

The Christmas Box International

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended June 30, 2022 and 2021



THE CHRISTMAS BOX INTERNATIONAL

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Independent Auditor's Report

To the Board of Directors
The Christmas Box International

Opinion

We have audited the accompanying financial statements of **The Christmas Box International** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Christmas Box International** as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **The Christmas Box International** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **The Christmas Box International** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Christmas Box International's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **The Christmas Box International's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Lawson Company P.C." with an ampersand between "Lawson" and "Company".

Salt Lake City, Utah
November 17, 2022

THE CHRISTMAS BOX INTERNATIONAL

Statements of Financial Position

As of June 30, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 343,521	\$ 230,369
Accounts receivable, including promises to give	2,023	11,023
Investments	240,923	214,352
Prepaid expenses	-	3,513
	586,467	459,257
Total current assets		
Property and equipment, net	720,651	782,285
Other assets	11,726	9,900
	\$ 1,318,844	\$ 1,251,442
Total assets		
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 42,548	\$ 23,805
Accrued liabilities	6,792	6,147
Current portion of long-term debt	22,287	38,914
	71,627	68,866
Total current liabilities		
Long-term debt, net of current portion	840,419	619,383
Accrued interest, related party	337,358	647,358
Related party notes payable	1,349,642	1,349,642
	2,599,046	2,685,249
Total liabilities		
Net assets:		
Without donor restriction	(1,299,862)	(1,463,276)
With donor restriction	19,660	29,469
	(1,280,202)	(1,433,807)
Total net assets		
Total liabilities and net assets	\$ 1,318,844	\$ 1,251,442

The accompanying notes to financial statements
are an integral part of these statements

THE CHRISTMAS BOX INTERNATIONAL

Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
Revenue and support:			
Donations	\$ 987,715	\$ 13,898	\$ 1,001,613
In-kind contributions	605,400	-	605,400
Rental revenue	102,024	-	102,024
Other revenue	-	-	-
Investment income (loss)	(34,225)	-	(34,225)
Total revenue and support	1,660,914	13,898	1,674,812
Satisfaction of restrictions	23,707	(23,707)	-
Total public revenue, support, and satisfaction of restrictions	1,684,621	(9,809)	1,674,812
Functional expenses:			
Program services	1,059,320	-	1,059,320
Management and general	192,327	-	192,327
Fundraising	269,560	-	269,560
Total functional expenses	1,521,207	-	1,521,207
Total change in net assets	163,414	(9,809)	153,605
Net assets, beginning of year	(1,463,276)	29,469	(1,433,807)
Net assets, end of year	\$ (1,299,862)	\$ 19,660	\$ (1,280,202)

The accompanying notes to financial statements
are an integral part of these statements

THE CHRISTMAS BOX INTERNATIONAL

Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Revenue and support:			
Donations	\$ 633,566	\$ 8,313	\$ 641,879
In-kind contributions	620,300	-	620,300
Rental revenue	208,540	-	208,540
Other revenue	4,699	-	4,699
Investment income (loss)	2,578	-	2,578
Total revenue and support	1,469,683	8,313	1,477,996
Satisfaction of restrictions	2,978	(2,978)	-
Total public support, revenue and satisfaction of restrictions	1,472,661	5,335	1,477,996
Functional expenses:			
Program services	1,128,794	-	1,128,794
Management and general	121,139	-	121,139
Fundraising	210,031	-	210,031
Total functional expenses	1,459,964	-	1,459,964
Total change in net assets	12,697	5,335	18,032
Net assets, beginning of year	(1,475,973)	24,134	(1,451,839)
Net assets, end of year	\$ (1,463,276)	\$ 29,469	\$ (1,433,807)

The accompanying notes to financial statements
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THE CHRISTMAS BOX INTERNATIONAL

