

SUNSHINE FOUNDATION

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 and 2021**

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

Opinion

We have audited the accompanying financial statements of the Sunshine Foundation,(a non-profit organization), which are comprised of the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sunshine Foundation as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sunshine Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued

Auditors' Responsibility

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sunshine Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sunshine Foundation's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Sunshine Foundation 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baum, Smith & Clemens, LLP

Harleysville, PA
October 11, 2022

SUNSHINE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 and 2021

	2022	Restated 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 215,466	\$ 371,477
Investments	830,720	954,067
Grant receivable	40,000	-
Other assets	17,479	9,838
Total current assets	1,103,665	1,335,382
Fixed assets, net	207,232	212,334
Beneficial interest in perpetual trust	320,260	394,917
Total assets	\$ 1,631,157	\$ 1,942,633
LIABILITIES		
Current liabilities		
Accounts payable	\$ 28,089	\$ 13,818
Accrued expenses	14,939	13,628
Current portion of notes payable	-	76,450
Total current liabilities	43,028	103,896
NET ASSETS		
Without donor restrictions		
Undesignated	566,363	777,422
Board designated	138,349	158,858
Total without donor restrictions	704,712	936,280
With donor restrictions		
Purpose restrictions	563,157	507,540
Perpetual in nature	320,260	394,917
Total with donor restrictions	883,417	902,457
Total net assets	1,588,129	1,838,737
Total liabilities and net assets	\$ 1,631,157	\$ 1,942,633

See Accompanying Notes to Financial Statements

**SUNSHINE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Public Support			
Contributions	\$ 428,509	\$ 147,589	\$ 627,479
Donated goods and services	51,381		51,381
United Way, CFC	16,293	-	16,293
Special Event			
Contributions	147,563	12,877	160,440
Revenue	36,285		
Less: Cost of direct benefit to donor	<u>(13,636)</u>	-	22,649
Net assets released from restriction	104,849	(104,849)	-
Total public support and revenues	<u>771,244</u>	<u>55,617</u>	<u>878,242</u>
EXPENSES			
Program	820,032	-	820,032
Management and general	65,726	-	65,726
Fundraising	121,577	-	121,577
Total expenses	<u>1,007,335</u>	-	<u>1,007,335</u>
Change in net assets before other income (expense)	<u>(236,091)</u>	<u>55,617</u>	<u>(129,093)</u>
Other income (expense)			
Investment loss	(123,308)	-	(123,308)
Change in value of perpetual trust	-	(74,657)	(74,657)
Forgiveness of PPP Loan	76,450	-	76,450
Total other income (expense)	<u>(46,858)</u>	<u>(74,657)</u>	<u>(121,515)</u>
Change in net assets	<u>(282,949)</u>	<u>(19,040)</u>	<u>(250,608)</u>
Net assets, beginning of year, as restated	<u>936,280</u>	<u>902,457</u>	<u>1,838,737</u>
Net assets, end of year	<u><u>\$ 653,331</u></u>	<u><u>\$ 883,417</u></u>	<u><u>\$ 1,588,129</u></u>

See Accompanying Notes to Financial Statements

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

	Restated		Total
	Without Donor Restrictions	With Donor Restrictions	
PUBLIC SUPPORT AND REVENUES			
Public Support			
Contributions	\$ 359,298	\$ 91,050	\$ 450,348
Donated goods and services	7,186		7,186
United Way, CFC	16,766	-	16,766
Special Event			
Contributions	103,553	-	103,553
Revenue	29,790		
Less: Cost of direct benefit to donor	<u>(10,377)</u>	-	19,413
Net assets released from restriction	70,247	(70,247)	-
Total public support and revenues	<u>576,463</u>	<u>20,803</u>	<u>597,266</u>
EXPENSES			
Program	631,629	-	631,629
Management and general	64,523	-	64,523
Fundraising	104,910	-	104,910
Total expenses	<u>801,062</u>	<u>-</u>	<u>801,062</u>
Change in net assets before other income	<u>(224,599)</u>	<u>20,803</u>	<u>(203,796)</u>
Other income			
Investment income	231,609	-	231,609
Change in value of perpetual trust	-	67,925	67,925
Forgiveness of PPP Loan	91,250	-	91,250
Total other income	<u>322,859</u>	<u>67,925</u>	<u>390,784</u>
Change in net assets	<u>98,260</u>	<u>88,728</u>	<u>186,988</u>
Net assets beginning of year	843,020	808,729	1,651,749
Prior period adjustment	<u>(5,000)</u>	<u>5,000</u>	<u>-</u>
Net assets end of year as restated	<u><u>\$ 936,280</u></u>	<u><u>\$ 902,457</u></u>	<u><u>\$ 1,838,737</u></u>

