

SUNSHINE FOUNDATION

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 and 2019**

SUNSHINE FOUNDATION

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BAUM, SMITH & CLEMENS, LLP

CERTIFIED PUBLIC ACCOUNTANTS and BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sunshine Foundation

We have audited the accompanying financial statements of Sunshine Foundation (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2020, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 Sunshine Foundation as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Prior Period Financial Statements

The financial statements of Sunshine Foundation as of June 30, 2019, were audited by other auditors whose report dated October 8, 2019, expressed an unmodified opinion on those statements.

Baum, Smith & Clemens, LLP

Harleysville, PA
November 23, 2020

SUNSHINE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 466,106	\$ 257,003
Investments	723,506	594,363
Other assets	9,217	9,578
Total current assets	1,198,829	860,944
Fixed assets, net	238,751	270,726
Beneficial interest in perpetual trust	326,992	339,031
Total assets	\$ 1,764,572	\$ 1,470,701
LIABILITIES		
Current liabilities		
Accounts payable	7,923	33,416
Accrued expenses	13,650	15,737
Current portion of notes payable	91,250	3,219
Total current liabilities	112,823	52,372
NET ASSETS		
Without donor restrictions		
Undesignated	718,588	615,425
Board designated	124,432	113,289
Total without donor restrictions	843,020	728,714
With donor restrictions		
Purpose restrictions	481,737	350,584
Perpetual in nature	326,992	339,031
Total with donor restrictions	808,729	689,615
Total net assets	1,651,749	1,418,329
Total liabilities and net assets	\$ 1,764,572	\$ 1,470,701

See Accompanying Notes to Financial Statements

**SUNSHINE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Public Support			
Chapter income	\$ 251,558	31,038	282,596
Event expenses	(51,088)	-	(51,088)
Chapter income	200,470	31,038	231,508
Contributions	942,072	110,714	1,052,786
United Way, CFC	10,266	-	10,266
Net assets released from restriction	10,599	(10,599)	-
Total public support	<u>1,163,407</u>	<u>131,153</u>	<u>1,294,560</u>
EXPENSES			
Program	910,262	-	910,262
Management and general	74,348	-	74,348
Fundraising	121,080	-	121,080
Total expenses	<u>1,105,690</u>	<u>-</u>	<u>1,105,690</u>
Change in net assets before other income (expense)	57,717	131,153	188,870
Other income (expense)			
Investment income	40,102	-	40,102
Change in value of perpetual trust	16,487	(12,039)	4,448
	<u>56,589</u>	<u>(12,039)</u>	<u>44,550</u>
Change in net assets	114,306	119,114	233,420
Net assets beginning of year	<u>728,714</u>	<u>689,615</u>	<u>1,418,329</u>
Net assets end of year	<u><u>\$ 843,020</u></u>	<u><u>\$ 808,729</u></u>	<u><u>\$ 1,651,749</u></u>

See Accompanying Notes to Financial Statements

**SUNSHINE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Public Support			
Chapter income	\$ 320,711	\$ 80,351	\$ 401,062
Event expenses	(60,611)	-	(60,611)
Chapter income	260,100	80,351	340,451
Contributions	784,301	94,762	879,063
United Way, CFC	12,731	-	12,731
Net assets released from restriction	151,719	(151,719)	-
Total public support	<u>1,208,851</u>	<u>23,394</u>	<u>1,232,245</u>
EXPENSES			
Program	1,084,222	-	1,084,222
Management and general	81,952	-	81,952
Fundraising	114,428	-	114,428
Total expenses	<u>1,280,602</u>	<u>-</u>	<u>1,280,602</u>
Change in net assets before other income (expense)	(71,751)	23,394	(48,357)
Other income (expense)			
Investment income	64,122	-	64,122
Change in value of perpetual trust	17,458	(9,449)	8,009
	<u>81,580</u>	<u>(9,449)</u>	<u>72,131</u>
Change in net assets	9,829	13,945	23,774
Net assets beginning of year	<u>718,885</u>	<u>675,670</u>	<u>1,394,555</u>
Net assets end of year	<u><u>\$ 728,714</u></u>	<u><u>\$ 689,615</u></u>	<u><u>\$ 1,418,329</u></u>

