEAR ENDED DECEMBER 31, 2007**

	Restricted Program Services					Total
	Food Program	Medical Program	Disaster Relief Program	Orphan Program	Misc. Programs	
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants Distributed	773,663	301,416	433,899	496,300	1,298,061	3,303,339
Telephone	-	-	-	-	-	-
Office Supplies	-	-	-	-	-	-
Goods Distributed	4,415,455	128,452,913	743,175	942,041	526,207	135,079,791
Interest	-	-	-	-	-	-
Occupancy	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-
Printing	-	-	-	-	-	-
Data Processing	-	-	-	-	-	-
Public relations & marketing	-	-	-	-	-	-
Professional Fees	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Meetings	-	-	-	-	-	-
Postage and Shipping	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	\$ 5,189,118	\$ 128,754,329	\$ 1,177,074	\$ 1,438,341	\$ 1,824,268	\$ 138,383,130

The accompanying notes are an integral part of these financial statements

**THE CROSS INTERNATIONAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
CROSS INTERNATIONAL CATHOLIC OUTREACH, INC.
YEAR ENDED DECEMBER 31, 2007**

	Project Develop.	Unrestricted Program Services			Supporting Services			Totals All Services
		Mission Education	Shipping	Total	Mgmt and General	Fund Raising	Total	
Personnel	\$ 561,538	\$ 1,987,091	\$ 276,664	2,825,293	\$ 590,227	\$ 316,875	\$ 907,102	\$ 3,732,395
Grants Distributed	-	-	-	-	-	-	-	3,303,339
Telephone	-	20	520	540	21,489	147,873	169,362	169,902
Office Supplies	143	2,405	123	2,671	60,633	756	61,389	64,060
Goods Distributed	-	-	-	-	-	-	-	135,079,791
Interest	-	-	-	-	9,759	-	9,759	9,759
Occupancy	-	-	85,976	85,976	108,473	-	108,473	194,449
Maintenance	-	-	248	248	19,299	-	19,299	19,547
Printing	-	198,513	-	198,513	66,891	674,260	741,151	939,664
Data Processing	-	165	-	165	263,789	12,304	276,093	276,258
Public relations & marketing	-	-	-	-	1,298	490	1,788	1,788
Professional Fees	8,118	1,528	6,443	16,089	100,560	79,946	180,506	196,595
Travel	146,687	437,471	14,778	598,936	15,205	83,030	98,235	697,171
Meetings	194	12,679	204	13,077	8,450	3,847	12,297	25,374
Postage and Shipping	69	35,613	463,072	498,754	149,531	564,529	714,060	1,212,814
Other	722	51,125	222	52,069	175,374	133,578	308,952	361,021
Total	\$ 717,471	\$ 2,726,610	\$ 848,250	\$ 4,292,331	\$ 1,590,978	\$ 2,017,488	\$ 3,608,466	\$ 146,283,927

The accompanying notes are an integral part of these financial statements

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**THE CROSS INTERNATIONAL ALLIANCE
COMBINED STATEMENT OF CASH FLOWS
TOTAL ALL FUNDS
YEAR ENDED DECEMBER 31, 2007**

	Cross International Inc.	Cross Interna- tional Catholic Outreach Inc.	Total
Cash Flows From Operating Activities			
Cash received from public and grants	\$ 3,242,488	\$ 12,713,456	\$ 15,955,944
Cash paid to suppliers and employees	(3,685,615)	(11,000,446)	(14,686,061)
Cash received from investment earnings	47,986	82,269	130,255
Net Cash Provided (Used) by Operating Activities	<u>(395,141)</u>	<u>1,795,279</u>	<u>1,400,138</u>
Cash Flows from Financing Activities			
(Increase) decrease in intercompany receivable	-	(308,845)	(308,845)
Increase (decrease) in intercompany payable	308,845	-	308,845
Increase (decrease) in notes payable	-	21,420	21,420
Net Cash Provided (Used) by Financing Activities	<u>308,845</u>	<u>(287,425)</u>	<u>21,420</u>
Cash Flows From Investing Activities			
Acquisition of property and equipment	(42,614)	(52,069)	(94,683)
Net Cash Provided (Used) by Investing Activities	<u>(42,614)</u>	<u>(52,069)</u>	<u>(94,683)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(128,910)	1,455,785	1,326,875
Cash and Cash Equivalents - Beginning of Year	<u>647,372</u>	<u>1,462,494</u>	<u>2,109,866</u>
Cash and Cash Equivalents - End of Year	<u>\$ 518,462</u>	<u>\$ 2,918,279</u>	<u>\$ 3,436,741</u>
Change in Net Assets	\$ (162,920)	\$ 1,880,821	\$ 1,717,901
Adjustments To Reconcile Net Income to Net			
Cash Provided By Operating Activities:			
Depreciation and amortization	24,232	24,568	48,800
In-Kind Donations	(80,795,178)	(135,018,435)	(215,813,613)
In-Kind Expenses	80,795,178	135,018,435	215,813,613
Change in assets and liabilities			
(Increase) decrease in accounts			
receivable - trade and other	129,139	(350,588)	(221,449)
(Increase) decrease in inventory	(314,518)	-	(314,518)
(Increase) decrease in prepaid expenses	1,119	(7,082)	(5,963)
Increase (decrease) in accounts			
payable and accrued expenses	(72,193)	247,560	175,367
Total Adjustments	<u>(232,221)</u>	<u>(85,542)</u>	<u>(317,763)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (395,141)</u>	<u>\$ 1,795,279</u>	<u>\$ 1,400,138</u>
<u>Supplemental Disclosure of Cash Flow Information</u>			
Cash paid during the year for interest	\$ -	\$ 2,862	\$ 2,862

