Project Sunshine, Inc.

Financial Report
December 31, 2015

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Independent Auditor's Report

To the Board of Directors
Project Sunshine, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Project Sunshine, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Sunshine, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

New York, New York
July 15, 2016

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Project Sunshine, Inc.

Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and Cash Equivalents	**$ 1,795,319**	$ 1,695,242
Contributions Receivable	**558,825**	190,075
Prepaid Expenses and Other Assets	**167,987**	128,502
Investment in Certificate of Deposit	**200,625**	200,324
Property and Equipment, Net	**212,347**	167,896
Total assets	**$ 2,935,103**	$ 2,382,039
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 83,795**	$ 76,081
Deferred rent obligation	**37,905**	11,517
Total liabilities	**121,700**	87,598
Commitments		
Net Assets		
Unrestricted	**1,515,851**	1,172,780
Temporarily restricted	**1,297,552**	1,121,661
Total net assets	**2,813,403**	2,294,441
Total liabilities and net assets	**$ 2,935,103**	$ 2,382,039

See Notes to Financial Statements.

Project Sunshine, Inc.

Statements of Activities
Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support, Revenue, Gains and Losses						
Grants and contributions	$ 915,100	$ 1,273,605	$ 2,188,705	$ 778,508	$ 1,121,661	$ 1,900,169
Contributed services and materials	582,264	-	582,264	358,262	-	358,262
Special event revenue (net of direct expenses of $404,438 for 2015 and $384,159 for 2014 and donated goods and services of $5,850 for 2015 and $5,513 for 2014)	966,095	-	966,095	981,866	-	981,866
Interest and dividend income	1,622	-	1,622	1,680	-	1,680
Net assets released from restrictions - satisfaction of restrictions	1,097,714	(1,097,714)	-	562,242	(562,242)	-
Total support, revenue, gains and losses	3,562,795	175,891	3,738,686	2,682,558	559,419	$ 3,241,977
Expenses						
Program services	2,726,736	-	2,726,736	2,273,807	-	2,273,807
Supporting services:						
Management and general	269,674	-	269,674	284,431	-	284,431
Fund-raising	223,314	-	223,314	176,217	-	176,217
Total expenses	3,219,724	-	3,219,724	2,734,455	-	2,734,455
Change in net assets before loss on disposal of fixed assets	343,071	175,891	518,962	(51,897)	559,419	507,522
Loss on Disposal of Fixed Assets	-	-	-	(17,442)	-	(17,442)
Change in net assets	343,071	175,891	518,962	(69,339)	559,419	490,080
Net Assets						
Beginning	1,172,780	1,121,661	2,294,441	1,242,119	562,242	1,804,361
Ending	$ 1,515,851	$ 1,297,552	$ 2,813,403	$ 1,172,780	$ 1,121,661	$ 2,294,441

See Notes to Financial Statements.

Project Sunshine, Inc.

Statements of Functional Expenses
Years Ended December 31, 2015 and 2014

	2015				2014			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fund-raising	Total Expenses	Program Services	Management and General	Fund-raising	Total Expenses
Employee Compensation								
Salaries	$ 855,134	$ 107,869	$ 127,034	$ 1,090,037	$ 699,058	$ 93,270	$ 98,394	$ 890,722
Employee benefits	95,533	9,093	9,047	113,673	76,001	8,198	6,165	90,364
Payroll taxes	76,429	5,694	8,052	90,175	64,147	5,239	5,596	74,982
Total employee compensation	1,027,096	122,656	144,133	1,293,885	839,206	106,707	110,155	1,056,068
Other Expenses								
Computer	17,416	810	10,214	28,440	17,222	678	6,235	24,135
Food	22,905	-	2,858	25,763	30,336	-	2,849	33,185
Insurance	20,389	1,519	2,148	24,056	22,255	1,797	1,920	25,972
Miscellaneous expenses	20,276	1,199	1,696	23,171	20,157	9,079	1,605	30,841
Occupancy	204,214	15,215	21,514	240,943	174,173	14,226	15,194	203,593
Office supplies and materials	31,813	2,092	8,137	42,042	37,677	2,619	4,917	45,213
Printing and postage	68,620	7,588	12,941	89,149	67,553	2,971	12,559	83,083
Materials and other support	1,032,216	-	-	1,032,216	760,228	-	-	760,228
Professional fees	74,205	109,781	9,632	193,618	85,894	119,773	10,767	216,434
Consulting fees	101,307	4,952	2,498	108,757	111,680	22,533	1,821	136,034
Telephone	11,003	814	1,152	12,969	17,453	1,387	2,533	21,373
Travel	72,586	1,357	4,001	77,944	68,304	891	3,772	72,967
Depreciation and amortization	22,690	1,691	2,390	26,771	21,669	1,770	1,890	25,329
Total other expenses	1,699,640	147,018	79,181	1,925,839	1,434,601	177,724	66,062	1,678,387
Total expenses	$ 2,726,736	$ 269,674	$ 223,314	$ 3,219,724	$ 2,273,807	$ 284,431	$ 176,217	$ 2,734,455

See Notes to Financial Statements.