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Totals
Salaries	\$ 131,487	\$ 40,374	\$ 85,951	\$ 257,812
Payroll taxes	9,637	2,959	6,302	18,898
Health benefits	13,993	4,297	9,151	27,441
Pension and retirement benefits	3,749	275	438	4,462
Business expenses	203	-	-	203
Banking fees	3,130	9,222	1,999	14,351
Legal fees	-	1,325	-	1,325
Accounting fees	-	32,410	-	32,410
Contract services	4,355	22,085	1,743	28,183
Maintenance and improvement	65,870	-	831	66,701
Mortgage interest	33,838	2,274	-	36,112
Rent expense	16,995	-	-	16,995
Utilities	32,330	580	-	32,910
Online services	(295)	-	5,904	5,609
Dues and subscriptions	2,125	481	1,089	3,695
Meals and entertainment	5,545	2,319	1,499	9,363
Vehicle expense	4,473	3,113	949	8,535
Vehicle gas mileage reimbursement	3,224	986	41	4,251
Postage and mailing	995	132	773	1,900
Printing and copying	4,601	1,848	4,361	10,810
Office supplies	1,553	1,741	678	3,972
Gift cards and passes	17,589	-	-	17,589
Telephone and internet	4,021	3,096	-	7,117
IT and computer	14	8,415	1,100	9,529
Marketing and advertising	8,115	2,090	34,298	44,503
Vehicle insurance	-	-	2,113	2,113
Staff development	2,152	2,745	1,210	6,107
Staff, volunteer and partner support	11,910	1,101	2,560	15,571
Grant writing	-	-	5,950	5,950
Donor appreciation	-	-	4,489	4,489
Event expense	2,328	476	90,957	93,761
Insurance	-	42,446	-	42,446
Travel and meetings	9,040	-	1,788	10,828
Deprecation expense	60,943	3,386	3,386	67,715
In-kind donations	605,400	-	-	605,400
Investment fees	-	2,151	-	2,151
Total functional expenses	\$ 1,059,320	\$ 192,327	\$ 269,560	\$ 1,521,207

The accompanying notes to financial statements
are an integral part of these statements

THE CHRISTMAS BOX INTERNATIONAL

Statement of Functional Expenses For the Year Ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 127,688	\$ 56,495	\$ 86,956	\$ 271,139
Employee benefits	12,602	7,632	10,848	31,082
Payroll taxes	9,825	4,246	6,532	20,603
Total salaries and related expenses	150,115	68,373	104,336	322,824
Clothing, toys, & household supplies	638,911	-	-	638,911
Repairs and maintenance	143,765	620	1,478	145,863
Depreciation	61,677	3,426	3,426	68,529
Contract labor	12,119	-	30,624	42,743
Rent	22,119	5,935	27,766	55,820
Interest	28,233	-	-	28,233
Advertising	1,489	1,481	23,922	26,892
Utilities	22,490	1,249	1,249	24,988
Insurance	7,782	10,701	410	18,893
Professional fees	160	17,511	-	17,671
Office expense	4,234	8,020	34	12,288
Miscellaneous	8,858	35	2,131	11,024
Printing and reproduction	4,909	39	4,617	9,565
Community enrichment	3,591	14	5,372	8,977
Conference and meetings	5,912	-	760	6,672
Food	3,943	1,421	417	5,781
Communications	2,462	1,089	1,677	5,228
Travel	3,980	101	35	4,116
Dues and subscriptions	1,446	1,124	1,476	4,046
Supplies	599	-	301	900
Total functional expenses	<u>\$ 1,128,794</u>	<u>\$ 121,139</u>	<u>\$ 210,031</u>	<u>\$ 1,459,964</u>

The accompanying notes to financial statements
are an integral part of these statements

THE CHRISTMAS BOX INTERNATIONAL

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 153,605	\$ 18,032
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization expense	67,715	68,529
Unrealized (gain) loss on investments	43,057	(1,876)
PPP loan forgiveness	(54,485)	(54,485)
(Increase) decrease in assets:		
Accounts receivable, including promises to give	9,000	(8,201)
Prepaid expenses	3,513	(1,925)
Other assets	(1,826)	-
Increase (decrease) in liabilities:		
Accounts payable	18,743	19,363
Accrued liabilities	645	(7,163)
Net cash flows from operating activities	239,967	32,274
Cash flows from investing activities:		
Purchases of investments	(69,628)	(212,476)
Purchases of property and equipment	(6,081)	-
Proceeds from sale of property and equipment	-	584
Net cash flows from investing activities	(75,709)	(211,892)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	279,457	54,480
Principal payments on long-term debt	(330,563)	(27,337)
Net cash flows from financing activities	(51,106)	27,143
Net change in cash and cash equivalents	113,152	(152,475)
Cash and cash equivalents, beginning of year	230,369	382,844
Cash and cash equivalents, end of year	\$ 343,521	\$ 230,369
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 342,389	\$ 28,233

The accompanying notes to financial statements are an integral part of these statements