See Accompanying Notes to Financial Statements

SUNSHINE FOUNDATION
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (250,608)	\$ 186,988
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	24,157	26,417
In-kind donation of fixed asset	(10,800)	-
Change in beneficial interest in split-interest trust	74,657	(67,925)
Forgiveness of the PPP Loan	(76,450)	(91,250)
Realized and unrealized (gain) loss on investments	138,039	(216,999)
Change in assets and liabilities		
Contracts/grants receivable	(40,000)	-
Other assets	(7,641)	(621)
Accounts payable	14,271	5,895
Accrued expenses	1,311	(22)
Net cash used by operating activities	(133,064)	(157,517)
Cash flows from investing activities		
Purchase of investments - reinvestments	(14,692)	(14,573)
Purchase of fixed assets	(8,255)	-
Proceeds - investment sale	-	1,011
Net cash used by investing activities	(22,947)	(13,562)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program	-	76,450
Net cash provided by financing activities	-	76,450
Net change in cash and cash equivalents	(156,011)	(94,629)
Cash and cash equivalent		
Beginning of year	371,477	466,106
End of year	\$ 215,466	\$ 371,477

See Accompanying Notes to Financial Statements

SUNSHINE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Sub-Total	Special Event Direct Benefit to Donors	Total
Personnel						
Salaries	\$ 282,936	\$ 33,863	\$ 70,107	\$ 386,906	\$ -	\$ 386,906
Payroll taxes and employee benefits	58,259	9,642	10,031	77,932	-	77,932
Total personnel	<u>341,195</u>	<u>43,505</u>	<u>80,138</u>	<u>464,838</u>	<u>-</u>	<u>464,838</u>
Operations						
Direct program and travel	290,893	517	258	291,668	-	291,668
Cost of direct benefit to donors	-	-	-	-	13,636	13,636
Indirect special event cost	-	-	14,571	14,571	-	14,571
Insurance - business	21,129	2,215	407	23,751	-	23,751
Outside services	22,437	5,287	3,331	31,055	-	31,055
Postage	4,963	834	1,496	7,293	-	7,293
Printing	4,267	374	3,590	8,231	-	8,231
Professional fees	10,867	3,105	1,553	15,525	-	15,525
Rent	14,070	4,020	2,010	20,100	-	20,100
Repairs and occupancy	31,242	272	136	31,650	-	31,650
Supplies/office	17,295	780	2,530	20,605	-	20,605
Telephone	6,939	1,142	571	8,652	-	8,652
Utilities	16,971	536	268	17,775	-	17,775
Travel and meetings	2,491	535	403	3,429	-	3,429
Miscellaneous	11,290	2,488	10,257	24,035	-	24,035
Depreciation	23,983	116	58	24,157	-	24,157
Total operating	<u>478,837</u>	<u>22,221</u>	<u>41,439</u>	<u>542,497</u>	<u>13,636</u>	<u>556,133</u>
Total expenses	<u>\$ 820,032</u>	<u>\$ 65,726</u>	<u>\$ 121,577</u>	<u>\$ 1,007,335</u>	<u>\$ 13,636</u>	<u>\$ 1,020,971</u>

