

THE CROSS INTERNATIONAL ALLIANCE

*REPORT ON EXAMINATION OF
COMBINED FINANCIAL STATEMENTS*

YEAR ENDED DECEMBER 31, 2008

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Goldman, Juda & Eskew, P.A.
Certified Public Accountants

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, 2008, 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, 2008, 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.

Certified Public Accountants
Plantation, Florida

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THE CROSS INTERNATIONAL ALLIANCE
COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

	Cross International Inc.	Cross International Catholic Outreach Inc.	Elimination	Combined Totals
ASSETS				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 221,176	\$ 3,321,208	\$ -	\$ 3,542,384
Pledges receivable	1,091,790	182,824	-	1,274,614
Accounts receivable - miscellaneous	3,153	25,442	-	28,595
Accounts receivable - related party	-	1,961,682	(1,961,682)	-
Donated inventory not committed	-	-	-	-
Prepaid expenses	3,818	14,650	-	18,468
Total Current Assets	1,319,937	5,505,806	(1,961,682)	4,864,061
<u>Non-Current Assets</u>				
Property and equipment-net of accumulated depreciation	134,060	90,247	-	224,307
Cash and cash equivalents	189,125	7,296	-	196,421
Total Non-Current Assets	323,185	97,543	-	420,728
	<u>\$ 1,643,122</u>	<u>\$ 5,603,349</u>	<u>\$ (1,961,682)</u>	<u>\$ 5,284,789</u>
LIABILITIES AND NET ASSETS				
<u>Current Liabilities</u>				
Accounts payable & accrued expenses	\$ 88,722	\$ 456,855	\$ -	\$ 545,577
Accounts payable - related party	1,961,682	-	(1,961,682)	-
Total Current Liabilities	2,050,404	456,855	(1,961,682)	545,577
<u>Net Assets</u>				
Restricted - permanently	233,000	-	-	233,000
Restricted - temporarily	197,756	725,619	-	923,375
Designated - property & equipment	134,060	90,247	-	224,307
Unrestricted	(972,098)	4,330,628	-	3,358,530
Total Net Assets	(407,282)	5,146,494	-	4,739,212
	<u>\$ 1,643,122</u>	<u>\$ 5,603,349</u>	<u>\$ (1,961,682)</u>	<u>\$ 5,284,789</u>

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THE CROSS INTERNATIONAL ALLIANCE
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008

	Cross International, Inc.			
	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Totals 2008
<u>Revenues, Gains and Other Support</u>				
Donations and gifts	\$ 1,246,970	\$ 3,086,998	\$ -	\$ 4,333,968
Donations and gifts - in kind	88,663,059	-	-	88,663,059
Investment income	(81,378)	-	-	(81,378)
Net assets released from restrictions:				-
Restrictions from				-
pledge receivables	(69,563)	69,563	-	-
Restrictions satisfied by				-
payments for operations	<u>3,207,504</u>	<u>(3,207,504)</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 92,966,592	 (50,943)	 -	 92,915,649
<u>Expenses</u>				
Personnel	646,300	-	-	646,300
Donations made	1,623,087	-	-	1,623,087
Telephone	666,477	-	-	666,477
Supplies	25,713	-	-	25,713
Goods distributed	89,093,481	-	-	89,093,481
Professional fees	201,176	-	-	201,176
Shipping and postage	621,590	-	-	621,590
Occupancy	38,429	-	-	38,429
Printing, publications and video	302,015	-	-	302,015
Travel	133,739	-	-	133,739
Other	<u>150,436</u>	<u>-</u>	<u>-</u>	<u>150,436</u>
 Total Expenses	 <u>93,502,443</u>	 <u>-</u>	 <u>-</u>	 <u>93,502,443</u>
 Change in Net Assets	 (535,851)	 (50,943)	 -	 (586,794)
 Net Assets at Beginning of Year	 <u>(302,187)</u>	 <u>248,699</u>	 <u>233,000</u>	 <u>179,512</u>
 Net Assets at End of Year	 <u>\$ (838,038)</u>	 <u>\$ 197,756</u>	 <u>\$ 233,000</u>	 <u>\$ (407,282)</u>