THE CHRISTMAS BOX INTERNATIONAL

Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

1. ORGANIZATION

The Christmas Box International (the “Organization”) was incorporated under the laws of the State of Utah as a nonprofit corporation in 1998. The Organization provides funding and support services for shelters for abused or neglected children. The Organization also supports mental, emotional, and physical care for children in crisis in a home-like environment. In addition, the Organization, in partnership with local, national, and international communities and groups, provides assistance to prevent child abuse and to improve the quality of life for children who have been abused or neglected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization prepares its financial statements on the accrual basis of accounting and follows accounting principles generally accepted in the United States for nonprofit organizations and reports information regarding its financial position and activities according to two classes of net assets, with donor restrictions and without donor restrictions, based upon the following criteria:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or through the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

All contributions are available for use unless specifically restricted by the donor. Restricted contributions received from donors are reported as with donor restricted or without donor restricted support and as an increase in the respective net asset classes. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets with donor restriction are reclassified to net assets without donor restriction and reported on the statement of activities as net assets released from restrictions. Restrictions on contributions that expire within the same accounting period as receipt of the contributions are considered support without donor restrictions.

Recent Developments Related to COVID-19

The World Health Organization has declared the recent COVID-19 outbreak to constitute a “Public Health Emergency of International Concern.” The outbreak has caused business disruption through mandated and voluntary closings of various industry business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of effect of COVID-19. The related financial impact and duration cannot be reasonably estimated at this time.

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Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less, and available for expenditure at the discretion of the Organization's management, to be cash equivalents.

Accounts Receivable and Promises to Give

Accounts receivable are carried at their estimated collectible amounts. The Organization's accounts receivable are generally short-term in nature; thus accounts receivable do not bear interest.

Accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. An allowance for doubtful accounts has not been established because management believes that all accounts receivable will be fully collectible.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. An allowance for uncollectible promises has not been established at June 30, 2022 because management believes that all promises to give will be fully collectible.

Investments

Investments consist of marketable securities and gold reported at their readily determinable fair values. Unrealized gains and losses are included in the change in net assets, less external and direct internal investment expenses.

Property and Equipment

Property and equipment is recorded at cost for purchased assets and at estimated fair market value at the date of acquisition for donated assets for assets with values greater than \$2,500. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period.

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Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Depreciation is provided using the straight-line method, based on useful lives of the assets as follows:

<u>Assets</u>	<u>Useful Lives</u>
Buildings and improvements	15 to 27.5 years
Furniture and equipment	5 to 10 years

Long-lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amounts of the assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amounts of the assets against the estimated undiscounted future cash flows associated with them. When future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying amounts of the assets, the assets are adjusted to their fair values.

Fair Value of Financial Instruments

The Organization applies U.S. GAAP for fair value measurements of financial assets and liabilities. U.S. GAAP defines fair value as 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. Fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

The estimated fair values of the Organization's short-term financial instruments – including cash, accounts receivable and accounts payable – approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Contributions

Contributions are recognized when cash or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

In-kind Contributions

In-kind contributions are recorded as support at their estimated fair market value at the date of gift. These contributions are considered to be without donor restrictions unless restricted by the donor. Assets donated with donor-imposed restrictions regarding their use are considered net assets with donor restrictions until the asset is placed in service.

THE CHRISTMAS BOX INTERNATIONAL

Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Contributions (Continued)

In-kind contributions received during the years ended June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Clothing, toys, and other program supplies	\$ 605,400	\$ 601,616
Donated facilities	-	18,684
Total in-kind contributions	<u>\$ 605,400</u>	<u>\$ 620,300</u>

The in-kind goods represent primarily the donation of materials that are provided to or consumed by participants in the Organization's programs.

The Organization recognizes contributed services only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The cost of providing programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, employee benefits, occupancy, and depreciation, which are allocated on the basis of estimated time and effort. During the year ended June 30, 2022, the Organization was able to obtain more detail to enhance its functional expense reporting. However, there were no changes in the methods used and the functional expenses for the year ended June 30, 2021 have not been modified.

Advertising

Costs for advertising are expensed as incurred. For the years ended June 30, 2022 and 2021, the Organization incurred advertising costs of **\$44,503** and \$26,892.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code on the excess of revenue over expenses generated in the normal course of business. Accordingly, no provision for federal income taxes has been included as of June 30, 2022. The Organization remains subject to income taxes on net income that is derived from a trade or business, regularly carried on, and not for the exempt purpose of the Organization. In the opinion of management, the Organization does not have any unrelated business income.

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Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

2. **SUMMARY OF ACCOUNTING POLICIES (Continued)**

Income Taxes (Continued)

ASC Topic 740, *Income Taxes*, provides guidance on how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation by management of tax positions taken or expected to be taken in preparation of the Organization's tax returns to determine if the positions are more-likely-than-not of being sustained if examined by the taxing authorities. Management has determined there are no uncertain income tax positions. Generally, tax years remain subject to examination for three years from the date filed.