Project Sunshine, Inc.

Statements of Cash Flows
Years Ended December 31, 2015 and 2014

		2015		2014
Cash Flows From Operating Activities				
Change in net assets	**$**	**518,962**	$	490,080
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization		**26,771**		25,329
Loss on disposal of fixed assets		**-**		17,442
Donated property and equipment		**-**		(27,012)
Amortization of deferred rent obligation		**26,388**		5,487
Changes in operating assets and liabilities:				
Increase in contributions receivable		**(368,750)**		(104,056)
Increase in prepaid expenses and other assets		**(39,485)**		(20,279)
Increase in accounts payable and accrued expenses		**7,714**		14,653
Net cash provided by operating activities		**171,600**		401,644
Cash Flows From Investing Activities				
Net proceeds from sales/maturity of investments in certificates of deposit		**400,798**		400,198
Purchases of investments in certificates of deposit		**(401,099)**		(400,498)
Purchase of property and equipment		**(71,222)**		(140,400)
Net cash used in investing activities		**(71,523)**		(140,700)
Net increase in cash and cash equivalents		**100,077**		260,944
Cash and Cash Equivalents				
Beginning		**1,695,242**		1,434,298
Ending	**$**	**1,795,319**	$	1,695,242

See Notes to Financial Statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Organization and principal business activity: Project Sunshine, Inc. (Project Sunshine) is a corporation organized under the state of New Jersey not-for-profit corporation law. It is an organization that provides numerous free programs and services to children and families who are affected by medical challenges. As of December 31, 2015, Project Sunshine coordinates the services of over 15,000 volunteers who deliver arts, educational and enrichment programming to, and assemble packages for, pediatric patients and their families in over 250 medical facilities in over 175 cities across the United States and in Kenya, Israel and China. Project Sunshine Canada, whose financial statements are not included in these financial statements, operates programs in Canada.

Basis of accounting and financial statement presentation: All financial activities of the chapters originate at the Project Sunshine level. Accordingly, the accompanying financial statements include the financial activities of the chapters. These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statement presentation follows the requirements of the Financial Accounting Standards Board (the FASB) Accounting Standards Codification (ASC) 958*, Financial Statements of Not-for-Profit Organizations.*

Net assets: Under ASC 958, Project Sunshine is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

Permanently restricted net assets contain donor-imposed restrictions that stipulate that the resources are to be maintained permanently, but permit the organization to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes. Project Sunshine does not have any permanently restricted net assets as of December 31, 2015 and 2014.

Temporarily restricted net assets contain donor-imposed restrictions that permit the organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by the action of the organization.

Unrestricted net assets represent resources over which the board of directors has discretionary control to use for operations, or which have been designated by Project Sunshine's board of directors to function as an endowment. Such amounts are not subject to donor-imposed restrictions.

Revenue recognition: Project Sunshine's revenue consists of grants, contributions, fund-raising and special event revenue. Grants, contributions and fund-raising revenue are recorded as temporarily restricted support and net assets if they are received with donor stipulations that limit the use of the contributed assets. When a donor or sponsor restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, when a donor or sponsor restriction is met in the same period, the temporarily restricted support is recorded as unrestricted support.

Project Sunshine records various types of contributed support, including services and materials in support of the various aspects of its programs and operations. Contributed support is recognized in accordance with ASC 958-605*, Contributions Received.* Accordingly, contributed services are recognized as revenue if those services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by people possessing those skills, and would typically be purchased by Project Sunshine if not provided by contribution.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Unpaid volunteers have made a contribution of approximately 73,000 hours during 2015 (69,000 hours during 2014) to assist in Project Sunshine's programs. The value of this contributed time is not reflected in these financial statements because such services do not meet the recognition requirements of GAAP.

Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets.

Contributions receivable: Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in one year or more are recorded at the present value of their estimated future cash flows, using risk adjusted interest rates at the time the promise is received. Amortization of the discount is offset against contributions revenue. An allowance for doubtful contributions received is provided by management based on Project Sunshine’s experience with the donors and their ability to pay.

