

**SUNSHINE FOUNDATION**

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**FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 and 2020**

# 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 statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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, 2021 and 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.

*Baum, Smith & Clemens, LLP*

Harleysville, PA  
September 21, 2021

**SUNSHINE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 and 2020**

	2021	2020
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 371,477	\$ 466,106
Investments	954,067	723,506
Other assets	9,838	9,217
Total current assets	1,335,382	1,198,829
Fixed assets, net	212,334	238,751
Beneficial interest in perpetual trust	394,917	326,992
<b>Total assets</b>	<b>\$ 1,942,633</b>	<b>\$ 1,764,572</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	13,818	7,923
Accrued expenses	13,628	13,650
Current portion of notes payable	76,450	91,250
Total current liabilities	103,896	112,823
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	782,422	718,588
Board designated	158,858	124,432
Total without donor restrictions	941,280	843,020
With donor restrictions		
Purpose restrictions	502,540	481,737
Perpetual in nature	394,917	326,992
Total with donor restrictions	897,457	808,729
Total net assets	1,838,737	1,651,749
<b>Total liabilities and net assets</b>	<b>\$ 1,942,633</b>	<b>\$ 1,764,572</b>

See Accompanying Notes to Financial Statements

**SUNSHINE FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUES</b>			
Public Support			
Chapter income	\$ 133,343	-	133,343
Event expenses	(10,377)	-	(10,377)
Chapter income	122,966	-	122,966
Contributions	366,484	91,050	457,534
United Way, CFC	16,766	-	16,766
Net assets released from restriction	70,247	(70,247)	-
Total public support	<u>576,463</u>	<u>20,803</u>	<u>597,266</u>
<b>EXPENSES</b>			
Program	631,629	-	631,629
Management and general	64,523	-	64,523
Fundraising	104,910	-	104,910
<b>Total expenses</b>	<b><u>801,062</u></b>	<b><u>-</u></b>	<b><u>801,062</u></b>
<b>Change in net assets before other income (expense)</b>	<b><u>(224,599)</u></b>	<b><u>20,803</u></b>	<b><u>(203,796)</u></b>
Other income (expense)			
Investment income	231,609	-	231,609
Change in value of perpetual trust	-	67,925	67,925
Forgiveness of PPP Loan	91,250	-	91,250
	<u>322,859</u>	<u>67,925</u>	<u>390,784</u>
<b>Change in net assets</b>	<b><u>98,260</u></b>	<b><u>88,728</u></b>	<b><u>186,988</u></b>
Net assets beginning of year	<u>843,020</u>	<u>808,729</u>	<u>1,651,749</u>
Net assets end of year	<u><u>\$ 941,280</u></u>	<u><u>\$ 897,457</u></u>	<u><u>\$ 1,838,737</u></u>

See Accompanying Notes to Financial Statements

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUES</b>			
Public Support			
Chapter income	\$ 197,951	\$ 31,038	\$ 228,989
Event expenses	(42,601)	-	(42,601)
Chapter income	155,350	31,038	186,388
Contributions	1,003,679	110,714	1,114,393
United Way, CFC	10,266	-	10,266
Net assets released from restriction	10,599	(10,599)	-
Total public support	<u>1,179,894</u>	<u>131,153</u>	<u>1,311,047</u>
<b>EXPENSES</b>			
Program	910,262	-	910,262
Management and general	74,348	-	74,348
Fundraising	121,080	-	121,080
<b>Total expenses</b>	<u><b>1,105,690</b></u>	<u><b>-</b></u>	<u><b>1,105,690</b></u>
<b>Change in net assets before other income (expense)</b>	<b>74,204</b>	<b>131,153</b>	<b>205,357</b>
Other income (expense)			
Investment income	40,102	-	40,102
Change in value of perpetual trust	-	(12,039)	(12,039)
	<u>40,102</u>	<u>(12,039)</u>	<u>28,063</u>
<b>Change in net assets</b>	<b>114,306</b>	<b>119,114</b>	<b>233,420</b>
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**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2021 and 2020**