THE CROSS INTERNATIONAL ALLIANCE
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008

	Cross International Catholic Outreach, Inc.			
	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Totals 2008
<u>Revenues, Gains and Other Support</u>				
Donations and gifts	\$ 9,826,531	\$ 5,462,157	\$ -	\$ 15,288,688
Donations and gifts - in kind	144,503,485	-	-	144,503,485
Investment income	30,393	-	-	30,393
Net assets released from restrictions:				-
Restrictions from				-
pledge receivables	-	-	-	-
Restrictions satisfied by				-
payments for operations	5,990,440	(5,990,440)	-	-
 Total Revenues, Gains and Other Support	 160,350,849	 (528,283)	 -	 159,822,566
<u>Expenses</u>				
Personnel	4,613,633	-	-	4,613,633
Donations made	4,653,221	-	-	4,653,221
Telephone	173,060	-	-	173,060
Supplies	89,242	-	-	89,242
Goods distributed	144,521,980	-	-	144,521,980
Professional fees	297,776	-	-	297,776
Shipping and postage	1,764,949	-	-	1,764,949
Occupancy	196,462	-	-	196,462
Printing, publications and video	1,517,545	-	-	1,517,545
Travel	790,839	-	-	790,839
Other	508,854	-	-	508,854
 Total Expenses	 159,127,561	 -	 -	 159,127,561
 Change in Net Assets	 1,223,288	 (528,283)	 -	 695,005
 Net Assets at Beginning of Year	 3,197,587	 1,253,902	 -	 4,451,489
 Net Assets at End of Year	 <u>\$ 4,420,875</u>	 <u>\$ 725,619</u>	 <u>\$ -</u>	 <u>\$ 5,146,494</u>

THE CROSS INTERNATIONAL ALLIANCE
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008

	Combined Totals			
	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Totals 2008
<u>Revenues, Gains and Other Support</u>				
Donations and gifts	\$ 11,073,501	\$ 8,549,155	\$ -	\$ 19,622,656
Donations and gifts - in kind	233,166,544	-	-	233,166,544
Investment income	(50,985)	-	-	(50,985)
Net assets released from restrictions:	-	-	-	-
Restrictions from	-	-	-	-
pledge receivables	(69,563)	69,563	-	-
Restrictions satisfied by	-	-	-	-
payments for operations	<u>9,197,944</u>	<u>(9,197,944)</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains and Other Support	 253,317,441	 (579,226)	 -	 252,738,215
<u>Expenses</u>				
Personnel	5,259,933	-	-	5,259,933
Donations made	6,276,308	-	-	6,276,308
Telephone	839,537	-	-	839,537
Supplies	114,955	-	-	114,955
Goods distributed	233,615,461	-	-	233,615,461
Professional fees	498,952	-	-	498,952
Shipping and postage	2,386,539	-	-	2,386,539
Occupancy	234,891	-	-	234,891
Printing, publications and video	1,819,560	-	-	1,819,560
Travel	924,578	-	-	924,578
Other	<u>659,290</u>	<u>-</u>	<u>-</u>	<u>659,290</u>
 Total Expenses	 <u>252,630,004</u>	 <u>-</u>	 <u>-</u>	 <u>252,630,004</u>
 Change in Net Assets	 687,437	 (579,226)	 -	 108,211
 Net Assets at Beginning of Year	 <u>2,895,400</u>	 <u>1,502,601</u>	 <u>233,000</u>	 <u>4,631,001</u>
 Net Assets at End of Year	 <u>\$ 3,582,837</u>	 <u>\$ 923,375</u>	 <u>\$ 233,000</u>	 <u>\$ 4,739,212</u>

**THE CROSS INTERNATIONAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
CROSS INTERNATIONAL, INC.
YEAR ENDED DECEMBER 31, 2008**

