

Project Sunshine, Inc.

Financial Report
December 31, 2019

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Independent Auditor's Report

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, 2019 and 2018, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2019 and 2018, 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.



New York, New York
September 30, 2020

Project Sunshine, Inc.

**Statements of Financial Position
December 31, 2019 and 2018**

	2019	2018
Assets		
Cash and cash equivalents	\$ 3,171,090	\$ 2,848,237
Contributions receivable	287,852	296,446
Prepaid expenses and other assets	171,142	180,885
Property and equipment, net	162,735	220,713
Total assets	\$ 3,792,819	\$ 3,546,281
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 138,351	\$ 103,497
Deferred rent obligation	53,601	67,300
Total liabilities	191,952	170,797
Commitments		
Net assets:		
Without donor restrictions	2,932,345	2,381,923
With donor restrictions	668,522	993,561
Total net assets	3,600,867	3,375,484
Total liabilities and net assets	\$ 3,792,819	\$ 3,546,281

See notes to financial statements.

Project Sunshine, Inc.

**Statements of Activities
Years Ended December 31, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue, gains and losses:						
Grants and contributions	\$ 1,845,792	\$ 621,780	\$ 2,467,572	\$ 1,382,260	\$ 993,561	\$ 2,375,821
Contributed services and materials	77,078	-	77,078	217,922	-	217,922
Special event revenue (net of direct expenses of \$395,201 for 2019 and \$437,277 for 2018 and donated goods and services of \$0 for 2019 and \$7,250 for 2018)	1,285,074	-	1,285,074	1,050,197	-	1,050,197
Interest and dividend income	1,185	-	1,185	1,866	-	1,866
Net assets released from restrictions – satisfaction of restrictions	946,819	(946,819)	-	753,997	(753,997)	-
Total support, revenue, gains and losses	4,155,948	(325,039)	3,830,909	3,406,242	239,564	3,645,806
Expenses:						
Program services	2,874,063	-	2,874,063	2,574,466	-	2,574,466
Supporting services:						
Management and general	337,702	-	337,702	401,435	-	401,435
Fundraising	393,761	-	393,761	322,607	-	322,607
Total expenses	3,605,526	-	3,605,526	3,298,508	-	3,298,508
Change in net assets	550,422	(325,039)	225,383	107,734	239,564	347,298
Net assets:						
Beginning	2,381,923	993,561	3,375,484	2,274,189	753,997	3,028,186
Ending	\$ 2,932,345	\$ 668,522	\$ 3,600,867	\$ 2,381,923	\$ 993,561	\$ 3,375,484

Project Sunshine, Inc.

**Statements of Functional Expenses
Years Ended December 31, 2019 and 2018**

	2019				2018			
	Supporting Services			Total Expenses	Supporting Services			Total Expenses
	Program Services	Management and General	Fundraising		Program Services	Management and General	Fundraising	
Employee compensation:								
Salaries	\$ 1,133,974	\$ 102,950	\$ 111,156	\$ 1,348,080	\$ 827,328	\$ 100,650	\$ 151,382	\$ 1,079,360
Employee benefits	92,534	4,946	10,180	107,660	126,923	9,221	13,193	149,337
Payroll taxes	86,362	4,616	10,402	101,380	80,088	5,819	8,325	94,232
Total employee compensation	1,312,870	112,512	131,738	1,557,120	1,034,339	115,690	172,900	1,322,929
Other expenses:								
Computer	34,442	604	3,276	38,322	19,585	501	6,312	26,398
Food	14,115	1,196	269	15,580	7,663	1,716	4,290	13,669
Insurance	18,348	981	2,018	21,347	19,197	1,395	1,995	22,587
Miscellaneous expenses	24,672	826	16,612	42,110	32,495	1,621	19,287	53,403
Occupancy	236,898	12,580	25,893	275,371	225,717	16,098	23,031	264,846
Office supplies and materials	42,753	1,784	16,832	61,369	30,031	1,314	13,458	44,803
Printing and postage	117,262	5,946	29,129	152,337	81,850	4,492	27,805	114,147
Materials and other support	674,504	-	-	674,504	686,807	-	-	686,807
Professional fees	116,825	162,616	9,140	288,581	121,787	117,208	13,738	252,733
Consulting fees	135,923	33,281	149,628	318,832	214,483	135,396	30,312	380,191
Telephone	11,726	620	1,277	13,623	12,416	902	1,291	14,609
Travel	70,634	1,386	1,008	73,028	27,273	683	1,866	29,822
Depreciation and amortization	63,091	3,370	6,941	73,402	60,823	4,419	6,322	71,564
Total other expenses	1,561,193	225,190	262,023	2,048,406	1,540,127	285,745	149,707	1,975,579
Total expenses	\$ 2,874,063	\$ 337,702	\$ 393,761	\$ 3,605,526	\$ 2,574,466	\$ 401,435	\$ 322,607	\$ 3,298,508