	2021	2020
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 186,988	\$ 233,420
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	26,417	31,975
Change in beneficial interest in split-interest trust	(67,925)	12,039
Forgiveness of the PPP Loan	(91,250)	-
Realized and unrealized gain on investments	(216,999)	(24,653)
Change in assets and liabilities		
Other assets	(621)	361
Accounts payable	5,895	(25,493)
Accrued expenses	(22)	(2,087)
<b>Net cash provided (used) by operating activities</b>	<b>(157,517)</b>	<b>225,562</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(14,573)	(104,490)
Proceeds - investment sale	1,011	-
<b>Net cash used by investing activities</b>	<b>(13,562)</b>	<b>(104,490)</b>
<b>Cash flows from financing activities</b>		
Proceeds from Paycheck Protection Program	76,450	91,250
Repayment of long-term debt	-	(3,219)
<b>Net cash provided by financing activities</b>	<b>76,450</b>	<b>88,031</b>
<b>Net change in cash and cash equivalents</b>	<b>(94,629)</b>	<b>209,103</b>
Cash and cash equivalent		
Beginning of year	466,106	257,003
End of year	<b>\$ 371,477</b>	<b>\$ 466,106</b>
Supplemental schedule of non-cash financing activity		
Interest paid	<b>\$ -</b>	<b>\$ 49</b>

See Accompanying Notes to Financial Statements

**SUNSHINE FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
<b>Personnel</b>				
Salaries	\$ 270,307	\$ 32,410	\$ 67,868	\$ 370,585
Payroll taxes and employee benefits	63,289	10,057	13,277	86,623
Total personnel	<u>333,596</u>	<u>42,467</u>	<u>81,145</u>	<u>457,208</u>
<b>Operations</b>				
Direct program and travel	135,181	218	109	135,508
Outreach - advertising	303	21	239	563
Insurance - business	19,731	2,711	353	22,795
Outside services	22,409	5,870	6,334	34,613
Postage	5,001	1,066	533	6,600
Printing	630	60	451	1,141
Professional fees	13,450	3,843	1,922	19,215
Rent	14,070	4,020	2,010	20,100
Repairs and occupancy	25,362	-	-	25,362
Supplies/office	4,561	731	3,864	9,156
Telephone	7,245	1,346	673	9,264
Utilities	17,770	490	245	18,505
Travel and meetings	422	85	131	638
Miscellaneous	5,576	1,532	6,869	13,977
Depreciation	26,322	63	32	26,417
Total operating	<u>298,033</u>	<u>22,056</u>	<u>23,765</u>	<u>343,854</u>
<b>Total expenses</b>	<b><u>\$ 631,629</u></b>	<b><u>\$ 64,523</u></b>	<b><u>\$ 104,910</u></b>	<b><u>\$ 801,062</u></b>



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

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
<b>Personnel</b>				
Salaries	\$ 273,397	\$ 33,949	\$ 65,651	\$ 372,997
Payroll taxes and employee benefits	70,743	11,026	17,316	99,085
Total personnel	<u>344,140</u>	<u>44,975</u>	<u>82,967</u>	<u>472,082</u>
<b>Operations</b>				
Direct program and travel	331,500	1,276	1,373	334,149
Outreach - advertising	178	137	282	597
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 and occupancy	41,895	251	125	42,271
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 meetings	6,253	1,120	2,197	9,570
Miscellaneous	11,008	2,908	8,081	21,997
Depreciation	30,599	917	459	31,975
Total operating	<u>566,122</u>	<u>29,373</u>	<u>38,113</u>	<u>633,608</u>
<b>Total expenses</b>	<b><u>\$ 910,262</u></b>	<b><u>\$ 74,348</u></b>	<b><u>\$ 121,080</u></b>	<b><u>\$ 1,105,690</u></b>

**SUNSHINE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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 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, 2021, 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.

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.

**SUNSHINE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

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

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 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.

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.

**SUNSHINE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

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

Revenue Recognition (continued)

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.

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.

**SUNSHINE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

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

Reclassification

Certain items in the accompanying 2020 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 September 21, 2021.

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, 2021, there were not concentrations noted. During the year ending June 30, 2020, the Organization had one contributor whose contribution was 24% of the total support and revenue for the year.

NOTE C: PROPERTY & EQUIPMENT

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

	2021	2020
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	(1,986,834)	(1,960,417)
	\$ 212,334	\$ 238,751

Depreciation expense was \$26,417 and \$31,975 for the years ended June 30, 2021 and 2020, respectively.

