

The Christmas Box International

Year Ended December 31, 2015

Financial Statements

And

Independent Auditor's Report



**THE CHRISTMAS BOX
INTERNATIONAL**

Every child deserves a childhood.

The Christmas Box International

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Christmas Box International
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of The Christmas Box International (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Opinion

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 December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Christmas Box International's December 31, 2014 financial statements, and our report dated May 15, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Shaw & Co PC

Bountiful, Utah
June 9, 2016

The Christmas Box International
Statement of Financial Position
December 31, 2015
With Comparative Totals For December 31, 2014

	<u>12/31/2015</u>	<u>12/31/2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 337,986	\$ 287,990
Accounts receivable, including promises to give	535	7,379
Prepaid expenses	<u>1,627</u>	<u>1,627</u>
Total current assets	<u>340,148</u>	<u>296,996</u>
Fixed assets, at cost		
Land	155,000	155,000
Buildings and improvements	1,636,429	1,636,429
Furniture and equipment	<u>162,806</u>	<u>150,263</u>
Total fixed assets	1,954,235	1,941,692
Less accumulated depreciation	<u>(877,373)</u>	<u>(813,867)</u>
Net fixed assets	<u>1,076,862</u>	<u>1,127,825</u>
Other assets		
	<u>26,273</u>	<u>26,273</u>
Total assets	<u>\$ 1,443,283</u>	<u>\$ 1,451,094</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 12,879	\$ 8,309
Accrued liabilities	4,338	4,338
Deferred rent revenue	34,868	34,868
Current portion of long-term debt	<u>741,504</u>	<u>26,901</u>
Total current liabilities	<u>793,589</u>	<u>74,416</u>
Long-term debt, net of current portion	-	740,699
Accrued interest, related-party	493,519	493,519
Related-party notes payable	<u>1,278,286</u>	<u>1,278,286</u>
Total liabilities	<u>2,565,394</u>	<u>2,586,920</u>
Net assets		
Unrestricted	(1,239,611)	(1,212,026)
Temporarily restricted	117,500	76,200
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>(1,122,111)</u>	<u>(1,135,826)</u>
Total liabilities and net assets	<u>\$ 1,443,283</u>	<u>\$ 1,451,094</u>

See accompanying notes to financial statements.

The Christmas Box International
Statement of Activities
Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	12/31/2015				12/31/2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUES AND SUPPORT					
In-kind contributions	\$ 667,069	\$ -	\$ -	\$ 667,069	\$ 584,095
Donations	415,154	100,223	-	515,377	508,785
Rental revenue	91,321	-	-	91,321	88,212
Special events	19,385	-	-	19,385	18,500
Other earned revenue	8,078	-	-	8,078	5,425
Loss on disposal of assets	-	-	-	-	(5,698)
Net assets released from restrictions	<u>58,923</u>	<u>(58,923)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenues and support	 <u>1,259,930</u>	 <u>41,300</u>	 <u>-</u>	 <u>1,301,230</u>	 <u>1,199,319</u>
EXPENSES					
Program services	1,127,998	-	-	1,127,998	1,003,209
Management and general	50,588	-	-	50,588	45,338
Fundraising	<u>108,929</u>	<u>-</u>	<u>-</u>	<u>108,929</u>	<u>89,560</u>
 Total expenses	 <u>1,287,515</u>	 <u>-</u>	 <u>-</u>	 <u>1,287,515</u>	 <u>1,138,107</u>
 Change in net assets before extraordinary item	 (27,585)	 41,300	 -	 13,715	 61,212
 Extraordinary item - loss on other assets	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>(614,575)</u>
 Change in net assets after extraordinary item	 (27,585)	 41,300	 -	 13,715	 (553,363)
 Net assets, beginning of year	 <u>(1,212,026)</u>	 <u>76,200</u>	 <u>-</u>	 <u>(1,135,826)</u>	 <u>(582,463)</u>
 Net assets, end of year	 <u>\$ (1,239,611)</u>	 <u>\$ 117,500</u>	 <u>\$ -</u>	 <u>\$ (1,122,111)</u>	 <u>\$ (1,135,826)</u>

See accompanying notes to financial statements.

