

# **Project Sunshine, Inc.**

Financial Report  
December 31, 2021

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Project Sunshine, Inc.

### Opinion

We have audited the financial statements of Project Sunshine, Inc. (Project Sunshine), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Project Sunshine, Inc. as of December 31, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Project Sunshine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Project Sunshine's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

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 GAAS 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 GAAS, 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 Project Sunshine'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 Project Sunshine'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.

*RSM US LLP*

New York, New York  
December 22, 2022

**Project Sunshine, Inc.**

**Statements of Financial Position  
December 31, 2021 and 2020**

|                                         | 2021                | 2020                |
|-----------------------------------------|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |
| Cash and cash equivalents               | \$ 4,202,327        | \$ 4,280,612        |
| Contributions receivable                | 310,289             | 310,103             |
| Prepaid expenses and other assets       | 181,786             | 163,643             |
| Property and equipment, net             | 57,569              | 92,637              |
| <b>Total assets</b>                     | <b>\$ 4,751,971</b> | <b>\$ 4,846,995</b> |
| <b>Liabilities and Net Assets</b>       |                     |                     |
| Liabilities:                            |                     |                     |
| Accounts payable and accrued expenses   | \$ 132,966          | \$ 195,117          |
| Paycheck Protection Program (PPP)       | -                   | 250,600             |
| Deferred rent obligation                | 4,155               | 32,625              |
| <b>Total liabilities</b>                | <b>137,121</b>      | <b>478,342</b>      |
| <b>Commitments</b>                      |                     |                     |
| Net assets:                             |                     |                     |
| Without donor restrictions              | 4,150,067           | 3,888,567           |
| With donor restrictions                 | 464,783             | 480,086             |
| <b>Total net assets</b>                 | <b>4,614,850</b>    | <b>4,368,653</b>    |
| <b>Total liabilities and net assets</b> | <b>\$ 4,751,971</b> | <b>\$ 4,846,995</b> |

See notes to financial statements.

**Project Sunshine, Inc.**

**Statements of Activities**

**Years Ended December 31, 2021 and 2020**

|                                                                                                               | 2021                          |                            |                  | 2020                          |                            |                  |
|---------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------|------------------|-------------------------------|----------------------------|------------------|
|                                                                                                               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total            | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total            |
| Support, revenue, gains and losses:                                                                           |                               |                            |                  |                               |                            |                  |
| Grants and contributions                                                                                      | \$ 2,695,913                  | \$ 464,783                 | \$ 3,160,696     | \$ 2,761,937                  | \$ 480,086                 | \$ 3,242,023     |
| Contributed services                                                                                          | 109,217                       | -                          | 109,217          | 119,974                       | -                          | 119,974          |
| Special event revenue (net of direct expenses of<br>\$82,937 and \$51,241 for 2021 and 2020,<br>respectively) | 585,144                       | -                          | 585,144          | 738,225                       | -                          | 738,225          |
| Interest income and other gain (loss)                                                                         | (117)                         | -                          | (117)            | 745                           | -                          | 745              |
| Net assets released from restrictions—<br>satisfaction of restrictions                                        | 480,086                       | (480,086)                  | -                | 668,522                       | (668,522)                  | -                |
| <b>Total support, revenue, gains and losses</b>                                                               | <b>3,870,243</b>              | <b>(15,303)</b>            | <b>3,854,940</b> | <b>4,289,403</b>              | <b>(188,436)</b>           | <b>4,100,967</b> |
| Expenses:                                                                                                     |                               |                            |                  |                               |                            |                  |
| Program services                                                                                              | 2,934,228                     | -                          | 2,934,228        | 2,802,707                     | -                          | 2,802,707        |
| Supporting services:                                                                                          |                               |                            |                  |                               |                            |                  |
| Management and general                                                                                        | 403,813                       | -                          | 403,813          | 322,036                       | -                          | 322,036          |
| Fundraising                                                                                                   | 270,702                       | -                          | 270,702          | 208,438                       | -                          | 208,438          |
| <b>Total expenses</b>                                                                                         | <b>3,608,743</b>              | <b>-</b>                   | <b>3,608,743</b> | <b>3,333,181</b>              | <b>-</b>                   | <b>3,333,181</b> |
| <b>Change in net assets</b>                                                                                   | <b>261,500</b>                | <b>(15,303)</b>            | <b>246,197</b>   | <b>956,222</b>                | <b>(188,436)</b>           | <b>767,786</b>   |
| Net assets:                                                                                                   |                               |                            |                  |                               |                            |                  |
| Beginning                                                                                                     | 3,888,567                     | 480,086                    | 4,368,653        | 2,932,345                     | 668,522                    | 3,600,867        |
| Ending                                                                                                        | \$ 4,150,067                  | \$ 464,783                 | \$ 4,614,850     | \$ 3,888,567                  | \$ 480,086                 | \$ 4,368,653     |

See notes to financial statements.