**SUNSHINE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

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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	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> <li>▪ Quoted prices for similar assets in active markets;</li> <li>▪ Quoted prices for identical or similar assets in inactive markets;</li> <li>▪ Inputs other than quoted prices that are observable for the asset;</li> <li>▪ Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> <p>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, 2021 or 2020.

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.

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, 2021			Total
	Level 1	Level 2	Level 3	
Money market	\$ 3,548	\$ -	\$ -	\$ 3,548
Equities	763,033	-	-	763,033
Fixed income	187,486	-	-	187,486
Total investments	<u>\$ 954,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 954,067</u>
Beneficial interest in perpetual trust	-	-	394,917	394,917
	<u>\$ 954,067</u>	<u>\$ -</u>	<u>\$ 394,917</u>	<u>\$ 1,348,984</u>

**SUNSHINE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE D: FAIR VALUE MEASUREMENT (Continued)

	June 30, 2020			Total
	Level 1	Level 2	Level 3	
Money market	\$ 7,414	\$ -	\$ -	\$ 7,414
Equity	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>

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

Perpetual Trusts	2021	2020
Beginning Balance	\$ 326,992	\$ 339,031
Income distributed	(10,000)	(16,487)
Net investment return	77,925	4,448
Ending Balance	<u>\$ 394,917</u>	<u>\$ 326,992</u>

NOTE E: LONG-TERM DEBT

	2021	2020
Notes payable, fixed interest rate of 1%, due in February 2026 (eligible for forgiveness through the Small Business Administration - forgiveness application anticipated to be completed and accepted by June 30, 2022).	\$ 76,450	\$ -
Notes payable, fixed interest rate of 1%, due in May 2022 (forgiveness received in fiscal year 2021).	-	91,250
	76,450	91,250
Less: current portion	(76,450)	(91,250)
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, 2021 and 2020, the designated funds are \$158,858 and \$124,432 respectively.

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, 2021 and 2020 there were no expenditures.

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NOTE F: BOARD DESIGNATED NET ASSETS (Continued)

The following table summarizes the changes in the quasi-endowment net assets for the years ended June 30, 2021 and 2020:

	2021	2020
Beginning balance	\$ 124,432	\$ 113,289
Dividends and interest	2,630	2,393
Net investment return	31,796	8,750
	\$ 158,858	\$ 124,432

NOTE G: NET ASSETS WITH DONOR RESTRICTION

At June 30, 2021 and 2020, net assets with donor restrictions are available as follows:

	2021	2020
Purpose - Dreamlifts	\$ 376,426	\$ 371,023
Purpose - Dreams	126,114	110,714
Perpetual Trust - permanent	394,917	326,992
Total	\$ 897,457	\$ 808,729

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:

	2021	2020
Gross receipts	\$ 133,343	\$ 197,951
Expenses	10,377	42,601
	\$ 122,966	\$ 155,350

NOTE I: OPERATING LEASE

The Foundation leases office space in Southampton, Pennsylvania on a month to month basis for approximately \$1,675 per month. The Pennsylvania office is used as the national office. Total rental expense for the years ended June 30, 2021 and 2020 was \$20,100.

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, 2021 and 2020, the Foundation made no contributions to the tax sheltered annuity for employees.

NOTE K: ADDITIONAL INFORMATION

	2021	2020
Donated goods – tickets and airfare	\$ 6,993	\$ 132,731
Donated services – repairs, maintenance and admin fee	\$ 193	\$ 3,100
Advertising	\$ 563	\$ 597

For the year ending June 30, 2021 and 2020, IT expenses were paid to a related party for \$8,335 and \$8,629, respectively. The owner of the IT company is a relative of one of the Foundation's employees.



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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:

	<u>2021</u>	<u>2020</u>
Cash and Cash equivalents	\$ 371,477	\$ 466,106
Investments	<u>954,067</u>	<u>723,506</u>
	1,325,544	1,189,612
Less amounts that are internally designated or externally restricted		
Financial assets subject to donor restrictions for specified purpose	(502,540)	(481,737)
Investments held for quasi-endowment	<u>(158,858)</u>	<u>(124,432)</u>
	<u>\$ 664,146</u>	<u>\$ 583,443</u>