See notes to financial statements.

Project Sunshine, Inc.

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 225,383	\$ 347,298
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	73,402	71,564
Amortization of deferred rent obligation	(13,699)	(2,297)
Changes in operating assets and liabilities:		
Decrease (increase) in contributions receivable	8,594	(203,385)
Decrease (increase) in prepaid expenses and other assets	9,743	(2,321)
Increase in accounts payable and accrued expenses	34,854	23,770
Net cash provided by operating activities	338,277	234,629
Cash flows from investing activities:		
Purchase of property and equipment	(15,424)	(21,987)
Net cash used in investing activities	(15,424)	(21,987)
Net increase in cash and cash equivalents	322,853	212,642
Cash and cash equivalents:		
Beginning	2,848,237	2,635,595
Ending	<u>\$ 3,171,090</u>	<u>\$ 2,848,237</u>

See notes to financial statements.

Project Sunshine, Inc.

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. The organization addresses the psychosocial and developmental needs of pediatric patients and their families through play-based models of engagement and recreation. Over 2019, Project Sunshine coordinated the services of nearly 18,000 Sending Sunshine volunteers who compiled craft kits that are sent to hospital partners across the country and engaged 2,400 trained volunteers who led programs that provide opportunities for creative expression, intellectual stimulation, socialization and sensory integration – ensuring childhood remains a place of wonder. Project Sunshine partners with over 375 medical facilities across the U.S. and in China, Israel and Kenya, serving more than 195,000 pediatric patients and families. 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 (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 two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions 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.

Net assets with donor restrictions contain donor-imposed restrictions that permit Project Sunshine to use or expend the assets as specified by the donor.

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 with donor restriction 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, 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. However, when a donor or sponsor restriction is met in the same period, the support is recorded as without donor restriction.

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. Contributed services received amounted to \$77,078 and \$79,029 for 2019 and 2018, respectively and are included in the accompanying statements of activities and statements of functional expenses.

Project Sunshine, Inc.

Notes to Financial Statements

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

Unpaid volunteers have made a contribution of approximately 64,000 hours during 2019 and 59,000 hours during 2018 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. Contributed materials amounted to \$0 and \$146,143 for 2019 and 2018, respectively and are included in the accompanying statements of activities and statements of functional expenses.

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. There were no allowance for doubtful contributions and no present value discounts as of December 31, 2019 and 2018.

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 76% and 88% of the total cash and cash equivalents at December 31, 2019 and 2018, 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.

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.

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.

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, 2019 and 2018, Project Sunshine did not owe any UBIT.

Project Sunshine, Inc.

Notes to Financial Statements

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

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 2016, which is the standard statute of limitations look-back period.

Recently issued accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires 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, 2020. 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. In June 2020, the FASB issued ASU 2020-05, which delayed the effective date of ASU 2016-02 by one year, making it effective for annual reporting periods beginning after December 15, 2021. Management is evaluating the impact of this standard on Project Sunshine's financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for recognizing revenue and supersedes most existing revenue recognition guidance, including guidance specific to the health care industry. Companies across all industries will use a new five-step model to recognize revenue from customer contracts. The new standard, which replaces nearly all existing GAAP revenue recognition guidance, will require significant management judgment in addition to changing the way many companies recognize revenue in their financial statements. In June 2020, the FASB issued ASU 2020-05, which delayed the effective date of ASU 2014-09 by one year, making it effective for annual reporting periods beginning after December 15, 2019. Management is evaluating the impact of this standard on Project Sunshine's financial statements.

