

BEST CHRISTMAS EVER, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

BEST CHRISTMAS EVER, INC.

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ESTERBROOKS · SCOTT · SIGNORELLI

PETERSON · SMITHSON, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Best Christmas Ever, Inc.
Cloquet, Minnesota

We have audited the accompanying financial statements of Best Christmas Ever, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Best Christmas Ever, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Esterbrooke Scott Signorelli Peterson Smethson, CPA

Duluth, Minnesota

March 10, 2021

BEST CHRISTMAS EVER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	2020	2019
CURRENT ASSETS:		
Cash	\$ 624,778	\$ 321,846
Accounts receivable	-	5,000
Prepaid expenses	4,500	-
Investments	81,484	-
Total current assets	710,762	326,846
PROPERTY AND EQUIPMENT:		
Office equipment	3,921	-
Less, accumulated depreciation	(371)	-
Net property and equipment	3,550	-
Total Assets	\$ 714,312	\$ 326,846
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 28,526	\$ 17,221
Accrued liabilities	3,520	2,135
Total liabilities	32,046	19,356
NET ASSETS:		
Without donor restrictions	682,266	297,348
With donor restrictions	-	10,142
Total net assets	682,266	307,490
Total Liabilities and Net Assets	\$ 714,312	\$ 326,846

See Notes to Financial Statements

BEST CHRISTMAS EVER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

<u>OPERATING</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total 2020</u>
REVENUE AND OTHER SUPPORT:			
Contributions	\$ 1,297,212	\$ -	\$ 1,297,212
Special events	174,451	-	174,451
Interest income	2,092	-	2,092
Investment income, net of fees	6,483	-	6,483
In-kind income	414,728	-	414,728
Net assets released from restrictions	<u>10,142</u>	<u>(10,142)</u>	<u>-</u>
Total revenues and other support	<u>1,905,108</u>	<u>(10,142)</u>	<u>1,894,966</u>
EXPENSES:			
Program services	1,390,566	-	1,390,566
Management and general	39,283	-	39,283
Fund-raising	<u>90,341</u>	<u>-</u>	<u>90,341</u>
Total functional expenses	<u>1,520,190</u>	<u>-</u>	<u>1,520,190</u>
Change in net assets from operating activities	384,918	(10,142)	374,776
NET ASSETS:			
Beginning of year	<u>297,348</u>	<u>10,142</u>	<u>307,490</u>
End of year	<u>\$ 682,266</u>	<u>\$ -</u>	<u>\$ 682,266</u>

See Notes to Financial Statements

Without Donor Restrictions	With Donor Restrictions	Total 2019
\$ 708,125	\$ 10,142	\$ 718,267
163,436	-	163,436
109	-	109
-	-	-
303,291	-	303,291
-	-	-
<u>1,174,961</u>	<u>10,142</u>	<u>1,185,103</u>
914,866	-	914,866
20,286	-	20,286
78,660	-	78,660
<u>1,013,812</u>	<u>-</u>	<u>1,013,812</u>
161,149	10,142	171,291
<u>136,199</u>	<u>-</u>	<u>136,199</u>
<u>\$ 297,348</u>	<u>\$ 10,142</u>	<u>\$ 307,490</u>

BEST CHRISTMAS EVER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Supporting services			Total 2020
	Program Services	Management and General	Fund-raising	
Operating expenses:				
Salaries, employee benefits and payroll taxes	\$ 82,382	\$ 19,840	\$ 32,113	\$ 134,335
Family support	1,241,556	-	-	1,241,556
Advertising	9,298	-	-	9,298
Insurance	-	2,316	-	2,316
Legal and accounting	-	17,101	-	17,101
Miscellaneous	3,794	-	-	3,794
Office expense	25,415	-	-	25,415
Professional Fees	19,084	-	-	19,084
Special events	-	-	58,228	58,228
Travel	8,692	-	-	8,692
Total expenses before depreciation	1,390,221	39,257	90,341	1,519,819
Depreciation	345	26	-	371
Total Expenses	\$ 1,390,566	\$ 39,283	\$ 90,341	\$ 1,520,190