	Restricted Program Services					
	Food Program	Medical Program	Disaster Relief Program	Orphan Program	Misc. Programs	Total
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants Distributed	673,678	198,905	-	278,643	471,861	1,623,087
Telephone	-	-	-	-	-	-
Office Supplies	-	-	-	-	-	-
Goods Distributed	1,737,608	57,343,965	-	4,786,882	25,217,464	89,085,919
Goods Purchased	-	4,255	-	-	3,261	7,516
Professional Fees	-	-	-	-	-	-
Shipping and Postage	-	-	-	-	-	-
Occupancy	-	-	-	-	-	-
Printing	-	-	-	-	-	-
Data Processing	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Public relations & marketing	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-
Bad debt from pledges	-	-	-	-	-	-
Meetings	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	\$ 2,411,286	\$ 57,547,125	\$ -	\$ 5,065,525	\$ 25,692,586	\$ 90,716,522

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, 2008**

	Unrestricted Program Services			Supporting Services			Totals All Services
	Project Develop.	Mission Education	Shipping	Mgmt and General	Fund Raising	Total	
Personnel	\$ 126,055	\$ 187,173	\$ 62,521	\$ 153,923	\$ 116,628	\$ 270,551	\$ 646,300
Grants Distributed	-	-	-	-	-	-	1,623,087
Telephone	-	286,470	694	45,845	333,468	379,313	666,477
Office Supplies	16	111	2,731	20,446	2,409	22,855	25,713
Goods Distributed	-	-	-	-	-	-	89,085,919
Goods Purchased	-	-	-	-	46	46	7,562
Professional Fees	264	49,341	7,997	35,117	108,457	143,574	201,176
Shipping and Postage	37	4,098	393,899	39,678	183,878	223,556	621,590
Occupancy	2	-	2,022	36,368	37	36,405	38,429
Printing	-	14,489	-	10,277	183,123	193,400	207,889
Data Processing	-	-	-	88,986	5,140	94,126	94,126
Travel	4,068	35,340	18,799	14,374	61,158	75,532	133,739
Public relations & marketing	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-
Bad debt from pledges	-	-	-	-	-	-	-
Meetings	-	-	-	-	-	-	-
Other	2,234	8,192	4,126	108,378	27,506	135,884	150,436
Total	\$ 132,676	\$ 585,214	\$ 492,789	\$ 553,392	\$ 1,021,850	\$ 1,575,242	\$ 93,502,443

**THE CROSS INTERNATIONAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
CROSS INTERNATIONAL CATHOLIC OUTREACH, INC.
YEAR ENDED DECEMBER 31, 2008**

	Restricted Program Services					
	Food Program	Medical Program	Disaster Relief Program	Orphan Program	Misc. Programs	Total
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants Distributed	908,258	386,723	20,746	714,804	2,622,690	4,653,221
Telephone	-	-	-	-	-	-
Office Supplies	-	-	-	-	-	-
Goods Distributed	5,670,858	102,181,686	10,297	4,912,064	31,727,381	144,502,286
Goods Purchased	2,423	15,340	-	685	1,200	19,648
Professional Fees	-	-	-	-	-	-
Shipping and Postage	-	-	-	-	-	-
Occupancy	-	-	-	-	-	-
Printing	-	-	-	-	-	-
Data Processing	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Public relations & marketing	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-
Bad debt from pledges	-	-	-	-	-	-
Meetings	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	\$ 6,581,539	\$ 102,583,749	\$ 31,043	\$ 5,627,553	\$ 34,351,271	\$ 149,175,155