SUNSHINE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 233,420	\$ 23,774
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	31,975	35,013
Change in beneficial interest in split-interest trust	(6,961)	(11,021)
Realized and unrealized gain on investments	(24,653)	(32,280)
Change in assets and liabilities		
Other assets	361	2,316
Perpetual trust	19,000	20,470
Accounts payable	(25,493)	17,380
Accrued expenses	(2,087)	3,073
Net cash provided by operating activities	225,562	58,725
Cash flows from investing activities		
Purchase of investments	(104,490)	(11,954)
Net cash used by investing activities	(104,490)	(11,954)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program	91,250	-
Repayment of long-term debt	(3,219)	(5,322)
Net cash provided (used) by financing activities	88,031	(5,322)
Net change in cash and cash equivalents	209,103	41,449
Cash and cash equivalent		
Beginning of year	257,003	215,554
End of year	\$ 466,106	\$ 257,003
Supplemental schedule of non-cash financing activity		
Interest paid	\$ 49	\$ 280

See Accompanying Notes to Financial Statements

**SUNSHINE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	2020			
	Program Services	Management and General	Fundraising	Total
Personnel				
Salaries	\$ 273,397	\$ 33,949	\$ 65,651	372,997
Payroll taxes and employee benefits	70,743	11,026	17,316	99,085
Total personnel	344,140	44,975	82,967	472,082
Operations				
Direct program	331,500	1,276	1,373	334,149
Outreach	178	137	282	597
Cleaning	8,733	195	97	9,025
Insurance - business	23,911	2,986	491	27,388
Interest	34	10	5	49
Outside services	26,466	5,629	5,838	37,933
Postage	6,461	1,105	1,752	9,318
Printing	2,288	135	927	3,350
Professional fees	20,246	5,170	2,585	28,001
Rent	14,070	4,020	2,010	20,100
Repairs	29,121	56	28	29,205
Supplies/office	23,249	1,621	10,945	35,815
Telephone	7,360	1,391	695	9,446
Utilities	20,604	697	348	21,649
Travel and meeting	6,253	1,120	2,197	9,570
Miscellaneous	15,049	2,908	8,081	26,038
Depreciation	30,599	917	459	31,975
Total operating	566,122	29,373	38,113	633,608
Total expenses	\$ 910,262	\$ 74,348	\$ 121,080	\$ 1,105,690

See Accompanying Notes to Financial Statements

SUNSHINE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	2019			
	Program Services	Management and General	Fundraising	Total
Personnel				
Salaries	249,725	\$ 37,092	\$ 61,201	348,018
Payroll taxes and employee benefits	58,479	10,536	13,945	82,960
Total personnel	308,204	47,628	75,146	430,978
Operations				
Direct program	476,264	-	356	476,620
Outreach	4,431	663	758	5,852
Cleaning	9,932	245	123	10,300
Insurance - business	25,331	2,633	500	28,464
Interest	196	56	28	280
Outside services	33,152	6,439	9,569	49,160
Postage	6,126	2,055	2,845	11,026
Printing	2,765	349	1,158	4,272
Professional fees	17,115	4,890	2,445	24,450
Rent	17,973	5,135	2,567	25,675
Repairs	68,084	199	99	68,382
Supplies/office	20,500	1,604	9,115	31,219
Telephone	8,016	1,752	901	10,669
Utilities	27,447	907	454	28,808
Travel and meetings	7,563	2,844	2,138	12,545
Miscellaneous	18,312	3,085	5,492	26,889
Depreciation	32,811	1,468	734	35,013
Total operating	776,018	34,324	39,282	849,624
Total expenses	\$ 1,084,222	\$ 81,952	\$ 114,428	\$ 1,280,602

See Accompanying Notes to Financial Statements

SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Vision, Mission and Goals

Sunshine Foundation (the Foundation) was incorporated on November 18, 1976, as a nonprofit corporation. The primary purpose of the Foundation is to fulfill the dreams and wishes of chronically ill, seriously ill, physically challenged, and abused children, ages three through eighteen, whose families cannot fulfill their requests due to the financial strain the child's illness may cause. In addition, the Foundation's purpose is to educate the public and increase awareness of the children that the foundation benefits.

The Foundation is supported by 9 active all volunteer chapters located throughout the United States. All chapters are operated by a state of officers, all whom are unpaid volunteers, under the guidelines and directions of the management of the Foundation. At various times throughout the year, each chapter has fundraising events for the benefit of the Foundation. Each chapter submits a report and net proceeds to the Foundation. The chapter's gross proceeds and direct expenses are reported net by the Foundation as chapter income.