The Christmas Box International
Statement of Functional Expenses
Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	12/31/2015				12/31/2014
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 220,161	\$ 17,432	\$ 65,744	\$ 303,337	\$ 256,729
Payroll taxes	16,862	1,331	5,020	23,213	22,761
Employee benefits	17,505	1,382	5,211	24,098	17,526
 Total salaries and related expenses	 254,528	 20,145	 75,975	 350,648	 297,016
Clothing, toys, & household supplies	649,688	-	-	649,688	558,485
Interest	49,807	-	-	49,807	51,468
Rent	23,106	1,824	6,878	31,808	33,125
Utilities	25,545	1,419	1,419	28,383	31,732
Supplies	17,157	43	1,827	19,027	10,209
Repairs and maintenance	14,958	71	267	15,296	13,180
Special events - venue and supplies	-	-	11,509	11,509	12,653
Insurance	7,613	3,025	560	11,198	9,483
Professional fees	-	10,034	-	10,034	15,245
Communications	6,932	547	2,063	9,542	8,778
Bank charges	-	7,692	-	7,692	3,079
Contract labor	5,689	123	508	6,320	2,519
Printing and reproduction	4,068	321	1,211	5,600	6,104
Dues and subscriptions	1,464	1,816	2,136	5,416	6,243
Travel	3,516	56	308	3,880	4,429
Office expense	2,472	195	736	3,403	5,213
Community enrichment	3,110	-	-	3,110	3,125
Conference and meetings	703	56	210	969	1,559
Miscellaneous	449	43	136	628	1,738
Advertising	37	3	11	51	47
 Total expenses before depreciation	 1,070,842	 47,413	 105,754	 1,224,009	 1,075,430
Depreciation	57,156	3,175	3,175	63,506	62,677
 Total expenses	 <u>\$ 1,127,998</u>	 <u>\$ 50,588</u>	 <u>\$ 108,929</u>	 <u>\$ 1,287,515</u>	 <u>\$ 1,138,107</u>

See accompanying notes to financial statements.

The Christmas Box International
Statement of Cash Flows
Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	<u>12/31/2015</u>	<u>12/31/2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 13,715	\$ (553,363)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	63,506	62,677
Loss on disposal of assets	-	5,698
Extraordinary item - loss on other assets	-	614,575
Changes in current assets and liabilities:		
Accounts receivable, including promises to give	6,845	369
Accounts payable	4,570	3,240
Accrued expenses	-	(2,011)
Deferred rent revenue	-	34,870
	<u>88,636</u>	<u>166,055</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash purchases of fixed assets	<u>(12,544)</u>	<u>(26,889)</u>
Net cash used in investing activities	<u>(12,544)</u>	<u>(26,889)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(26,096)</u>	<u>(24,436)</u>
Net cash used in financing activities	<u>(26,096)</u>	<u>(24,436)</u>
Net change in cash and cash equivalents	49,996	114,730
Cash and cash equivalents, beginning of year	<u>287,990</u>	<u>173,260</u>
Cash and cash equivalents, end of year	<u>\$ 337,986</u>	<u>\$ 287,990</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 49,807</u>	<u>\$ 51,468</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

The Christmas Box International

Notes to Financial Statements

December 31, 2015

1. ORGANIZATION AND HISTORY

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 provides 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

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Date of Management's Review

Subsequent events were evaluated through June 9, 2016, which is the date the financial statements were available to be issued. From their review, management has determined that there were no significant recognizable or unrecognizable subsequent events that were not properly disclosed.

Estimates in the Financial Statements

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 may differ from those estimates.

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.
- b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.
- c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

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 collectibility 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.

Promises to Give

Promises to give are recorded at their estimated fair value. Amounts due later than one year, if any, are recorded at the present value of estimated future cash flows. The Organization estimates the allowance based on analysis of specific donors, taking into consideration the age of past due pledges and an assessment of the donor's ability to pay. At December 31, 2015, management of the Organization considers all promises to be collectible; therefore, no allowance has been recorded.

Inventories

Inventories are stated at the lower of cost or market.