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, 2008**

	Project Develop.	Unrestricted Program Services			Supporting Services			Totals All Services
		Mission Education	Shipping	Total	Mgmt and General	Fund Raising	Total	
Personnel	\$ 665,579	\$ 2,245,790	\$ 388,534	\$ 3,299,903	\$ 891,100	\$ 422,630	\$ 1,313,730	\$ 4,613,633
Grants Distributed	-	-	-	-	-	-	-	4,653,221
Telephone	5	-	2,448	2,453	24,250	146,357	170,607	173,060
Office Supplies	793	200	641	1,634	82,847	4,761	87,608	89,242
Goods Distributed	-	-	-	-	-	-	-	144,502,286
Goods Purchased	-	-	-	-	-	46	46	19,694
Professional Fees	1,287	407	29,145	30,839	174,971	91,966	266,937	297,776
Shipping and Postage	236	22,888	727,340	750,464	201,063	813,422	1,014,485	1,764,949
Occupancy	10	-	8,373	8,383	188,079	-	188,079	196,462
Printing	-	278,699	-	278,699	22,163	791,824	813,987	1,092,686
Data Processing	-	-	-	-	401,934	22,925	424,859	424,859
Travel	179,176	319,243	15,205	513,624	28,918	248,297	277,215	790,839
Public relations & marketing	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-	-
Bad debt from pledges	-	-	-	-	-	-	-	-
Meetings	-	-	-	-	-	-	-	-
Other	1,034	-	-	-	-	-	-	-
	<u>1,034</u>	<u>16,253</u>	<u>1,673</u>	<u>18,960</u>	<u>260,778</u>	<u>229,116</u>	<u>489,894</u>	<u>508,854</u>
Total	\$ 848,120	\$ 2,883,480	\$ 1,173,359	\$ 4,904,959	\$ 2,276,103	\$ 2,771,344	\$ 5,047,447	\$ 159,127,561

**THE CROSS INTERNATIONAL ALLIANCE
COMBINED STATEMENT OF CASH FLOWS
TOTAL ALL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	Cross International Inc.	Cross Interna- tional Catholic Outreach Inc.	Total
Cash Flows From Operating Activities			
Cash received from public and grants	\$ 3,369,832	\$ 15,896,472	\$ 19,266,304
Cash paid to suppliers and employees	(4,341,961)	(14,553,702)	(18,895,663)
Cash received from investment earnings	10,386	30,393	40,779
Net Cash Provided (Used) by Operating Activities	<u>(961,743)</u>	<u>1,373,163</u>	<u>411,420</u>
Cash Flows from Financing Activities			
(Increase) decrease in intercompany receivable	-	(896,690)	(896,690)
Increase (decrease) in intercompany payable	896,690	-	896,690
Increase (decrease) in notes payable	-	(25,215)	(25,215)
Net Cash Provided (Used) by Financing Activities	<u>896,690</u>	<u>(921,905)</u>	<u>(25,215)</u>
Cash Flows From Investing Activities			
Acquisition of property and equipment	(43,108)	(41,032)	(84,140)
Net Cash Provided (Used) by Investing Activities	<u>(43,108)</u>	<u>(41,032)</u>	<u>(84,140)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(108,161)	410,225	302,065
Cash and Cash Equivalents - Beginning of Year	518,462	2,918,279	3,436,741
Cash and Cash Equivalents - End of Year	<u>\$ 410,301</u>	<u>\$ 3,328,504</u>	<u>\$ 3,738,806</u>
Change in Net Assets	\$ (586,794)	\$ 695,005	\$ 108,211
Adjustments To Reconcile Net Income to Net Cash Provided By Operating Activities:			
Depreciation and amortization	24,232	24,568	48,800
In-Kind Donations	(88,663,059)	(144,503,485)	(233,166,544)
In-Kind Expenses	88,663,059	144,503,485	233,166,544
Change in assets and liabilities			
(Increase) decrease in accounts receivable - trade and other	(872,372)	607,784	(264,588)
(Increase) decrease in inventory	422,860	-	422,860
(Increase) decrease in prepaid expenses	-	(5,850)	(5,850)
Increase (decrease) in accounts payable and accrued expenses	50,331	51,656	101,987
Total Adjustments	<u>(374,949)</u>	<u>678,158</u>	<u>303,209</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (961,743)</u>	<u>\$ 1,373,163</u>	<u>\$ 411,420</u>
<u>Supplemental Disclosure of Cash Flow Information</u>			
Cash paid during the year for interest	\$ 424	\$ 9,299	\$ 9,723

