

**BEST CHRISTMAS EVER, INC.**  
FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

BEST CHRISTMAS EVER, INC.

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## 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, 2021 and 2020, 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 from material misstatement.

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, 2021 and 2020, 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.

*Esterbrooks Certified Public Accountants, Ltd.*  
Duluth, Minnesota  
October 27, 2021

**BEST CHRISTMAS EVER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

<b><u>ASSETS</u></b>	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 563,055	\$ 624,778
Contributions receivable	5,000	-
Prepaid expenses	6,000	4,500
Investments	201,941	81,484
Total current assets	<u>775,996</u>	<u>710,762</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Office equipment	3,921	3,921
Less, accumulated depreciation	<u>(1,678)</u>	<u>(371)</u>
Net property and equipment	<u>2,243</u>	<u>3,550</u>
Total Assets	<u>\$ 778,239</u>	<u>\$ 714,312</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 32,284	\$ 28,526
Accrued liabilities	<u>2,078</u>	<u>3,520</u>
Total liabilities	<u>34,362</u>	<u>32,046</u>
<b>NET ASSETS:</b>		
Without donor restrictions	<u>743,877</u>	<u>682,266</u>
Total net assets	<u>743,877</u>	<u>682,266</u>
Total Liabilities and Net Assets	<u>\$ 778,239</u>	<u>\$ 714,312</u>

See Notes to Financial Statements

**BEST CHRISTMAS EVER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

<b><u>OPERATING</u></b>	Without Donor Restrictions	With Donor Restrictions	Total 2021
<b>REVENUE AND OTHER SUPPORT:</b>			
Contributions	\$ 1,420,209	\$ -	\$ 1,420,209
Special events	-	-	-
Interest income	99	-	99
Investment income, net of fees	45,476	-	45,476
In-kind income	370,206	-	370,206
Net assets released from restrictions	-	-	-
Total revenues and other support	<u>1,835,990</u>	<u>-</u>	<u>1,835,990</u>
<b>EXPENSES:</b>			
Program services	1,680,687	-	1,680,687
Management and general	67,687	-	67,687
Fund-raising	26,005	-	26,005
Total functional expenses	<u>1,774,379</u>	<u>-</u>	<u>1,774,379</u>
Change in net assets from operating activities	61,611	-	61,611
<b>NET ASSETS:</b>			
Beginning of year	<u>682,266</u>	<u>-</u>	<u>682,266</u>
End of year	<u>\$ 743,877</u>	<u>\$ -</u>	<u>\$ 743,877</u>

See Notes to Financial Statements

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>
\$ 1,297,212	\$ -	\$ 1,297,212
174,451	-	174,451
2,092	-	2,092
6,483	-	6,483
414,728	-	414,728
10,142	(10,142)	-
<u>1,905,108</u>	<u>(10,142)</u>	<u>1,894,966</u>
1,390,555	-	1,390,555
39,294	-	39,294
<u>90,341</u>	<u>-</u>	<u>90,341</u>
<u>1,520,190</u>	<u>-</u>	<u>1,520,190</u>
384,918	(10,142)	374,776
<u>297,348</u>	<u>10,142</u>	<u>307,490</u>
<u>\$ 682,266</u>	<u>\$ -</u>	<u>\$ 682,266</u>

**BEST CHRISTMAS EVER, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	Program Services	Supporting services		Total 2021
		Management and General	Fund-raising	
Operating expenses:				
Salaries, employee benefits and payroll taxes	\$ 100,300	\$ 29,885	\$ 23,261	\$ 153,446
Family support	1,490,913	-	-	1,490,913
Advertising	34,531	-	-	34,531
Insurance	-	3,725	-	3,725
Legal and accounting	-	33,946	-	33,946
Miscellaneous	3,209	-	-	3,209
Office expense	24,522	-	-	24,522
Professional fees	22,707	-	-	22,707
Special events	-	-	2,744	2,744
Travel	3,329	-	-	3,329
Total expenses before depreciation	<u>1,679,511</u>	<u>67,556</u>	<u>26,005</u>	<u>1,773,072</u>
Depreciation	<u>1,176</u>	<u>131</u>	<u>-</u>	<u>1,307</u>
Total Expenses	<u>\$ 1,680,687</u>	<u>\$ 67,687</u>	<u>\$ 26,005</u>	<u>\$ 1,774,379</u>