Fixed Assets and Depreciation

The Organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$1,000. The fair value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the assets, which range from five to twenty-seven and one-half years. Depreciation expense for the year ended December 31, 2015 was \$63,506.

Impairment of 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.

Contributions

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-imposed time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same year the contribution is received are reported as unrestricted. Capital campaign contributions are considered temporarily restricted until the asset is placed into service.

In-kind Contributions

Donations of supplies, equipment, use of facilities, and services that meet the criteria for recognition are reflected at their estimated fair market value at the date of gift. These donations are reported as unrestricted support unless the donor has restricted the gift to a specific purpose. Gifts donated with explicit restrictions regarding their use are reported as temporarily restricted support and reclassified to unrestricted net assets when the restriction has been satisfied.

Income taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2015.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2015, 2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they were filed. Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2015, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Concentrations of Credit Risks

The Organization maintains its cash balances at financial institutions. Accounts at those institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At December 31, 2015, there was \$108,569 of uninsured funds. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

At December 31, 2015, no other concentrations were noted.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain items from December 31, 2014 have been reclassified to conform to the December 31, 2015 presentation.

Notes (continued)

3. OTHER ASSETS

Other assets consist of the following at December 31, 2015:

Timeshares	<u>\$ 26,273</u>
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4. RELATED-PARTY NOTES PAYABLE

Related party notes payable consists of the following at December 31, 2015:

Note payable to a board member; non-interest bearing and due as funds are available. Secured by other assets.	<u>\$ 1,278,286</u>
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\$ 1,278,286

5. LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2015:

Note payable to a bank, with monthly installments of \$6,325.31, including interest at 6.50%. Unpaid balance is due June 15, 2016. Secured by real property.	\$ 741,504
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Less amounts due within one year	<u>(741,504)</u>
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\$ -

Future maturities of long-term debt are as follows:

<u>Year Ended December 31,</u>	
2016	\$ 741,504
2017	-
Thereafter	<u>-</u>

\$ 741,504

Interest expense for the year ended December 31, 2015 was \$49,807.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following purposes at December 31, 2015:

JourneyUPMentor Project	\$ 49,705
JUMP Kits	26,524
DCFS Project Elf	9,861
Mike Olsen	7,500
Salt Lake Bike & Fitness Path	7,219
Moab CBH	5,285
CBI Van	5,000
DCFS Western Region TAL	4,926
SL COR Office	800
DCFS Norther Region TAL	<u>680</u>
	<u>\$ 117,500</u>

The temporarily restricted net assets are restricted for use in their respective initiatives.

7. RENTAL INCOME

The organization leases portions of its Ogden facility under two operating leases. Lease 1 expires in June 2018 and requires monthly lease payments of \$5,639. Lease 2 expires April 2016 and requires monthly lease payments of \$1,626. Future minimum payments to be received under these leases are as follows:

<u>Year Ended December 31,</u>	
2016	\$ 79,401
2017	75,073
2018	38,080
Thereafter	<u>-</u>
	<u>\$ 192,554</u>

8. IN-KIND DONATIONS

During the years ended December 31, 2015, the following in-kind contributions were received by the Organization:

Clothing, toys and other program supplies	\$ 635,261
Use of facilities	<u>31,808</u>
	<u>\$ 667,069</u>

9. RETIREMENT PLAN

The Organization has a defined contribution tax-deferred annuity retirement plan which covers substantially all full-time employees. The employees may make contributions to the plan not to exceed \$17,000 annually. For the year ended December 31, 2015, the Organization contributed \$6,804 to the plan. Other than plan contributions, the Organization has no other liability in connection with the plan.

Notes (continued)

10. PROGRAM EXPENSES

Program expenses consisted of the following for the year ended December 31, 2015:

Christmas Box houses	\$ 422,465
Christmas Box rooms/clubs	296,117
JourneyUP Mentor Project	136,279
Project Elf	<u>273,137</u>
	<u>\$ 1,127,998</u>

11. PRIOR YEAR INFORMATION

The accompanying financial statements include certain prior year (2014) summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. The financial statements for the year ended December 31, 2014 are presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2015 only. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014 from which the summarized information was derived.