

SUNSHINE FOUNDATION

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 and 2022**

SUNSHINE FOUNDATION

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Statements of Functional Expenses	7 - 8
Notes to Financial Statements	9 - 17



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, 2023, 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 June 30, 2023, 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's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2022. See Note N regarding a prior period adjustment to record the receivable resulting from the Foundation being the beneficiary of a charitable remainder trust. In our opinion, the restated summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects after the restatement, with the audited financial statements from which it has been derived.

Baum, Smith & Clemens, LLP

Harleysville, PA
October 10, 2023

SUNSHINE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 and 2022

	2023	Restated 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 493,415	\$ 215,466
Investments	956,248	830,720
Grant receivable	220,000	176,300
Other assets	22,462	17,479
Total current assets	1,692,125	1,239,965
Fixed assets, net	233,421	207,232
Grant receivable, non-current portion	516,215	-
Beneficial interest in perpetual trust	334,526	320,260
Total assets	\$ 2,776,287	\$ 1,767,457
LIABILITIES		
Current liabilities		
Accounts payable	\$ 35,766	\$ 28,089
Accrued expenses	15,167	14,939
Total current liabilities	50,933	43,028
NET ASSETS		
Without donor restrictions		
Undesignated	964,842	566,363
Board designated	158,891	138,349
Total without donor restrictions	1,123,733	704,712
With donor restrictions		
Purpose restrictions	523,850	550,280
Time restrictions	743,245	149,177
Perpetual in nature	334,526	320,260
Total with donor restrictions	1,601,621	1,019,717
Total net assets	2,725,354	1,724,429
Total liabilities and net assets	\$ 2,776,287	\$ 1,767,457

See Accompanying Notes to Financial Statements

**SUNSHINE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Public Support			
Contributions	\$ 824,913	\$ 879,346	\$ 1,704,259
Donated goods and services	71,576	-	71,576
United Way, CFC	22,307	-	22,307
Special Event			
Contributions	225,368	7,030	232,398
Revenue	95,876		
Less: Cost of direct benefit to donor	<u>(72,318)</u>	-	23,558
Net assets released from restriction	318,737	<u>(318,737)</u>	-
Total public support and revenues	<u>1,486,459</u>	<u>567,639</u>	<u>2,054,098</u>
EXPENSES			
Program	987,266	-	987,266
Management and general	68,206	-	68,206
Fundraising	139,788	-	139,788
Total expenses	<u>1,195,260</u>	<u>-</u>	<u>1,195,260</u>
Change in net assets before other income (expense)	<u>291,199</u>	<u>567,639</u>	<u>858,838</u>
Other income			
Investment income	127,822	-	127,822
Change in value of perpetual trust	-	14,265	14,265
Total other income	<u>127,822</u>	<u>14,265</u>	<u>142,087</u>
Change in net assets	<u>419,021</u>	<u>581,904</u>	<u>1,000,925</u>
Net assets, beginning of year, as restated	704,712	1,019,717	1,724,429
Net assets, end of year	<u>\$ 1,123,733</u>	<u>\$ 1,601,621</u>	<u>\$ 2,725,354</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Restated Total</u>
PUBLIC SUPPORT AND REVENUES			
Public Support			
Contributions	\$ 479,890	\$ 283,889	763,779
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	22,649
Net assets released from restriction	104,849	(104,849)	-
Total public support and revenues	<u>822,625</u>	<u>191,917</u>	<u>1,014,542</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>-</u>	<u>1,007,335</u>
Change in net assets before other income (expense)	<u>(184,710)</u>	<u>191,917</u>	<u>7,207</u>
Other income (expense)			
Investment income (expense)	(123,308)	-	(123,308)
Change in value of perpetual trust	-	(74,657)	(74,657)
Forgiveness of PPP Loan	76,450	-	76,450
Total other expense	<u>(46,858)</u>	<u>(74,657)</u>	<u>(121,515)</u>
Change in net assets	<u>(231,568)</u>	<u>117,260</u>	<u>(114,308)</u>
Net assets beginning of year, as restated	936,280	902,457	1,838,737
Net assets end of year, as restated	<u><u>\$ 704,712</u></u>	<u><u>\$ 1,019,717</u></u>	<u><u>\$ 1,724,429</u></u>

See Accompanying Notes to Financial Statements

SUNSHINE FOUNDATION
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2023 and 2022

	2023	Restated 2022
Cash flows from operating activities		
Change in net assets	\$ 1,000,925	\$ (114,308)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	8,760	24,157
In-kind donation of fixed asset	(13,100)	(10,800)
Change in beneficial interest in split-interest trust	(14,266)	74,657
Forgiveness of the PPP Loan	-	(76,450)
Realized and unrealized (gain) loss on investments	(108,407)	138,039
Change in assets and liabilities		
Contracts/grants receivable	(559,915)	(176,300)
Other assets	(4,983)	(7,641)
Accounts payable	7,677	14,271
Accrued expenses	228	1,311
Net cash provided (used) by operating activities	316,919	(133,064)
Cash flows from investing activities		
Purchase of investments - reinvestments	(17,121)	(14,692)
Purchase of fixed assets	(21,849)	(8,255)
Net cash used by investing activities	(38,970)	(22,947)
Net change in cash and cash equivalents	277,949	(156,011)
Cash and cash equivalent		
Beginning of year	215,466	371,477
End of year	\$ 493,415	\$ 215,466
Supplemental schedule of non-cash activity		
Donated property	\$ 13,100	\$ 10,800