**Project Sunshine, Inc.**

**Statements of Functional Expenses**  
**Years Ended December 31, 2021 and 2020**

|                                    | 2021                |                           |                   |                     | 2020                |                           |                   |                     |
|------------------------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|---------------------------|-------------------|---------------------|
|                                    | Program<br>Services | Supporting Services       |                   | Total<br>Expenses   | Program<br>Services | Supporting Services       |                   | Total<br>Expenses   |
|                                    |                     | Management<br>and General | Fundraising       |                     |                     | Management<br>and General | Fundraising       |                     |
| Employee compensation:             |                     |                           |                   |                     |                     |                           |                   |                     |
| Salaries                           | \$ 1,225,156        | \$ 139,585                | \$ 124,325        | \$ 1,489,066        | \$ 1,157,490        | \$ 110,555                | \$ 116,353        | \$ 1,384,398        |
| Employee benefits                  | 123,417             | 9,133                     | 14,549            | 147,099             | 96,495              | 5,823                     | 9,099             | 111,417             |
| Payroll taxes                      | 102,299             | 7,570                     | 12,060            | 121,929             | 89,132              | 5,379                     | 8,405             | 102,916             |
| <b>Total employee compensation</b> | <b>1,450,872</b>    | <b>156,288</b>            | <b>150,934</b>    | <b>1,758,094</b>    | <b>1,343,117</b>    | <b>121,757</b>            | <b>133,857</b>    | <b>1,598,731</b>    |
| Other expenses:                    |                     |                           |                   |                     |                     |                           |                   |                     |
| Computer                           | 73,901              | 2,483                     | 3,955             | 80,339              | 41,185              | 1,148                     | 2,502             | 44,835              |
| Food                               | 4,862               | 1,718                     | 24                | 6,604               | 2,237               | 837                       | 105               | 3,179               |
| Insurance                          | 23,467              | 1,737                     | 2,766             | 27,970              | 20,331              | 1,227                     | 1,917             | 23,475              |
| Miscellaneous expenses             | 26,666              | 1,727                     | 2,751             | 31,144              | 49,514              | 1,421                     | 4,796             | 55,731              |
| Occupancy                          | 227,727             | 16,851                    | 26,846            | 271,424             | 237,592             | 14,336                    | 22,403            | 274,331             |
| Office supplies and materials      | 28,325              | 716                       | 15,433            | 44,474              | 39,651              | 307                       | 14,133            | 54,091              |
| Printing and postage               | 125,079             | 463                       | 372               | 125,914             | 83,548              | 4,662                     | 58                | 88,268              |
| Materials and other support        | 586,261             | -                         | -                 | 586,261             | 614,909             | -                         | -                 | 614,909             |
| Professional fees                  | 123,874             | 173,507                   | 8,639             | 306,020             | 157,497             | 148,380                   | 7,545             | 313,422             |
| Consulting fees                    | 213,525             | 34,652                    | 53,365            | 301,542             | 132,828             | 17,603                    | 14,225            | 164,656             |
| Telephone                          | 10,231              | 757                       | 1,206             | 12,194              | 10,180              | 615                       | 960               | 11,755              |
| Travel                             | 2,021               | 3,542                     | -                 | 5,563               | 7,462               | 3,045                     | 29                | 10,536              |
| Depreciation and amortization      | 37,417              | 2,769                     | 4,411             | 44,597              | 62,656              | 3,781                     | 5,908             | 72,345              |
| Bad debt expense                   | -                   | 6,603                     | -                 | 6,603               | -                   | 2,917                     | -                 | 2,917               |
| <b>Total other expenses</b>        | <b>1,483,356</b>    | <b>247,525</b>            | <b>119,768</b>    | <b>1,850,649</b>    | <b>1,459,590</b>    | <b>200,279</b>            | <b>74,581</b>     | <b>1,734,450</b>    |
| <b>Total expenses</b>              | <b>\$ 2,934,228</b> | <b>\$ 403,813</b>         | <b>\$ 270,702</b> | <b>\$ 3,608,743</b> | <b>\$ 2,802,707</b> | <b>\$ 322,036</b>         | <b>\$ 208,438</b> | <b>\$ 3,333,181</b> |

See notes to financial statements.