See Notes to Financial Statements

Program Services	Supporting services		Total 2019
	Management and General	Fund-raising	
\$ 34,758	\$ 16,377	\$ 32,628	\$ 83,763
837,417	-	-	837,417
4,329	-	-	4,329
-	1,806	-	1,806
-	2,103	-	2,103
2,257	-	-	2,257
10,998	-	-	10,998
19,464	-	-	19,464
-	-	46,032	46,032
5,643	-	-	5,643
<u>914,866</u>	<u>20,286</u>	<u>78,660</u>	<u>1,013,812</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 914,866</u>	<u>\$ 20,286</u>	<u>\$ 78,660</u>	<u>\$ 1,013,812</u>

BEST CHRISTMAS EVER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 374,776	171,291
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	371	
Net investment (gain) loss	(6,437)	-
Changes in operating assets and liabilities:		
Accounts receivable	5,000	(5,000)
Prepaid expense	(4,500)	
Accounts payable	11,305	5,043
Accrued liabilities	1,385	(1,664)
Net cash provided by operating activities	381,900	169,670
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(3,921)	-
Purchases of investments	(76,649)	-
Proceeds from sales of investments	1,602	-
Net cash used by investing activities	(78,968)	-
 NET INCREASE IN CASH	302,932	169,670
 CASH - Beginning of year	321,846	152,176
 CASH - End of year	\$ 624,778	\$ 321,846

See Notes to Financial Statements

BEST CHRISTMAS EVER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Organization -

Best Christmas Ever, Inc. (the Organization) is a non-profit Minnesota corporation which serves families who have fallen upon tough times, through no fault of their own. The Organization partners with local leaders and businesses to bless each family served with a custom and unique Best Christmas Ever, tailored to the family situation. The Organization is funded primarily by contributions and in-kind donations.

Basis of Presentation -

The Organization records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Cash and Cash Equivalents –

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2020 the Organization had no cash equivalents.

Accounts Receivable -

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management's has concluded all accounts receivable are collectable.

Investments –

Investments consist of equity securities and are presented in the financial statements at fair value based on quoted prices in active markets (all Level 1 measurements). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Net investment return is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses less investment expenses.

Equipment –

Equipment is valued at cost less accumulated depreciation computed by the straight-line method over the estimated useful lives of the assets, which are as follows:

Computer equipment	3 years
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BEST CHRISTMAS EVER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):**

Equipment (Continued)-

During the years ending June 30, 2020 and 2019, depreciation expense was \$371 and \$0, respectively.

Fair Value Measurements –

The *Fair Value Measurements and Disclosure* Topic of FASB ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Significant other observable inputs other than Level 1 prices 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.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Contributions -

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated Services -

Donated services are recognized as contributions in accordance with generally accepted accounting principles (GAAP), if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no donated services recognized for the years ending June 30, 2020 and 2019, respectively. Volunteers also provided program and fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under GAAP was not met.

BEST CHRISTMAS EVER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):**

Donated Gifts -

Donations of gifts are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions. All donated gifts are provided to the families being served.

Functional Expenses -

Expenses incurred for a specific function are assigned directly to that function by management. Expenses that affect more than one specific function are allocated among the functions on a reasonable basis and consistently applied.

Advertising –

Costs for advertising are expensed as incurred. During the period the Organization incurred advertising costs of \$9,298 and \$4,329 at June 30, 2020 and 2019, respectively.

Income Taxes -

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and similar provisions of Minnesota statutes. The Organization may become subject to income taxes if qualification as a tax-exempt entity changes, if unrelated business income is generated, and in certain other instances.

Uncertain Tax Positions -

The Organization follows the recognition requirements of uncertain tax positions as required by generally accepted accounting principles and has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. As of June 30, 2020 and 2019, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization is no longer subject to U.S. federal, state or local income tax examinations by tax authorities generally for tax years before 2017.