See Accompanying Notes to Financial Statements

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

	Program Services	Management and General	Fundraising	Total
Personnel				
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>
Operations				
Direct program and travel	135,181	218	109	135,508
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	23,146	-	-	23,146
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	8,095	1,553	7,108	16,756
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>
Total expenses	<u>\$ 631,629</u>	<u>\$ 64,523</u>	<u>\$ 104,910</u>	<u>\$ 801,062</u>

SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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 chapters' 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 \$5,000 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, 2022 AND 2021

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, 2022 AND 2021**

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 adopted in the current year the new standard for contributed nonfinancial assets. The standard changes the presentation and disclosure requirements of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets, use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The standard requires that contributed nonfinancial assets be presented as a separate line item in the statement of activities and additional disclosures will be presented, including disaggregation of amounts, qualitative information, and valuation techniques and inputs be disclosed that were used to arrive at the fair value of the contributed nonfinancial assets.

The Foundation records the estimated fair value of the donated nonfinancial assets.

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. In the current year, the Foundation has also recorded donated parking passes, transportation, and a new roof.

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, to 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.

SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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

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 2021 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 October 11, 2022.

NOTE B: CONCENTRATIONS

Credit Risk

The Foundation maintains cash in bank deposit accounts which, at times, exceed the Federal Deposit Insurance Corporation (FDIC) 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 (SIPC). Cash balances held in these accounts may at times exceed the SIPC insured limits, but the Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Receivables

Concentrations in receivables are those who account for 10% or more of the balance in grants receivable. For the year ended June 30, 2022, the Organization had one contributor whose contribution was 100% of the total grants receivable balance. There were no concentrations for the year ended June 30, 2021.

NOTE C: COMMITMENTS AND CONTINGENCIES

The Organization has a contract for a Parent Portal in the amount of approximately \$21,000. At June 30, 2022, the Organization has an outstanding balance due of approximately \$14,000.

NOTE D: PROPERTY & EQUIPMENT

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

	2022	2021
Land	\$ 125,006	\$ 125,006
Buildings and improvements	1,980,393	1,969,593
Furniture and equipment	112,824	104,569
	\$ 2,218,223	\$ 2,199,168
Accumulated depreciation	(2,010,991)	(1,986,834)
Fixed assets, net	\$ 207,232	\$ 212,334

Depreciation expense was \$24,157 and \$26,417 for the years ended June 30, 2022 and 2021, respectively.

SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE E: 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"> ▪ 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>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, 2022 or 2021.

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, 2022			Total
	Level 1	Level 2	Level 3	
Money market	\$ 3,554	\$ -	\$ -	\$ 3,554
Equities	658,583	-	-	658,583
Fixed income	168,583	-	-	168,583
Total investments	<u>830,720</u>	<u>-</u>	<u>-</u>	<u>830,720</u>
Beneficial interest in perpetual trust	-	-	320,261	320,261
Total	<u>\$ 830,720</u>	<u>\$ -</u>	<u>\$ 320,261</u>	<u>\$ 1,150,981</u>

SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE E: FAIR VALUE MEASUREMENT (Continued)

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market	\$ 3,548	\$ -	\$ -	\$ 3,548
Equity	763,033	-	-	763,033
Fixed income	187,486	-	-	187,486
Total investments	954,067	-	-	954,067
Beneficial interest in perpetual trust	-	-	\$ 394,917	394,917
Total	\$ 954,067	\$ -	\$ 394,917	\$ 1,348,984

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

Perpetual Trusts	2022	2021
Beginning balance	\$394,917	\$ 326,992
Income distributed	(14,000)	(10,000)
Net investment return (loss)	(60,657)	77,925
Ending balance	\$ 320,260	\$ 394,917

NOTE F: LONG-TERM DEBT

	2022	2021
Notes payable, fixed interest rate of 1%, due in February 2026 (eligible for forgiveness through the Small Business Administration - forgiveness received in November 2021).	\$ -	\$ 76,450
Total notes payable	-	76,450
Less: current portion	-	(76,450)
Long-term debt	\$ -	\$ -