See Accompanying Notes to Financial Statements

SUNSHINE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Sub-Total	Special Event Direct Benefit to Donors	Total
Personnel						
Salaries	299,954	\$ 35,775	\$ 73,227	\$ 408,956	\$ -	\$ 408,956
Payroll taxes and employee benefits	48,290	6,926	9,180	64,396	-	64,396
Total personnel	348,244	42,701	82,407	473,352	-	473,352
Operations						
Direct program and travel	435,530	1,588	934	438,052	-	438,052
Cost of direct benefit to donors	-	-	-	-	72,318	72,318
Indirect special event cost	-	-	24,931	24,931	-	24,931
Insurance - business	22,088	2,865	426	25,379	-	25,379
Outside services	29,166	5,469	6,639	41,274	-	41,274
Postage	4,507	736	2,294	7,537	-	7,537
Printing	6,783	207	5,423	12,413	-	12,413
Professional fees	14,528	4,151	2,076	20,755	-	20,755
Rent	14,070	4,020	2,010	20,100	-	20,100
Repairs and occupancy	44,610	122	61	44,793	-	44,793
Supplies/office	10,416	910	2,726	14,052	-	14,052
Telephone	6,973	1,297	648	8,918	-	8,918
Utilities	24,028	673	336	25,037	-	25,037
Travel and meetings	3,443	731	509	4,683	-	4,683
Miscellaneous	14,459	2,510	8,255	25,224	-	25,224
Depreciation	8,421	226	113	8,760	-	8,760
Total operating	639,022	25,505	57,381	721,908	72,318	794,226
Total expenses	\$ 987,266	\$ 68,206	\$ 139,788	\$ 1,195,260	\$ 72,318	\$ 1,267,578

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	341,195	43,505	80,138	464,838	-	464,838
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	478,837	22,221	41,439	542,497	13,636	556,133
Total expenses	\$ 820,032	\$ 65,726	\$ 121,577	\$ 1,007,335	\$ 13,636	\$ 1,020,971

See Accompanying Notes to Financial Statements

SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

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 slate 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 Financial Accounting Standards board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted ASU 2016-02, *Leases* (Topic 842) effective July 1, 2022. The Foundation determines if an arrangement is a lease at inception. The Foundation has no financing leases.

The Foundation is the lessee of an office space. In evaluating contracts to determine if they qualify as a lease, the Foundation considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Foundation elected the practical expedient to not recognize ROU assets and liabilities for operating leases with terms shorter than 12 months. The office lease will be expensed as paid, and no operating lease liability will be recorded.

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.

SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

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

Investments (Continued)

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.

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.

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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

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 fair value of the donated nonfinancial assets.

The Foundation has recorded donated admission to attractions for families and other materials. In the current year, the Foundation has also recorded sealcoating at the Dream Village as well as 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, 2023 AND 2022

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 2022 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 10, 2023.

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.

Concentrations in receivables and contributors are those who account for 10% or more of the balances or activity.

Two of the Foundation's contributors accounted for approximately 100% of the grant receivable balance at June 30, 2023. One of the Foundation's contributors accounted for approximately 77% of the grant receivable balance at June 30, 2022.

One of the Foundation's contributors accounted for approximately 40% of the total support and revenue for the year ended June 30, 2023. One of the Foundation's contributors accounted for approximately 14% of the total support and revenue for the year ended June 30, 2022.

NOTE C: COMMITMENTS AND CONTINGENCIES

The Foundation has a contract for a Parent Portal in the amount of approximately \$21,000. At June 30, 2023, the Foundation has an outstanding balance due of approximately \$11,000.

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE D: PROPERTY & EQUIPMENT

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

	2023	2022
Land	\$ 125,006	\$ 125,006
Buildings and improvements	2,015,393	1,980,393
Furniture and equipment	112,824	112,824
	\$ 2,253,223	\$ 2,218,223
Accumulated depreciation	(2,019,802)	(2,010,991)
Fixed assets, net	\$ 233,421	\$ 207,232

Depreciation expense was \$8,760 and \$24,157 for the years ended June 30, 2023 and 2022, respectively.

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	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-left: 20px;">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 minimize 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, 2023 or 2022.

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 Foundation are deemed to be actively traded.