See Notes to Financial Statements

Program Services	Supporting services		Total 2020
	Management and General	Fund-raising	
\$ 82,382	\$ 19,840	\$ 32,113	\$ 134,335
1,241,556	-	-	1,241,556
9,298	-	-	9,298
-	2,316	-	2,316
-	17,101	-	17,101
3,794	-	-	3,794
25,415	-	-	25,415
19,084	-	-	19,084
-	-	58,228	58,228
8,692	-	-	8,692
<u>1,390,221</u>	<u>39,257</u>	<u>90,341</u>	<u>1,519,819</u>
<u>334</u>	<u>37</u>	<u>-</u>	<u>371</u>
<u>\$ 1,390,555</u>	<u>\$ 39,294</u>	<u>\$ 90,341</u>	<u>\$ 1,520,190</u>



**BEST CHRISTMAS EVER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 61,611	\$ 374,776
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,307	371
Net investment (gain) loss	(44,167)	(6,437)
Changes in operating assets and liabilities:		
Accounts receivable	(5,000)	5,000
Prepaid expense	(1,500)	(4,500)
Accounts payable	3,758	11,305
Accrued liabilities	(1,442)	1,385
Net cash provided by operating activities	14,567	381,900
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of equipment	-	(3,921)
Purchases of investments	(107,649)	(76,649)
Proceeds from sales of investments	31,359	1,602
Net cash used by investing activities	(76,290)	(78,968)
 NET (DECREASE) INCREASE IN CASH	(61,723)	302,932
 CASH - Beginning of year	624,778	321,846
 CASH - End of year	\$ 563,055	\$ 624,778

See Notes to Financial Statements

**BEST CHRISTMAS EVER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

**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, 2021 and 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 has concluded all accounts receivable are collectable.

***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.

**BEST CHRISTMAS EVER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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

***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 using the straight-line method over the estimated useful lives of the assets, which are as follows:

Computer equipment	3 years
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During the years ending June 30, 2021 and 2020 depreciation expense was \$1,307 and \$371, respectively.

***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, 2021 and 2020, 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.

***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. The Organization incurred advertising costs of \$34,531 and \$9,298 for the years ended June 30, 2021 and 2020, respectively.

**BEST CHRISTMAS EVER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

***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 change, 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, 2021 and 2020, 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 2018.

***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 October 27, 2021, which is the date the financial statements were issued.

**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 for twelve months, should the need arise.

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

	2021	2020
Cash	\$ 563,055	\$ 624,778
Accounts receivable	5,000	-
Investments	201,941	81,484
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 769,996</u>	<u>\$ 706,262</u>

**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, 2021 and 2020 the Organization's cash balances were in excess of this limit by \$248,837 and \$283,557, respectively, at one of the financial institutions.

**BEST CHRISTMAS EVER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**4. INVESTMENTS:**

Investments consisted of the following at June 30:

	2021	2020
Invested cash	\$ 4,767	\$ 2,920
Common stock	197,174	78,564
Total	\$ 201,941	\$ 81,484

Investment return is summarized as follows:

	2021	2020
Interest and dividends, net fees	\$ 1,309	\$ 46
Realized and unrealized gains and losses	44,167	6,437
Total	\$ 45,476	\$ 6,483

Investment revenues are reported net of related investment expenses in the statement of activities. The amount of expenses netted with revenues was \$2,254 and \$132 for the years ended June 30, 2021 and 2020, 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, 2021</u>				
Invested cash	\$ 4,767	\$ 4,767	\$ -	\$ -
Common stock	197,174	197,174	-	-
Total	\$ 201,941	\$ 201,941	\$ -	\$ -
<u>June 30, 2020</u>				
Invested cash	\$ 2,920	\$ 2,920	\$ -	\$ -
Common stock	78,564	78,564	-	-
Total	\$ 81,484	\$ 81,484	\$ -	\$ -

**6. NET ASSETS RELEASED FROM DONOR RESTRICTIONS:**

Net assets released from donor restrictions are as follows are as follows for June 30:

	2021	2020
Subject to expenditure for specific purpose:		
Family support	\$ -	\$ 10,142
Total net assets released from donor restrictions	\$ -	\$ 10,142

**BEST CHRISTMAS EVER, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

**7. IN-KIND INCOME:**

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

	<u>2021</u>	<u>2020</u>
In-kind income:		
Clothes and shoes	\$ 41,345	\$ 47,814
Furniture and home goods	80,717	88,226
Gift cards and tickets to events	92,445	142,713
Toys and books	76,387	77,655
Miscellaneous	79,312	58,320
Total in-kind income	<u>\$ 370,206</u>	<u>\$ 414,728</u>

**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 are provided to the family. The estimated number of gifts remaining to be provided was \$33,898 and \$100,000 at June 30, 2021 and 2020, respectively.

**9. RETIREMENT PLAN:**

The Organization has a defined contribution plan which covers all employees and will match up to 3.5 percent of employee compensation contributed to the Plan. During the years ended June 30, 2021 and 2020 the Organization contributed \$3,676 and \$3,301 to the Plan, respectively.