**Project Sunshine, Inc.**

**Statements of Cash Flows**

**Years Ended December 31, 2021 and 2020**

|                                                                                                       | <b>2021</b>         | <b>2020</b>         |
|-------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash flows from operating activities:                                                                 |                     |                     |
| Change in net assets                                                                                  | <b>\$ 246,197</b>   | <b>\$ 767,786</b>   |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: |                     |                     |
| Depreciation and amortization                                                                         | <b>44,597</b>       | 72,345              |
| Bad debt expense                                                                                      | <b>6,603</b>        | 2,917               |
| Amortization of deferred rent obligation                                                              | <b>(28,470)</b>     | (20,976)            |
| Changes in operating assets and liabilities:                                                          |                     |                     |
| Increase in contributions receivable                                                                  | <b>(6,789)</b>      | (25,168)            |
| (Increase) decrease in prepaid expenses and other assets                                              | <b>(18,143)</b>     | 7,499               |
| (Decrease) increase in accounts payable and accrued expenses                                          | <b>(62,151)</b>     | 56,766              |
| (Decrease) increase in Paycheck Protection Program (PPP)                                              | <b>(250,600)</b>    | 250,600             |
| <b>Net cash (used in) provided by operating activities</b>                                            | <b>(68,756)</b>     | 1,111,769           |
| Cash flows from investing activities:                                                                 |                     |                     |
| Purchase of property and equipment                                                                    | <b>(9,529)</b>      | (2,247)             |
| <b>Net cash used in investing activities</b>                                                          | <b>(9,529)</b>      | (2,247)             |
| <b>Net (decrease) increase in cash and cash equivalents</b>                                           | <b>(78,285)</b>     | 1,109,522           |
| Cash and cash equivalents:                                                                            |                     |                     |
| Beginning                                                                                             | <b>4,280,612</b>    | 3,171,090           |
| Ending                                                                                                | <b>\$ 4,202,327</b> | <b>\$ 4,280,612</b> |

See notes to financial statements.

## Project Sunshine, Inc.

### Notes to Financial Statements

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#### 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. Project Sunshine's mission is to bring the healing power of play and connection to children with medical needs through the passion of dedicated volunteers. In 2021, Project Sunshine coordinated the services of over 7,000 volunteers who assembled Activity Kits that are sent to hospital partners across the country or led in-person and virtual programs that provide opportunities for creative expression, intellectual stimulation, socialization and sensory integration. Project Sunshine's volunteers are organized by chapters. Chapters are not separate financial organizations. In 2021, Project Sunshine had 117 chapters of community and college volunteers. Project Sunshine partners with over 470 medical facilities across the U.S., Israel and Kenya, serving more than 123,000 pediatric patients and families. Project Sunshine Canada, whose financial statements are not included in these financial statements, operates programs in Canada under a separate entity with its own distinct Board.

**Basis of accounting and financial statement presentation:** 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 (U.S. 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 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 fundraising 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. If a contribution or grant agreement contains a right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to overcome, Project Sunshine recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. Project Sunshine recognized the Paycheck Protection Program (PPP) loan/grant as a conditional contribution (See note 5).

Project Sunshine recognizes revenue, other than grants, contributions and fundraising, in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize the revenue when or as the performance obligations are satisfied.

## Project Sunshine, Inc.

### Notes to Financial Statements

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

Project Sunshine considers special event revenue to include both exchange transaction and contribution portions. Project Sunshine's performance obligation and condition of the contribution are to host the event for its registered attendees. Payments are received upon the event registration. Revenue is recognized at a point in time when the event takes place for both exchange transaction and contribution portions. Project Sunshine did not recognize any deferred revenue as of December 31, 2021 and 2020.

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 \$109,217 and \$119,974 for 2021 and 2020, respectively, and are included in the accompanying statements of activities and statements of functional expenses.

Unpaid volunteers have made a contribution of approximately 20,500 hours during 2021 and 25,000 hours during 2020, 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 U.S. GAAP.

**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 73% and 78% of the total cash and cash equivalents at December 31, 2021 and 2020, 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.

**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 a 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. No allowance for doubtful contributions was deemed necessary for the year ended December 31, 2021 and 2020.

**Concentration:** For the year ended December 31, 2021, two donors contributed \$854,433 (including PPP Grant – see note 5), which accounted for 27% of total contribution revenue. The contributions receivable from two donors in the total amount of \$165,000 make up 53% of total contributions receivable balance as of December 31, 2021.

For the year ended December 31, 2020, one donor contributed \$350,000, which accounted for 11% of total contribution revenue. The contributions receivable from two donors in the amount of \$192,064 make up 62% of total contributions receivable balance as of December 31, 2020.

**Prepaid expenses and other assets:** Prepaid expenses are payments to vendors that benefit future reporting periods, including unused portions of insurance policies in effect at year end. Other assets include lease security deposits held by the landlord until the end of the lease term.