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.

Subsequent Events -

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 10, 2021, which is the date the financial statements were issued.

BEST CHRISTMAS EVER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Subsequent Events (Continued) -

The spread of the coronavirus (COVID-19) around the world caused multiple jurisdictions in the United States to declare a state of emergency. While the overall impacts of COVID-19 during fiscal year 2020 to the Organization were manageable, there is significant uncertainty around the scope and duration of the business disruptions related to COVID-19, as well as its impact on the U.S. economy and, as such, the Organization is unable to determine if it will have a material impact on its operations.

Accounting Standards Adopted -

In 2020 the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Accordingly, the accounting change has been applied prospectively to the year ended June 30, 2020, and the years going forward and had no impact on net assets previously reported. The presentation and disclosures of contributions have been enhanced in accordance with the standard.

2. FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

The Organization raises the majority of its revenue during the holiday season, typically from November through January. As part of the Organization's liquidity management, it retains enough cash to support operations outside of its primary revenue raising season along with additional support for families, should the need arise.

Financial assets due within one year of the balance sheet date for general expenditures are as follows for June 30:

	2020	2019
Cash	\$ 624,778	\$ 321,846
Accounts receivable	-	5,000
Investments	81,484	
Less: Donor-imposed restriction making financial assets unavailable for general expenditure	-	(10,142)
Financial assets available within one year to meet cash needs for general expenditures	\$ 706,262	\$ 316,704

3. CONCENTRATION OF CREDIT RISK:

The Organization maintains its cash balances at two financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. For the years ended June 30, 2020 and 2019 the Organization's cash balances were in excess of this limit by \$283,557 and \$20,792, respectively, at one of the financial institutions.

BEST CHRISTMAS EVER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. INVESTMENTS:

Investments consisted of the following at June 30:

	2020	2019
Invested cash	\$ 2,920	\$ -
Common stocks	78,564	-
Total	\$ 81,484	\$ -

Investment return is summarized as follows:

	2020	2019
Interest and dividends, net fees	\$ 46	\$ -
Realized and unrealized gains and losses	6,437	-
Total	\$ 6,483	\$ -

Investment revenues are reported net of related investment expenses in the statement of activities. The amount of expenses netted with revenues was \$132 and \$0 for the years ended June 30, 2020 and 2019, respectively.

5. FAIR VALUE MEASUREMENTS:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2020</u>				
Invested cash	\$ 2,920	\$ 2,920	\$ -	\$ -
Common stock	78,564	78,564	-	-
Total	\$ 81,484	\$ 81,484	\$ -	\$ -

6. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES:

Net assets with donor restrictions consist of the following as of June 30:

	2020	2019
Subject to expenditure for specific purpose:		
Family support	\$ -	\$ 10,142
Total net assets with donor restriction	\$ -	\$ 10,142

BEST CHRISTMAS EVER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. IN-KIND INCOME:

The value of in-kind revenue included in these financial statements are as follows for June 30:

	2020	2019
In-kind income:		
Clothes and shoes	\$ 47,814	\$ 33,414
Furniture and home goods	88,226	62,120
Gift cards and tickets to events	142,713	125,004
Toys and books	77,655	59,221
Miscellaneous	58,320	23,532
Total in-kind income	\$ 414,728	\$ 303,291

8. COMMITMENTS:

During the fiscal year the Organization raised funds to provide gifts to families, which occur in two stages: one during Christmas when the family receives their gift “drop” and the other after the family completes an eight-week Financial Peace University (FPU) course. After the completion of the FPU, the remainder of the gifts is provided to the family. The estimated number of gifts remaining to be provided was \$100,000 and \$0 at June 30, 2020 and 2019, respectively.

9. RETIREMENT PLAN:

During 2020, the Organization has implemented a defined contribution plan in the current fiscal year which covers all employees and will match up to 3.5 percent of employee compensation contributed to the Plan. During the year ended June 30, 2020 the Organization contributed \$3,301 to the Plan.