Recently adopted accounting pronouncement: In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. As Project Sunshine is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2018. Management has adopted this standard for the year ending December 31, 2019 which did not have an impact on Project Sunshine's financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. Management has adopted this standard for the year ending December 31, 2019 which did not have an impact on Project Sunshine's financial statements.

Project Sunshine, Inc.

Notes to Financial Statements

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

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 September 30, 2020, the date that these financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which Project Sunshine operates. While it is still unknown how long these conditions will last and what the effect will be to Project Sunshine, to date Project Sunshine has been able to pivot their mode and change how they deliver their in-hospital programming and sustain themselves through fundraising. Project Sunshine has developed TelePlay, programming delivered over HIPAA-compliant Zoom and has introduced a campaign, the *Healing Power Of Play*. The full extent to which the pandemic will impact Project Sunshine will depend upon future developments which are highly uncertain and cannot be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to Project Sunshine.

In April 2020, Project Sunshine received approximately \$250,000 in funding from the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP) established by the Coronavirus Aid Relief and Economic Security Act (CARES Act). The loan, or a portion thereof, is eligible for forgiveness by the SBA if the qualifying entity meets certain conditions. Whether an entity qualifies for a PPP Loan, and whether it meets the necessary conditions for forgiveness requires careful consideration of the PPP requirements and the individual entity's facts and circumstances. As guidance requires funds are spent prior to forgiveness. Project Sunshine has not applied for forgiveness as of September 30, 2020. The loan will be accounted for in accordance with ASC Subtopic 958-605 as a conditional contribution, in-line with FASB guidance for treatment of PPP loans made to nonprofit entities where loan forgiveness is expected.

Note 2. Property and Equipment, Net

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

	2019	2018
Website and database	\$ 209,650	\$ 207,025
Leasehold improvements	29,782	29,782
Office furniture and equipment	207,062	199,618
	446,494	436,425
Less accumulated depreciation and amortization	(283,759)	(215,712)
Property and equipment, net	\$ 162,735	\$ 220,713

Project Sunshine, Inc.

Notes to Financial Statements

Note 3. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following periods or purposes/programs at December 31,

	2019	2018
Time restrictions	\$ 500,000	\$ 500,000
Purpose restrictions	168,522	493,561
	<u>\$ 668,522</u>	<u>\$ 993,561</u>

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.

Years ending December 31:	
2020	249,816
2021	257,310
2022	32,760
Total minimum future payments required	<u>\$ 539,886</u>

The deferred rent obligation of \$53,601 and \$67,300 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, 2019 and 2018, respectively.

Rent expense for the years ended December 31, 2019 and 2018, amounted to \$272,671 and \$262,021, respectively.

Note 5. Employee Benefits

Project Sunshine participates in a defined contribution retirement 401(k) plan (the Plan) for all employees meeting certain eligibility requirements. The amount contributed to the Plan is determined by resolution of the Board of Directors. There was no employer pension contribution for the years ended December 31, 2019 and 2018.

Project Sunshine, Inc.

Notes to Financial Statements

Note 6. Liquidity and Availability of Financial Assets

The following reflects Project Sunshine's financial assets available within one year of the balance sheet date for general expenditures over the next 12 months, reduced by amounts not available for general use because of contractual or donor-imposed restrictions in excess of one year of the balance sheet date, comprise the following as of December 31:

	2019	2018
Cash and cash equivalents	\$ 3,171,090	\$ 2,848,237
Contributions receivable	287,852	296,446
Total financial assets	3,458,942	3,144,683
Less those unavailable for general expenditures within one year:		
Donor-restricted assets	668,522	993,561
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,790,420</u>	<u>\$ 2,151,122</u>

The organization regularly monitors the cash balance to ensure sufficient liquidity exists to meet its operating needs as well as other commitments and obligations over the next 12 months.

Note 7. Functional Allocation of Expenses

Program services, management and general, and fundraising expenses have been recorded on the statements of functional expenses based on either a direct costing method for those expenses directly attributable to a particular program or supporting service function or on an allocation basis. Such allocations are determined by management and allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, occupancy, computer, office supplies and materials, etc., which are allocated based on estimates of time and effort.