Reclassifications

Certain amounts have been reclassified for the year ended June 30, 2021 to conform to the presentation for the year ended June 30, 2022. The reclassifications had no impact on previously reported total net assets or changes in net assets.

Recently Issued Accounting Pronouncements

In March of 2016, the FASB issued ASU 2016-02, *Leases*, which requires all leases that have a term of more than 12 months to be recognized as assets and liabilities on the balance sheet at inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for fiscal years beginning after December 15, 2021. The Organization does not anticipate a significant impact on the Organization's results of operations, financial position, or cash flows as a result of this new standard.

In September of 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure requirements. The amendments in this update require organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Additionally, organizations are required to enhance disclosures by disaggregating the amount of nonfinancial assets recognized within the statement of activities by type of contributed nonfinancial asset and providing additional qualitative information for each disaggregated category. This new guidance is effective for fiscal years beginning after June 15, 2021. The Organization has adopted this standard in the year ended June 30, 2022 and has applied the guidance retrospectively.

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Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 343,521	\$ 230,369
Accounts receivable, including promises to give	2,023	11,023
Investments	<u>240,923</u>	<u>214,352</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 586,467</u>	<u>\$ 455,744</u>

As part of its liquidity management plan, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in savings and short-term investments.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are stated at fair value and consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cost basis of mutual funds	\$ 220,445	\$ 212,476
Cost basis of gold	49,868	-
Unrealized gain / (loss)	<u>(29,390)</u>	<u>1,876</u>
Total investments	<u>\$ 240,923</u>	<u>\$ 214,352</u>

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumption market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entities own assumptions about those that market participants would use in pricing the asset based on the best information available.

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Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs are as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investment assets measured at fair value on a recurring basis as of June 30, 2022 and 2021 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2022				
Mutual funds	\$ 195,345	\$ 195,345	\$ -	\$ -
Gold	45,578	45,578	-	-
Total investments	<u>\$ 240,923</u>	<u>\$ 240,923</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2021				
Mutual funds	\$ 214,352	\$ 214,352	\$ -	\$ -
Total investments	<u>\$ 214,352</u>	<u>\$ 214,352</u>	<u>\$ -</u>	<u>\$ -</u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment as of June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 1,646,580	\$ 1,646,580
Furniture and equipment	159,944	153,863
Land	155,000	155,000
Total cost of property and equipment	1,961,524	1,955,443
Accumulated depreciation	<u>(1,240,873)</u>	<u>(1,173,158)</u>
Total property and equipment, net	<u>\$ 720,651</u>	<u>\$ 782,285</u>

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Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

5. PROPERTY AND EQUIPMENT, NET

Depreciation expense was \$67,715 and \$68,529 for the years ended June 30, 2022 and 2021.

6. OTHER ASSETS

Other assets consist of the following as of June 30, 2022 and 2021:

	2022	2021
Timeshares	\$ 11,726	\$ 9,900

7. LONG-TERM DEBT

The Organization's long-term debt consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Note payable to a financial institution, with monthly installments of \$4,731, including interest at 4.01%. Unpaid balance is due July 28, 2028. Secured by real property.	\$ 862,706	\$ -
Note payable to a financial institution, with monthly installments of \$4,631, including interest at 4.5%. Unpaid balance was due July 15, 2026. Note was refinanced in July 2021.	-	603,817
Note payable to a financial institution (through the Paycheck Protection Program). This loan was forgiven during the year ended June 30, 2022. The note is unsecured.	-	54,480
Total long-term debt	862,706	658,297
Less: current portion	(22,287)	(38,914)
Total long-term debt, less current portion	\$ 840,419	\$ 619,383

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7. LONG-TERM DEBT (Continued)

Future maturities of long-term debt are as follows:

Years ending June 30.

2023	\$	22,287
2024		23,197
2025		24,145
2026		25,131
2027		26,158
Thereafter		<u>741,788</u>
Total future minimum payments	\$	<u>862,706</u>

Interest expense for the year ended June 30, 2022 and 2021 was **\$36,112** and \$28,233.

8. RELATED PARTY NOTES PAYABLE

The Organization maintains a loan agreement with a board member and co-founder of the Organization. During the year ended June 30, 2021, this note was restated and approved at the February 9, 2021 board meeting. The note is currently non-interest bearing and due as funds are available. The note is secured by other assets. As of June 30, 2022 and 2021, the balance of the note was **\$1,349,642**. Related accrued interest to the note was **\$337,358** and \$647,358 as of June 30, 2022 and 2021.