New Accounting Pronouncements

In June of 2018, the Financial Accounting Standards Board(FASB) issued Accounting Standards update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, (Topic 958) with the stated purpose of providing guidance in distinguishing funding received from funders between contributions or exchange transactions and which guidance sis applied to the transactions. This ASU introduces the concept of barriers in providing additional guidance on identifying conditions that would prelude the recognition of a contribution as revenue. Contributions and exchanges are governed by different accounting pronouncements, and therefor may be recognized in different accounting periods and require different disclosure. The ASU has been applied prospectively to all periods presented if required by the pronouncement.

In January 2016, FASB issued ASU No.2016-01, Financial Instrument (Subtopic 825-10) – *Overall Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU No. 2016-01 amended ASC 825, Financial Instruments, which eliminates the requirement to disclose the fair value of financial instruments not recorded at fair value required under ASC 825. This ASU is effective for years beginning after December 15, 2018. ASU No. 2016-01 was adopted by the Foundation on July 1 ,2019 and did not have a significant impact on the Foundation's financial statements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which updates the accounting guidance on revenue recognition. This standard is intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, and improve disclosure requirements. The Foundation has not adopted this guidance for 2020 and will evaluate the impact of implementing for the next fiscal year.

In February 2016, the FASB issued ASU 2016-2, *Leases*, (Topic 842). ASU 2016.02 improves transparency and comparability among organizations by requiring recognition of lease assets and lease liabilities in the statement of financial position, except for leases with lease terms of 12 months or less. Lease assets represent the right to use the underlying asset for the lease term, and lease liabilities represent the liability to make lease payments. Organizations are also required to disclose key information about leasing arrangements. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2020, with early adoption permitted.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers all unrestricted, highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in mutual funds are recorded at fair value in the statement of financial position. Net investment return (loss) is reported in the accompanying statements of activities and consists of realized and unrealized gains (losses), interest and dividends, less external investment expenses.

The Foundation's principal financial instruments, subject to market risk, are its investments. The investments are managed by the board of directors. The degree and concentration of risk varies by the type of investment. The Foundation's investments are held in mutual funds and exchange traded funds.

Fair Value Measurement

The Foundation applies the provisions of the Financial Accounting Standards Board's Accounting Standards Codification in determining fair value. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements

Property and Equipment

All capital expenditures in excess of \$1,000 and having estimated useful lives of more than one year are capitalized to property and equipment. Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets, ranging from 5 to 20 years. The cost of maintenance and repairs is charged to expense as incurred and the cost of significant replacements and improvements are capitalized and expensed over the periods benefitted.

Beneficial Interest in Perpetual Trust

The Foundation has been designated the income beneficiary of the assets contained in an irrevocable Perpetual Trust held by an independent investment manager, in accordance with the Last Will and Testament of Mario D. Lafratta. The provision of the trust does not give ownership of any amount of principal to the Foundation. Further, the Foundation has no voice in the appointment of the investment manager or its investment decisions. The Foundation receives quarterly income distributions during each fiscal year. The Foundation has adopted the accounting treatment for this trust in accordance with FASB ASC 958-605, *Transfers of Assets to a Not-For-Profit Organization or Charitable Trust That Raises or Hold Contributions for Others*.

Given the nature of the promise, as well as the inability to compute the present value of the perpetual income stream of the trust, the Foundation records the total fair value of the principal upon which its income distributions are based as net assets with donor restrictions.

Net Assets

Net Assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions:

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board designated endowment.

With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing services and programs. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition

Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, bequests and chapter revenue are recognized as either net assets without donor restrictions or net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Contributions of assets other than cash are recorded at their estimated fair value at the date of the contribution.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires net assets with donor restrictions are reclassified as net assets without donor restrictions.

A contribution with a stipulation from the funder that represents a barrier that must be overcome before the Foundation is entitled to the assets transferred or promised is considered conditional. Failure to overcome the barrier gives the funder a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets

Donated Materials and Services

The Foundation records the estimated value of donated materials and services if there is an objective basis available to measure the value of such facilities, materials and services. Donation materials and services are reflected as revenue in the accompanying statements at its estimate market value at the date of receipt.

The Foundation has recorded donated airfare for families and Dreamlifts (a one day excursion to Orlando theme parks), admission to attractions for families, education and awareness displays, and other materials.

