

Christmas Connection Inc.
dba Sharing Tree

**Financial Statement and
Independent Auditor's Report**

June 30, 2017

Table of Contents

Independent Auditor's Report	1
Statement of Position	2
Statement of Activity	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	7-8

Russell & Williams CPAs, PC

Casey J. Russell, C.P.A., M.B.A.
Autumn L. Williams, C.P.A., Esq.
Member AICPA & OSCPA

2812 NW 57th Street, Suite 102
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743
Fax: (405) 607-8744
Email: caseycpa@hotmail.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Christmas Connection, Inc. dba Sharing Tree

We have audited the accompanying financial statements of Christmas Connection, Inc. dba Sharing Tree (a nonprofit organization), as of June 30, 2017 which comprise the statement of position and the related statement of activity, statement of 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 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 Christmas Connection, Inc. as of June 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Russell & Williams CPAs, P.C.

Oklahoma City, Oklahoma
April 25, 2018

Christmas Connection, Inc.
dba Sharing Tree
Statement of Position
June 30, 2017

ASSETS	
Cash and Cash Equivalents	28,258.96
Prepaid Expenses	2,700.00
Property and Equipment	1,052,765.40
Accumulated Depreciation	<u>(292,188.79)</u>
TOTAL ASSETS	<u>\$ 791,535.57</u>
 LIABILITIES AND NET ASSETS	
Payroll Tax Liability	2,647.26
Note Payable	<u>12,355.87</u>
TOTAL LIABILITIES	15,003.13
 NET ASSETS	
Unrestricted	<u>776,532.44</u>
TOTAL NET ASSETS	<u>776,532.44</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 791,535.57</u>

Christmas Connection, Inc.
dba Sharing Tree
Statement of Activity and Change in Net Assets
As of and for the Year Ending June 30, 2017

REVENUES	<u>Unrestricted</u>
Contributions - General	42,051.24
Grants and Foundations	68,789.48
Fundraising	42,728.91
Rental Income	24,012.00
Other Revenues	<u>14,365.23</u>
TOTAL REVENUES	191,946.86
 EXPENSES	
Program	203,632.58
Fundraising	38,764.13
General and Administrative	<u>17,560.90</u>
TOTAL EXPENSES	<u>259,957.61</u>
CHANGES IN NET ASSETS	(68,010.75)
Beginning Net Assets	<u>844,543.19</u>
ENDING NET ASSETS	<u><u>\$ 776,532.44</u></u>

Christmas Connection, Inc.
dba Sharing Tree
Statement of Functional Expenses
As of and for the Year Ending June 30, 2017

	Program Expenses	Fundraising Expenses	Management and General Expenses	Totals
Store Purchases	12,583.90	-	-	12,583.90
Store Operating Expenses	16,354.40	-	-	16,354.40
Salaries and Benefits	99,162.41	13,028.25	6,004.75	118,195.41
Occupancy Costs	28,574.80	-	729.87	29,304.67
Supplies, Postage and Other Expenses	3,962.65	24,447.88	129.68	28,540.21
Professional Fees	15,245.84	1,288.00	7,876.60	24,410.44
Depreciation	27,748.58	-	2,820.00	30,568.58
TOTAL EXPENSES	<u><u>\$ 203,632.58</u></u>	<u><u>\$ 38,764.13</u></u>	<u><u>\$ 17,560.90</u></u>	<u><u>\$ 259,957.61</u></u>

The accompanying notes are an integral part of these financial statements

Christmas Connection, Inc.
dba Sharing Tree
Statement of Cash Flows
For the Years Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (68,010.75)
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:	
Depreciation and amortization	30,568.58
Decrease (Increase) in operating assets and liabilities:	
Payroll taxes payable	<u>-</u>
Total Adjustments	<u>30,568.58</u>
NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES	<u>(37,442.17)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Fixed Asset Purchases	<u>(12,902.40)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(12,902.40)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Line of Credit	<u>12,355.87</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>12,355.87</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,988.70)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>66,247.66</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 28,258.96</u></u>
Supplement Information:	
Interest Paid:	\$ 542.80

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

The Christmas Connection, Inc.
dba Sharing Tree
Notes to Financial Statements
Year Ending June 30, 2017

Note 1 – Nature of Activities

The Christmas Connection, Inc. (the “Organization”) was incorporated in July 1984 to serve families in need by providing a dignified shopping experience at no cost. The Organization offers four different programs including Community Connection, Crisis Connection, Classroom Connection, and Christmas Connection. Each program allows low income families to personally select items based on their area of need.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements of the Christmas Connection, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Cash and cash equivalents – For purposes of presentation on the statement of cash flows, Christmas Connection, Inc. considers all cash held in checking accounts to be cash and cash equivalents. Cash and cash equivalents represent unrestricted funds as of June 30, 2017.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Financial statement presentation – The Christmas Connection, Inc.. reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Christmas Connection Inc.’s unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due. The unspent appreciation of the Organization’s donor-restricted endowment funds is also reported as temporarily restricted net assets.

**The Christmas Connection, Inc.
 dba Sharing Tree
 Notes to Financial Statements
 Year Ending June 30, 2017**

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expires by being used in accordance with a donor’s restriction nor by the passage of time.

The Christmas Connection, Inc.. had only unrestricted net assets as of June 30, 2017.

Property and Equipment – Christmas Connection, Inc. capitalizes all purchased property and equipment at cost. Property and equipment is depreciated over the estimated useful lives of the assets, using the straight-line method of depreciation.

Contributions – All contributions received by Christmas Connection, Inc.. are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted not assets and reported in the statement of activities as net assets released from restrictions.

Income Tax Status – Christmas Connection, Inc. has been ruled exempt from federal income taxes under Section 501(c) (6) of the Internal Revenue Code, and therefore, has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for fiscal year ending June 30, 2017. Management believes there are no uncertain tax positions included in previous filed tax returns for open years that include 2015, 2016 and 2017.

Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities – Modified Cash Basis and in the Statement of Functional Expenses-Modified Cash Basis. Accordingly, certain costs have been allocated among the programs and general and administrative expenses.

Note 3 – Estimated Fair Value of Financial Instruments

The estimated fair values of the Association’s financial instruments were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
At June 30, 2017		
Cash and Cash Equivalents	<u>\$ 28,259</u>	<u>\$ 28,259</u>

The Christmas Connection, Inc.
dba Sharing Tree
Notes to Financial Statements
Year Ending June 30, 2017

Note 4- Functional Allocation of Expenses

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

Note 5 – Property and Equipment

Property and equipment is summarized as follows at June 30, 2017

Land	150,000
Building	855,310
Equipment	5,773
Vehicles	<u>41,682</u>
Total	\$ 1,052,765
Less: Accumulated Depreciation	<u>(292,189)</u>
	<u>\$ 760,577</u>

Items capitalized as property and equipment are recorded at cost or, if donated, at fair value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized.

Depreciation is computed on the straight-line method over the estimated lives of the related assets ranging from three to twenty years. Depreciation recorded for the year ending June 30, 2017 was \$30,568.58.

Note 6 – Line of Credit

The organization has a line of credit agreement with NBC Oklahoma for \$100,000. They had borrowing against the line of \$12,355.87 as of June 30, 2017. The line bears variable rate interest. The line is reviewed annually and is due on demand.

Note 7 – Subsequent Events

On March 16, 2018, the organization sold its building and is currently leasing the space from the buyer. Subsequent events were evaluated through April 25, 2018.