9. NET ASSETS WITH DONOR RESTRICTIONS

Purpose restrictions for the Organization's net assets with donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Moab CBH	\$ -	\$ 6,353
Milestone Program fka Milestone Home	2,012	1,125
Salt Lake COR Office	-	800
Salt Lake CBH fka Salt Lake Valley TAL	2,990	2,090
Ogden CBH fka Ogden Kinship - K&G Farr	10,991	4,622
Safety Items Kinship Homes	789	973
Foster Family Resource Room - UV	-	900
DCFS WR Foster Parent Support	350	350
DCFS Western Region TAL Activities	2,528	2,808
DCFS Northern Region TAL Activities	-	2,336
DCFS Project Elf	-	<u>7,112</u>
Total net assets with donor restrictions	<u>\$ 19,660</u>	<u>\$ 29,469</u>

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Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

9. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions for the year ended June 30, 2022 and 2021 by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as following:

	2022	2021
Satisfaction of purpose restrictions:		
Moab CBH	\$ 6,353	\$ 918
Milestone Home	1,125	1,299
Ogden Kinship - K&G Farr	-	691
DCFS WR Foster Parent Support	-	70
Safety Items Kinship Homes	183	-
Salt Lake COR Office	800	-
Salt Lake Valley TAL	2,090	-
Foster Family Resource Room Utah Valley	900	-
DCFS WR TAL Activities	2,808	-
DCFS NR TAL Activities	2,336	-
DCFS Project Elf	7,112	-
Total satisfaction of purpose restrictions	\$ 23,707	\$ 2,978

10. RENTAL INCOME / LEASE

The Organization leases portions of its Ogden facility under an operating lease. The lease expires in June 2025 and requires monthly lease payments of \$8,250. Future minimum lease payments expected to be received under this lease are as follows:

Years ending June 30.

2023	\$ 105,048
2024	108,168
2025	111,408
Thereafter	-
Total future minimum payments	\$ 324,624

Rental income for the years ended June 30, 2022 and 2021 was approximately **\$102,024** and **\$208,540**, respectively.

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For the Years Ended June 30, 2022 and 2021

11. PROGRAM EXPENSES

Program expenses consisted of the following for the year ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Salt Lake CBH	\$ 416,114	\$ -
Ogden CBH	266,058	-
Program	162,038	-
Christmas Box House	125,973	-
Moab CBH	24,072	-
Project Elf/ Other	22,424	30,900
Donation Center	22,202	-
Utah County	13,252	-
Milestone	4,887	-
The Christmas Box Resource Rooms	2,117	2,353
Kinship Fund	183	-
The Christmas Box Houses Support Services	-	1,094,849
JourneyUP Mentor Project	-	692
	<u>\$ 1,059,320</u>	<u>\$ 1,128,794</u>

12. RETIREMENT PLAN

The Organization has a savings incentive match plan for employees of small employers (SIMPLE) retirement plan which covers employees who reasonably expect to receive at least \$5,000 in compensation during the calendar year. The employees may make salary-reduction contributions to the plan not to exceed \$12,500 annually. Participants who are age 50 or over at the end of the calendar year are eligible to make catch-up contributions up to \$3,000. For the years ended June 30, 2022 and 2021, the Organization contributed **\$4,462** and \$2,569 to the plan. Other than plan contributions, the Organization has no other liability in connection with the plan.

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For the Years Ended June 30, 2022 and 2021

13. IN-KIND CONTRIBUTIONS

For the years ended June 30, 2022 and 2021, in-kind contributions recognized on the statement of activities consisted of the following:

	<u>2022</u>	<u>2021</u>	<u>Utilization in Programs or Other Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Clothing, toys, and other program supplies	\$ 605,400	\$ 601,616	Program Services	None	Contributed clothing, toys, and other program supplies are valued at the fair market value. In valuing the contributed facilities, management uses comparable rental rates for similar office size and quality.
Donated facilities	-	18,684	Program Services	None	
Total	<u>\$ 605,400</u>	<u>\$ 620,300</u>			

14. CONCENTRATIONS OF CREDIT AND MARKET RISK

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. Management has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

15. COMMITMENTS AND CONTINGENCIES

The Organization may be involved in certain claims arising from the ordinary course of operations and has purchased insurance policies to cover these risks.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through the date of the independent auditor's report, which is the date the financial statements were available to be issued and noted nothing that would require disclosure.