**THE CROSS INTERNATIONAL ALLIANCE
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

Note A. Summary of Significant Accounting Policies

Organization – The Cross International Alliance (The Alliance) is comprised of the following:

Cross International, Inc.; (CI), was organized as a not-for-profit organization on February 16, 2001 as Cross International Aid, Inc until September 7, 2007 when a name change was filed and made effective with the state of Florida. CI is dedicated to humanitarian efforts in the form of providing for medical needs, housing, clothing, food, education and any other assistance that will relieve suffering and poverty while contributing to the material and spiritual development of the poor throughout the world. CI has also been organized to proclaim the gospel of Jesus Christ, especially as it relates to love of those in need throughout the world and to make known the teachings of The Bible concerning the provision of aid to the poor.

To aid in this purpose, CI has also been organized to educate the public regarding the conditions of the poor throughout the world and to recruit supporters and volunteers to further its mission.

Cross International Catholic Outreach, Inc.; (CICO) was organized as a not-for-profit organization on November 30, 2001 and began doing business on January 1, 2002. CICO was organized to carry out the social teaching of the Catholic Church through humanitarian efforts for the poor and indigent throughout the world. To aid in this purpose, CICO uses the teachings of the Bible and the Catholic Church in proclaiming the gospel of Jesus Christ especially as it relates to love of those in need throughout the world and to make known the teachings of The Bible concerning the provision of aid to the poor. CICO is dedicated to providing food, medicines, clothing, housing, education and any other assistance that will relieve suffering and poverty as well as contribute to the material and spiritual development of the poor.

CICO is further organized to educate the general public regarding the conditions of the poor throughout the world and to recruit supporters and volunteers to further its mission.

Cross International Foundation, Inc.; (CIF) was organized as a not-for-profit organization on June 23, 1992 as Winners Circle Christian Fellowship, Inc. before changing the name to Partners in Progress, Inc. on June 15, 1998 and to Cross International Foundation, Inc. on May 31, 2002 at which time it affiliated with The Alliance and began doing business in July 2002. CIF was organized to offer gift annuities and endowment management on behalf of CI and CICO.

CIF is a fundraising entity for CI and CICO and is not presented as a separate combining entity in these financial statements. All the revenues and expenditures related to the activities have been properly recorded in the combined financial statements of CI and CICO.

Cross International; Until September 7, 2007, this was a registered fictitious name in the state of Florida, and was used as the dba name for CI.

These financial statements show combined totals for CI and CICO under the heading of The Cross International Alliance because both organizations are under common control from members on both boards of directors and from officers of both organizations.

Fund Accounting - In order to ensure observance of limitations and restrictions placed on the use of the resources available to The Alliance, the accounts are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, net assets have been classified as unrestricted, temporarily restricted or permanently restricted. These classifications are based on the donor's intent (see Temporarily Restricted Fund Balance below).

**THE CROSS INTERNATIONAL ALLIANCE
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

Note A. Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued) - Accordingly, all financial transactions have been recorded and reported by fund group. Permanently restricted funds are funds restricted by outside sources and are distinguished from unrestricted funds designated for specific purposes by action of the Board of Directors. Donor restricted funds may only be utilized in accordance with the purposes established by the donor and are in contrast with unrestricted funds, over which the Boards retain full control to use in achieving any of its purposes. As of December 31, 2007, there was \$233,000 in permanently restricted funds.