Donated services are recognized in the financial statements if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are reflected in the financial statements at the fair value of the services received.

The Foundation also benefits from time donated from a substantial number of unpaid volunteers to develop programs, principally in the Foundation's program services and in its fundraising events. The value of this contributed time does not meet the criteria for recognition of contributed services.

Functional Expenses

Specifically identifiable costs are assigned 100% to the applicable function. Salaries and payroll taxes and employee benefits are allocated based on each employee's specific job tasks. Expenses that are incurred for more than one function are allocated among the program and supporting services benefited. These expenses are allocated among program and supporting service classifications on the basis of square footage or other reasonable estimates made by management that are consistently applied.

Advertising

Advertising costs are expensed as incurred.

SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Foundation qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, no provision for federal income tax in the accompanying financial statements has been made. In addition, the Foundation has been determined by the Internal Revenue Service not be a "private foundation" within the meaning of section 509(a)(2) of the IRC.

The Foundation is annually required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken in the Foundation's tax returns. Management has determined that the Foundation does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Use of Estimates

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

Reclassification

Certain items in the accompanying 2019 financial statements have been reclassified to conform to the current year presentation. The reclassifications had no impact on the previously reported net assets.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was November 23, 2020.

NOTE B: CONCENTRATIONS

Credit Risk

The Foundation maintains cash in bank deposit accounts which, at times, exceed federally insured limits. No loss has been experienced in such accounts and the Foundation believes it is not exposed to any significant credit risk on cash.

The Foundation maintains accounts with a brokerage firm. The accounts contain cash and securities. Security balances are insured up to \$500,000 by the Securities Investor Protection Corporation. Cash balances held in these accounts may at times exceed federal limits, but the Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Support and Revenue

Concentrations in support and revenue are those who account for 10% or more of the activity. For the year ended June 30, 2020, the Organization had one contributor whose contribution was 24% of the total support and revenue for the year. There were no concentrations noted for the year ending June 30, 2019.

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE C: PROPERTY & EQUIPMENT

Property and equipment consists of the following as of June 30:

	2020	2019
Land	\$ 125,006	\$ 125,006
Buildings and improvements	1,969,593	1,969,593
Furniture and equipment	104,569	104,569
	\$ 2,199,168	\$ 2,199,168
Accumulated depreciation	(1,960,417)	(1,928,442)
	\$ 238,751	\$ 270,726

Depreciation expense was \$31,975 and \$35,013 for the years ended June 30, 2020 and 2019, respectively.

NOTE D: FAIR VALUE MEASUREMENT

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"> ▪ Quoted prices for similar assets in active markets; ▪ Quoted prices for identical or similar assets in inactive markets; ▪ Inputs other than quoted prices that are observable for the asset; ▪ Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p style="margin-top: 10px;">If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.</p>
Level 3	Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimizes the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There are no changes in the methodologies used for the years ended June 30, 2020 or 2019.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Exchange traded funds (ETF): Valued based on an underlying index, reported on the active market on which the individual securities are traded. The ETF's held by the Organization are deemed to be actively traded.

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE D: FAIR VALUE MEASUREMENT (Continued)

Beneficial interest in perpetual trusts: Valued at the quoted market prices and other relevant information generated by market transactions of the underlying assets held in the trust.

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Money market	\$ 7,414	\$ -	\$ -	\$ 7,414
Equities	530,133	-	-	530,133
Fixed income	185,959	-	-	185,959
Total Investments	<u>\$ 723,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 723,506</u>
Beneficial interest in perpetual trust	-	-	326,992	326,992
	<u>\$ 723,506</u>	<u>\$ -</u>	<u>\$ 326,992</u>	<u>\$ 1,050,498</u>
	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Money market	\$ 8,594	\$ -	\$ -	\$ 8,594
Equity	427,225	-	-	427,225
Fixed income	158,544	-	-	158,544
Total Investments	<u>\$ 594,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 594,363</u>
Beneficial interest in perpetual trust	-	-	\$ 339,031	339,031
	<u>\$ 594,363</u>	<u>\$ -</u>	<u>\$ 339,031</u>	<u>\$ 933,394</u>

The change in the fair value of the Foundation's level 3 assets is as follows:

Perpetual Trusts	2020	2019
Beginning Balance	\$ 339,031	\$ 348,480
Income distributed, net	(16,487)	(17,458)
Net investment return	4,448	8,009
Ending Balance	<u>\$ 326,992</u>	<u>\$ 339,031</u>