Cash and cash equivalents: Cash and cash equivalents include primarily checking and money market accounts held in four financial institutions. One financial institution held approximately 75% and 70% of the total cash and cash equivalents at December 31, 2015 and 2014, respectively.

Project Sunshine maintains cash in deposit accounts which, at times, may exceed federally insured limits and which potentially subject Project Sunshine to a concentration of credit risk. Project Sunshine manages this risk by placing its monies in high-quality financial institutions. Project Sunshine has not experienced any losses in such accounts.

Investment in certificate of deposit: Investments in certificate of deposit purchased with an original maturity of greater than three months and are recorded at cost which approximates fair value.

Return on investments is reported as increases in unrestricted net assets unless the donor has explicitly stipulated that income earned is to be used for a specific purpose, in which case, investment income is reported as increases in temporarily restricted net assets.

Property and equipment: Property and equipment is recorded at cost. Project Sunshine capitalizes all purchases of property and equipment with a cost in excess of $500, and having an estimated life greater than one year. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. Leasehold improvements are amortized over the remaining life of the lease.

Functional classification of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on time spent by employees on the services. Project Sunshine receives contributed services and materials which are reflected in the accompanying statements of functional expenses. Contributed services received amounted to $70,369 and $97,549 (of which $10,011 was capitalized) for 2015 and 2014, respectively. Contributed materials amounted to $511,895 and $260,713 for 2015 and 2014, respectively. Total contributed services and material amounts of $582,564 and $358,262 were recorded in the statements of activities for 2015 and 2014, respectively.

Use of estimates: The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions by management that could affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Income taxes: Project Sunshine was incorporated in 1998 and is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC. Additionally, Project Sunshine as a nonprofit entity is subject to unrelated business income tax (UBIT), if applicable. For the tax years ended December 31, 2015 and 2014, Project Sunshine did not owe any UBIT.

Management evaluated Project Sunshine's tax positions for all open tax years and has concluded that Project Sunshine had taken no uncertain tax positions that require adjustment or disclosure to these financial statements. Generally, Project Sunshine is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2012, which is the standard statute of limitations look-back period.

Recently issued accounting pronouncement: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires that lessees to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. The ASU is effective for Project Sunshine for the year ending December 31, 2019. The adoption of this standard is expected to result in Project Sunshine recognizing right-of-use assets and lease liabilities for some leases currently accounted for as operating leases under the legacy lease accounting guidance. Management is evaluating the impact of this standard on Project Sunshine's financial statements.

Subsequent events: Project Sunshine evaluated events occurring after the date of the financial statements to consider whether or not the effect of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation was performed through July 15, 2016, the date that these financial statements were available to be issued.

Note 2. Property and Equipment, Net

Property and equipment, net, at December 31, 2015 and 2014, consists of the following:

	2015	2014
Website and database	$ 109,890	$ 47,250
Leasehold improvements	22,282	22,282
Office furniture and equipment	180,586	172,004
	312,758	241,536
Less: accumulated depreciation and amortization	(100,411)	(73,640)
Property and equipment, net	$ 212,347	$ 167,896

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes/programs at December 31, 2015 and 2014:

	2015	2014
Time restrictions	$ 50,000	$ -
Purpose restrictions		
International programs	290,000	265,000
Domestic programs	957,552	856,661
	$ 1,297,552	$ 1,121,661

Note 4. Commitments

Project Sunshine entered into a lease for a new facility, which was available for occupancy in August of 2014. This lease agreement expires on February 14, 2022 and is subject to rent escalations. Below is the future aggregate minimum commitment under the lease.

Year Ending December 31,	
2016	$ 208,526
2017	217,463
2018	231,137
2019	242,540
2020	249,816
Thereafter	290,070
Total minimum future payments required	$ 1,439,552

The deferred rent obligation of $37,905 and $11,517 is the difference between the cumulative amounts recorded for rent expense on a straight-line basis over the term of the lease, as compared to the cumulative required amounts paid under the lease as of December 31, 2015 and 2014, respectively.

Rent expense for the years ended December 31, 2015 and 2014 amounted to $237,737 and $198,710, respectively.

Note 5. Employee Benefits

Project Sunshine participates in a tax-deferred annuity retirement plan under Section 403(b) of the IRC for the benefit of eligible employees. During the years ended December 31, 2015 and 2014, Project Sunshine made a contribution of $25,500 and $23,500 respectively.