Temporarily restricted funds are subject to donor-imposed stipulations that may or will be met, either by actions of The Alliance and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Goods and Services - Unpaid volunteers have made significant contributions of their time and efforts to develop The Alliance's programs in a non-professional capacity. The value of this contributed time and effort cannot be objectively measured or valued and is, therefore, not included in these financial statements. However, some volunteers may provide professional services for various purposes. These services are valued at their professional billing rates when they occur. There were no material instances of donated professional services as of and for the year ended December 31, 2007.

A number of donors have provided goods and services to The Alliance's programs, principally in the areas of medical supplies and equipment, food, clothing, and construction materials. These goods and services are presented in the accompanying financial statements and are included in inventory, goods distributed, personnel and occupancy. The value of these goods and services are measured based on the donor's estimate of value. The total value of contributed goods and services recorded for the year ended December 31, 2007 was \$215,813,613.

Donated Assets - Substantially all inventory has been donated and is recorded at donor's cost, if determinable, or estimated fair market value.

Property and Equipment - When purchased, property and equipment will be recorded at cost. Depreciation will be computed using the straight-line method over the estimated useful lives of the related assets.

Contributed Facility - For a small part of the year, The Alliance received use of its offices, furniture and equipment from a related real estate corporation, free of charge. The Alliance was not responsible for maintenance costs of the space.

Inventory Valuation - Inventory is recorded on the first in, first out, lower of cost or market method.

Tax Status - CI, CICO and CIF are qualified as tax-exempt, not-for-profit organizations under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required.

Temporarily Restricted Fund Balance - When donors have made gifts to The Alliance dependent upon the occurrence of certain events or the passage of time, these gifts are reflected as temporarily restricted net assets until the event occurs or the time elapses, at which time they are reclassified to unrestricted net assets. Also, future unconditional promises to give that have been made in writing are classified as temporarily restricted until payment is received. When payment is received such payment is shown as net assets released from restrictions net of any new unconditional promises to give and any change in the allowance for the same.

**THE CROSS INTERNATIONAL ALLIANCE
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

Note A. Summary of Significant Accounting Policies (Continued)

Functional Expenses - Expenses are charged directly to program or management in general categories based on specific identification. Indirect expenses have been allocated based on salary expenditures or square footage of the buildings and their use.

Promises to Give - Contributions are recognized when the donor makes a promise to The Alliance that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which these contributions are recognized. There are no unconditional promises to give with terms in excess of one year from December 31, 2007. If there had been they would have been presented at their net present value (See Note C). The Alliance uses the allowance method to determine uncollectible promises receivable. The allowance is based on management's analysis of specific promises made.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For financial reporting and statement of cash flow purposes, cash includes all demand deposit accounts, savings accounts, and certificates of deposits with maturities of less than 90 days from December 31, 2007. Cash equivalents includes all other cash investments, substantially all invested in certificates of deposit, with maturities between 90 days and one year from December 31, 2007.

Note B. Inventories

Inventory of goods not previously committed to specific donees but to be distributed to the poor soon after December 31, 2007 was \$422,860 and is comprised of contributed goods as discussed above.

Note C. Promises to Give

Promises to give as of December 31, 2007, which are all current assets, consist of the following:

	Current	
Unconditional promises		\$ 74,112
Unconditional promises received in 2008 dated in 2007		931,001
Allowance for uncollectible		-
Net unconditional promises to give		<u>\$ 1,005,113</u>

Of this amount, \$74,112 has been categorized as restricted which excludes all amounts received within 30 days after, but dated before December 31, 2007.

Note D. Related Party Transactions

The Alliance receives many benefits from related parties. These include both cash and in kind donations. To avoid delays in the processing of some checks, The Alliance allowed related parties to either pay certain of its expenditures or The Alliance paid for certain expenditures of the related parties, which were all reimbursed later.