THE CROSS INTERNATIONAL ALLIANCE COMBINED NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2008

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. Effective September 7, 2007 the name of the organization was changed through the state of Florida Division of Corporations to Cross International, Inc. 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 the organizations are under the common control of certain directors who are on both boards of directors' and of officers who have decision making responsibilities for 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, 2008**

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, 2008, 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, 2008.

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, 2008 was \$233,166,554.

Donated Assets – Substantially all inventories have 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.

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, futures 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.

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.

THE CROSS INTERNATIONAL ALLIANCE COMBINED NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2008

Note A. Summary of Significant Accounting Policies (Continued)

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, 2008. If these had existed 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, 2008. 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, 2008.

Note B. Inventories

Inventory of goods not previously committed to specific donees but to be distributed to the poor soon after December 31, 2008 was \$-0- and is comprised of contributed goods as discussed above.

Note C. Promises to Give

Promises to give as of December 31, 2008, which are all current assets, consist of the following:

Current	CI	CICO
Unconditional promises	\$ 143,676	\$ -
Unconditional promises received in 2008 dated in 2007	948,114	182,824
Allowance for uncollectible	-	-
Net unconditional promises to give	\$ 1,091,790	\$ 182,824

Of this amount, \$143,676 has been categorized as restricted which excludes all amounts received within 30 days after, but dated before December 31, 2008.

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, 2008

Note D. Related Party Transactions (Continued)

The following table approximately summarizes the extent of these transactions:

Relationship	Description	Amount
Directors	Cash donations received	\$ 100,000
Entities related to directors	Contracts paid	24,037
Directors	Contracts paid	12,919

Note E. Temporarily Restricted Fund Balance

Temporarily restricted fund balances at December 31, 2008 consist of the following:

	CI	CICO	Total
Food and Water Programs	\$ -	\$ 300	\$ 300
Disaster Relief Programs	-	15,693	15,693
Orphans Programs	-	378,433	378,433
Mission Operations and Miscellaneous Progra	54,080	331,193	385,273
Pledges Receivable	143,676	-	143,676
Total Temporarily Restricted Funds	<u>\$ 197,756</u>	<u>\$ 725,619</u>	<u>\$ 923,375</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, 2008 the discount rate used was 5% which resulted in a liability in the amount of approximately \$85,500.

Note G. Concentrations

For the year ended December 31, 2008 approximately 87% of The Alliance's support was provided by contributions from one unrelated business and one charitable organization that is controlled by a key employee for the Alliance.

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, 2008, there were no reclassifications from intentions to give to promises or pledges to give. Material intentions to give at December 31, 2008 were approximately \$41,500,000.

THE CROSS INTERNATIONAL ALLIANCE COMBINED NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2008

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 \$250,000. As of December 31, 2008, CICO had approximately \$1,690,000 in excess of the insured limit.

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, 2008, CICO had approximately \$869,000 in excess of the insured limit.

Note J. Permanently Restricted Net Assets

Included in the investments of CI as of December 31, 2008, are accounts with a balance of approximately \$186,000. 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, 2008, Cross International, Inc. had an ending unrestricted net asset balance of approximately \$(838,000). This balance is due principally to temporarily restricted cash donations exceeding unrestricted cash donations by approximately \$4,340,000 over the past 5 years and net losses in 2006 through 2008 of approximately \$(710,000).

During 2007 and 2008, 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 was delayed but is expected to be approximately \$500,000 per year which will have its first full year of operating in 2009. Additionally, Cross International Catholic Outreach, Inc. continues to maintain a healthier fundraising campaign and through the shared cash account under joint management has been able to provide cash assistance when needed to Cross International, Inc.