NOTE E: LONG-TERM DEBT

	2020	2019
Notes payable, fixed interest rate of 1%, due in May 2022 (eligible for forgiveness through the Small Business Administration - forgiveness application anticipated to be completed and accepted by June 30, 2021).	\$ 91,250	\$ -
Note payable, unsecured, interest rate of 4.5%, was due in monthly installments of principal and interest in the amount of \$467 over five years paid in full January, 2020.	-	3,219
	91,250	3,219
Less: current portion	(91,250)	(3,219)
Long-term debt	<u>\$ -</u>	<u>\$ -</u>

NOTE F: BOARD DESIGNATED NET ASSETS

During 2015, the Board of Directors elected to designate \$85,000 in investments as a quasi-endowment for future capital and operating needs. At June 30, 2020 and 2019, the designated funds are \$126,432 and \$113,289, respectively.

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE F: BOARD DESIGNATED NET ASSETS (Continued)

Interpretation of Relevant Law: The Board of Directors of the Foundation have interpreted the law as requiring donor-restricted contributions to be classified as net assets with donor restrictions. The Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted and board designated endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General Economic Conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Earnings from the quasi-endowment fund are available for capital and operating purposes. For the years ended June 30, 2020 and 2019 there were no expenditures.

The following table summarizes the changes in the quasi-endowment net assets for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 113,289	\$ 105,229
Purchases	2,393	2,283
Income distributed	(2,393)	(2,283)
Net investment return	11,143	8,060
	<u>\$ 124,432</u>	<u>\$ 113,289</u>

NOTE G: NET ASSETS WITH DONOR RESTRICTION

At June 30, 2020 and 2019, net assets with donor restrictions are available as follows:

	<u>2020</u>	<u>2019</u>
Purpose - Dreamlifts	\$ 371,023	\$ 350,854
Purpose - dreams	110,714	-
Total	<u>\$ 481,737</u>	<u>\$ 350,854</u>

NOTE H: FUND RAISING ACTIVITIES

The Foundation had a gala and chapter fundraising events throughout the year. The support received and expenses incurred for these events were as follows:

	<u>2020</u>	<u>2019</u>
Gross receipts	\$ 228,989	\$ 250,468
Expenses	42,601	61,601
	<u>\$ 186,388</u>	<u>\$ 188,867</u>

NOTE I: OPERATING LEASE

The Foundation leases office space in Southampton, Pennsylvania on a month to month basis for approximately \$1,675 effective September 2018. The Pennsylvania office is used as the national office. Total rental expense for the years ended June 30, 2020 and 2019 were \$20,100 and \$25,675 respectively.

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE J: RETIREMENT PLAN

The Foundation adopted an employee salary reduction agreement in accordance with the provisions of IRC 403(b), covering all full-time employees. For the years ended June 30, 2020 and 2019, the Foundation made no contributions to the tax sheltered annuity for employees.

NOTE K: ADDITIONAL INFORMATION

	2020	2019
Donated services – tickets and airfare	\$ 132,731	\$ 262,151
Donated services - repairs and maintenance	\$ 3,100	\$ 7,238
Donated services - fundraising	\$ -	\$ 8,370
Advertising	\$ 597	\$ 5,852

For the year ending June 30, 2020, IT expenses of \$8,629 were paid to a related party. The owner of the IT company is a relative of one of the Foundation's employees.

NOTE L: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation manages its liquidity following three spending principles: operating within a range of financial soundness and stability, maintaining adequate liquid assets to meet near-term operating needs, and strengthening its reserves for future sustainability. Management's goal is to maintain liquid financial assets, which consist of cash and cash equivalents and investments that would meet the need of normal operating expenses for a period of one year, which are, on average, approximately \$1,000,000. As part of its liquidity management, the Foundation's current policy is to retain and invest five percent of its revenues each year in various short-term investments including money market accounts and mutual funds. Although the Foundation does not intend to spend from the quasi-endowment, those amounts could be made available for operations as necessary with Board approval.

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:

	2020	2019
Cash and Cash equivalents	\$ 466,106	\$ 257,003
Investments	723,506	594,363
	1,189,612	851,366
Less amounts that are internally designated or externally restricted		
Financial assets subject to donor restrictions for specified purpose	(481,737)	(350,584)
Investments held for quasi endowment	(124,432)	(113,289)
	\$ 583,443	\$ 387,493