**THE CROSS INTERNATIONAL ALLIANCE
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

Note D. Related Party Transactions (Continued)

The following table approximately summarizes the extent of these transactions:

<u>Relationship</u>	<u>Description</u>	<u>Amount</u>
Entities related to directors	Cash donations received	444,170
Directors	Cash donations received	60,000

Note E. Temporarily Restricted Fund Balance

Temporarily restricted fund balances at December 31, 2007 consist of the following:

	<u>CI</u>	<u>CICO</u>	<u>Total</u>
Food and Water Programs	\$ 60,712	\$ 380,757	\$ 441,469
Medical Programs	-	40,000	40,000
Disaster Relief Programs	1,203	16,368	17,571
Orphans Programs	-	400,607	400,607
Mission Operations and Miscellaneous Programs	112,671	416,170	528,841
Pledges Receivable	74,112	-	74,112
Total Temporarily Restricted Funds	<u>\$ 248,698</u>	<u>\$ 1,253,902</u>	<u>\$ 1,502,600</u>

Note F. Charitable Gift Annuities

The Alliance has entered into several Charitable Gift Annuity Agreements whereby the donor contributes assets in exchange for distributions based on the value of trust assets for a specified period of time to the donor or other beneficiaries. At the end of the specified time, the remaining assets are available for the Alliance's use. Assets received are recorded at fair value on the date the agreement is recognized. A liability equal to the present value of the future distributions is recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue. On an annual basis, the Alliance revalues the liability based on applicable mortality tables and discount rates. For the year ended December 31, 2007 the discount rate used was 5% which resulted in a liability in the amount of approximately \$78,700.

Note G. Concentrations

For the year ended December 31, 2007 approximately 66% of The Alliance's support was provided by contributions from one unrelated business.

Note H. Intentions to Give

Certain donors' have indicated intentions to give. An intention to give is not recorded unless it is legally enforceable. When determining whether The Alliance has received an unconditional promise or just an intention, it considers, among other things, whether any partial payments have been made, the written evidence and the words contained therein (for example, promise to give as opposed to plan to give), whether a payment schedule exists and whether The Alliance has publicly announced the donation and has taken action to rely upon the promise. During the year ending December 31, 2007, there were no reclassifications from intentions to give to promises or pledges to give. Material intentions to give at December 31, 2007 were approximately \$4,350,750.

**THE CROSS INTERNATIONAL ALLIANCE
COMBINED NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

Note I. Significant Concentrations of Credit Risk

CI and CICO maintain cash balances at several financial institutions. The Federal Deposit Insurance Corporation (FDIC) provides insurance for accounts held at each institution up to \$100,000. As of December 31, 2007, CI had approximately \$494,000 in excess of the insured limit and CICO had approximately \$1,421,700.

CI and CICO maintain an overnight investment repurchase agreement (sweep account) at the end of every business day through a bank's investment service. The Securities Investor Protection Corporation (SIPC) provides insurance for accounts held at each institution up to \$500,000. As of December 31, 2007, CICO had approximately \$520,000 in excess of the insured limit.

Note J. Permanently Restricted Net Assets

Included in the investments of CI as of December 31, 2007, are accounts with a balance of approximately \$285,000. The owner of the account is listed as CIF. CIF is a fundraising entity for CI and CICO. Since the intention of the money was to be used for the charitable purposes of CI it is therefore presented as a part of the assets of CI. Included in these accounts is a total of \$233,000 that has been set up at the board of directors' direction and from a donor's last will and testament to be permanently restricted monies.

However, due to inadvertent errors by the brokerage firm when filling out the forms to open one of the accounts, the entire balance in that fund could become unrestricted. It is the intention of both boards of directors and management that these funds remain permanently restricted.

Note K. Cross International, Inc. - Unrestricted Net Assets

At December 31, 2007, Cross International, Inc. had an ending unrestricted net asset balance of \$(417,371). This balance is due principally to temporarily restricted cash donations exceeding unrestricted cash donations by approximately \$2,800,000 over the past 4 years and a net loss in 2006 of \$(121,011). That carried over and had the same effect on the 2007 ending unrestricted net asset balance since there was still a net loss in 2007 but at a much lower amount of \$(2,197).

During 2007, Cross International, Inc. had begun aggressive fundraising initiatives with major donors and telemarketing efforts and has implemented a special events department. These efforts are focused on acquiring unrestricted donations. The revenue from the new programs and from existing programs along with the implementation of controls over certain expenditures is projected to both fund the current period expenses in unrestricted funds and create a positive unrestricted net asset balance. The major donors program is forecasted to bring in \$375,000 in additional unrestricted donations. The new special events department should bring \$40,000 and the telemarketing initiative is projected to raise \$91,000 in unrestricted donations. The total of new funding is expected to be approximately \$500,000 per year which will have its first full year of operating in 2008.