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE E: 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, 2023			
	Level 1	Level 2	Level 3	Total
Money market	\$ 3,687	\$ -	\$ -	\$ 3,687
Equities	782,981	-	-	782,981
Fixed income	169,580	-	-	169,580
Total investments	956,248	-	-	956,248
Beneficial interest in perpetual trust	-	-	334,526	334,526
Total	\$ 956,248	\$ -	\$ 334,526	\$ 1,290,774

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market	\$ 3,554	\$ -	\$ -	\$ 3,554
Equity	658,583	-	-	658,583
Fixed income	168,583	-	-	168,583
Total investments	830,720	-	-	830,720
Beneficial interest in perpetual trust	-	-	\$ 320,260	320,260
Total	\$ 830,720	\$ -	\$ 320,260	\$ 1,150,980

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

Perpetual Trusts	2023	2022
Beginning balance	\$ 320,260	\$ 394,917
Income distributed	(13,250)	(14,000)
Net investment return (loss)	27,516	(60,657)
Ending balance	\$ 334,526	\$ 320,260

NOTE F: BENEFICIAL INTEREST IN TRUST

The Foundation is the sole beneficiary of a trust established as a result of the will of a donor. Fair value for bequest from perpetual trust assets from the beneficial interest in a perpetual trust is measured using the fair value of the assets held in the trust as reported by the trustee as of June 30, 2023. The estimated value for this trust is a Level 3 in the fair value hierarchy. The terms of the trust agreement and the current practice among other similar nonprofit entities for classifying beneficial interests in perpetual trusts support the Level 3 determination. The Foundation considers the measurement of its beneficial interest in the trust to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets reported by the trustee, the Foundation will never receive those assets or have the ability to direct the trustee to redeem them.

The Foundation received distributions during the years ended June 30, 2023 and 2022 of approximately \$13,250 and \$14,000, respectively. The perpetual trust is permanently restricted.

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, 2023 and 2022, the designated funds are \$158,891 and \$138,349 respectively.

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE G: 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

The overall investment objective of the Foundation is to maximize the return on investments while minimizing risk and expenses. The 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 no 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, 2023 and 2022 there were no expenditures.

The following table summarizes the changes in the quasi-endowment net assets for the years ended June 30, 2023 and 2022:

	2023	2022
Beginning balance	\$ 138,349	\$ 158,858
Dividends and interest	2,904	2,397
Net investment return (loss)	17,638	(22,906)
Board designated net assets	\$ 158,891	\$ 138,349

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE H: NET ASSETS WITH DONOR RESTRICTION

At June 30, 2023 and 2022, net assets with donor restrictions are available as follows:

	2023	2022
Purpose - Dreamlifts	\$ 376,426	\$ 376,426
Purpose - Dreams	125,424	140,539
Purpose – Dream Village	22,000	20,438
Time and purpose – Gala	7,030	25,754
Time – Other	736,215	136,300
Perpetual Trust - permanent	334,526	320,260
Net assets with donor restriction	\$ 1,601,621	\$ 1,019,717

For the year ended June 30, 2023 and 2022, net assets released from restrictions are as follows:

	2023	2022
Purpose - Dreams	149,122	103,287
Purpose – Dream Village	20,438	1,562
Time – Gala	12,877	-
Time - Other	136,300	-
Net assets with donor restriction	\$ 318,737	\$ 104,849

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:

	2023	2022
Fundraising income	\$ 328,274	\$ 196,725
Expenses	97,249	28,207
Fundraising income, net	\$ 231,025	\$ 168,518

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, 2023 and 2022 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, 2023 and 2022, the Foundation made no contributions to the tax sheltered annuity for employees.

NOTE L: ADDITIONAL INFORMATION

	2023	2022
Donated goods – tickets, parking, materials, new roof	\$ 71,576	\$ 44,956
Donated services - programs	\$ -	\$ 6,425
Advertising	\$ 1,165	\$ 627

For the year ending June 30, 2023 and 2022, IT expenses were paid to a related party for \$8,058 and \$4,622, respectively. Related party payables at June 30, 2023 and 2022 were \$0 and \$942, respectively. The owner of the IT company is a relative of one of the Foundation's employees.

**SUNSHINE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, comprise the following:

	2023	2022
Cash and Cash equivalents	\$ 493,415	\$ 215,466
Investments	956,248	830,720
Grants receivable	736,215	176,300
	2,185,878	\$ 1,222,486
Less amounts that are internally designated or externally restricted		
Financial assets subject to donor restrictions for specified purpose or time	(1,267,095)	(699,457)
Investments held for quasi-endowment	(158,891)	(138,349)
	\$ 759,892	\$ 384,680

NOTE N: PRIOR PERIOD ADJUSTMENT

The Foundation was named as the beneficiary of a lifetime trust established in 2014. The Foundation is a 6.25% remainderman of the trusts' principal. The Foundation received notice during the current fiscal year of the final distribution for the Foundation's 6.25% remainderman of the trusts' principal. A prior period adjustment was recorded to recognize a receivable as of June 30, 2022 and a corresponding contribution. If this adjustment had not been made, prior period net assets would be understated by approximately \$136,000.