NOTE G: 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, 2022 and 2021, the designated funds are \$138,349 and \$158,858 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

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE G: BOARD DESIGNATED NET ASSETS (Continued)

The overall investment objective of Sunshine Foundation is to maximize the return on investments while minimizing risk and expenses. The Sunshine Foundation shall attempt to provide long-term growth and capital appreciation balanced with acceptable levels of risk in accordance with these guidelines:

- All transactions shall be for the sole benefit of Sunshine Foundation.
- The investment accounts are allocated to a well-diversified asset mix of both publicly-traded domestic equity and fixed income securities.
- The target asset allocation mix is set at 70% equities/20% fixed income/10% cash or short-term equivalent instruments, with +/- bands around those strategic targets to allow for the dynamic nature of market conditions and create some tactical flexibility to take advantage of investment opportunities as they arise.
- Sunshine Foundation does not invest in illiquid, private market securities.
- The investment accounts include a combination of low cost, active and passively managed mutual funds and exchange-traded funds that, when combined, are designed to closely track the returns of the major market indexes over time. Actual returns in any given year may vary. Fund selection and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk over the course of a market cycle. That is, tracking error and turnover tend to be low given the overall positioning of the portfolio and long-term time horizon.

The investment accounts do not include any donor-restricted funds that might further constrain this investment policy.

Earnings from the quasi-endowment fund are available for capital and operating purposes. For the years ended June 30, 2022 and 2021 there were no expenditures.

The following table summarizes the changes in the quasi-endowment net assets for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 158,858	\$ 124,432
Dividends and interest	2,397	2,630
Net investment return (loss)	(22,906)	31,796
Board designated net assets	\$ 138,349	\$ 158,858

NOTE H: NET ASSETS WITH DONOR RESTRICTION

At June 30, 2022 and 2021, net assets with donor restrictions are available as follows:

	<u>2022</u>	<u>Restated 2021</u>
Purpose - Dreamlifts	\$ 376,426	\$ 376,426
Purpose - Dreams	140,539	131,114
Purpose – Dream Village	20,438	-
Time – Gala	12,877	-
Perpetual Trust - permanent	320,260	394,917
Net assets with donor restriction	\$ 870,540	\$ 902,457

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE I: FUNDRAISING 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:

	2022	2021
Fundraising income	\$ 196,725	\$ 133,343
Expenses	28,207	10,377
Fundraising income, net	\$ 168,518	\$ 122,966

NOTE J: 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, 2022 and 2021 was \$20,100.

NOTE K: 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, 2022 and 2021, the Foundation made no contributions to the tax sheltered annuity for employees.

NOTE L: ADDITIONAL INFORMATION

	2022	2021
Donated goods – tickets, parking, materials, new roof	\$ 44,956	\$ 6,993
Donated services - programs	\$ 6,425	\$ 193
Advertising	\$ 627	\$ 563

For the year ending June 30, 2022 and 2021, IT expenses were paid to a related party for \$4,622 and \$8,335, respectively. \$942 was also payable to the related party at June 30, 2022. The owner of the IT company is a relative of one of the Foundation's employees.

NOTE M: 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.

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE M: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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

	<u>2022</u>	<u>2021</u>
Cash and Cash equivalents	\$ 215,466	\$ 371,477
Investments	830,720	954,067
Grants receivable	<u>40,000</u>	<u>-</u>
	1,086,186	1,325,544
Less amounts that are internally designated or externally restricted		
Financial assets subject to donor restrictions for specified purpose	(550,280)	(507,540)
Investments held for quasi-endowment	<u>(138,349)</u>	<u>(158,858)</u>
	<u>\$ 397,557</u>	<u>\$ 659,146</u>

NOTE N: PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of fiscal year June 30, 2022 have been adjusted to correct an error in the classification of net assets with donor restrictions made in the prior year. Had the error not been made, the balance of net assets with donor restrictions for fiscal year June 30, 2021 would have been increased by \$5,000 and net assets without donor restrictions would have been decreased by \$5,000.