## Project Sunshine, Inc.

### Notes to Financial Statements

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

**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:** 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.

**Risk and uncertainties:** 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 a HIPAA-compliant platform 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. As a result of the pandemic and in accordance with suggested public health guidelines, Project Sunshine cancelled its in-person annual Gala in both 2020 and 2021. In 2022 the in-person annual Gala resumed and took place in May 2022.

**Use of estimates:** The preparation of financial statements in conformity with U.S. 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.

**Reclassification:** Certain amounts reported in the prior year's financial statements have been classified to conform to the current year's presentation.

**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, 2021 and 2020, 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 2018, which is the standard statute of limitations look-back period.

## Project Sunshine, Inc.

### Notes to Financial Statements

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

**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 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, including the implementation method and use of practical expedients, on Project Sunshine's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial 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 ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. 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 December 22, 2022, the date that these financial statements were available to be issued.

#### Note 2. Contributions Receivable, Net

At December 31, 2021 and 2020, the net present value of contributions receivable is \$310,289 and 310,104, respectively. Net present value was calculated using discount rate commensurate with the risk involved. The discount rate used in this calculation is 2.86% in 2021.

|                                                        | 2021              | 2020              |
|--------------------------------------------------------|-------------------|-------------------|
| Total contributions receivable                         | \$ 311,927        | \$ 310,103        |
| Net present value discount                             | (1,638)           | -                 |
| Net present value discount of contributions receivable | <u>\$ 310,289</u> | <u>\$ 310,103</u> |
| Amount due in:                                         |                   |                   |
| Less than one year                                     | 281,927           | 310,103           |
| One to five years                                      | 30,000            | -                 |
| Total                                                  | <u>\$ 311,927</u> | <u>\$ 310,103</u> |

## Project Sunshine, Inc.

### Notes to Financial Statements

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#### Note 3. Property and Equipment, Net

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

|                                                | 2021             | 2020             |
|------------------------------------------------|------------------|------------------|
| Website and database                           | \$ 209,650       | \$ 209,650       |
| Leasehold improvements                         | 29,782           | 29,782           |
| Office furniture and equipment                 | 189,332          | 188,332          |
|                                                | 428,764          | 427,764          |
| Less accumulated depreciation and amortization | (371,195)        | (335,127)        |
| Property and equipment, net                    | <u>\$ 57,569</u> | <u>\$ 92,637</u> |

#### Note 4. Net Assets With Donor Restrictions

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

|                      | 2021              | 2020              |
|----------------------|-------------------|-------------------|
| Time restrictions    | \$ 350,000        | \$ 350,000        |
| Purpose restrictions | 114,783           | 130,086           |
|                      | <u>\$ 464,783</u> | <u>\$ 480,086</u> |

#### Note 5. Paycheck Protection Program (PPP) Loan

In April 2020, Project Sunshine received \$250,600 in funding from the U.S. Small Business Administration (SBA) under the 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. Project Sunshine received full forgiveness of this loan on July 14, 2021. The loan was accounted for in accordance with ASC Subtopic 958-605, Not-For-Profit Entities—Revenue Recognition, as a conditional contribution, in-line with FASB guidance for treatment of PPP loans made to nonprofit entities where loan forgiveness is expected.

In March 2021, Project Sunshine received \$253,833 in additional funding from the SBA under the PPP established by the 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. Project Sunshine was notified that the entire loan of \$250,600 and 253,833 was forgiven by the SBA on July 14, 2021, and December 22, 2021, respectively. Project Sunshine accounted for the loans as a conditional contribution and recognized \$504,433 of the above loan proceeds as a contribution without restrictions from forgiveness for the year ended December 31, 2021.

The SBA may audit any PPP loan at its discretion until the end of the required documentation period for the loan. For PPP loans of more than \$150,000, the required documentation period ends six years after the date the SBA forgave the PPP loan or the borrow repaid the PPP loan in full.

## Project Sunshine, Inc.

### Notes to Financial Statements

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#### Note 6. 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 29, 2024 and is subject to rent escalations. Below is the future aggregate minimum commitment under the lease:

Years ending December 31:

|                                        |    |                |
|----------------------------------------|----|----------------|
| 2022                                   | \$ | 236,427        |
| 2023                                   |    | 250,510        |
| 2024                                   |    | 43,214         |
| Total minimum future payments required | \$ | <u>530,151</u> |

The deferred rent obligation of \$4,155 and \$32,625 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, 2021 and 2020, respectively.

Rent expense for the years ended December 31, 2021 and 2020, amounted to \$269,925 and \$271,570, respectively.

#### Note 7. 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. There was no employer pension contribution for the years ended December 31, 2021 and 2020.

#### Note 8. Liquidity and Availability of Financial Assets

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

|                                                                                           | 2021                | 2020                |
|-------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash and cash equivalents                                                                 | \$ 4,202,327        | \$ 4,280,612        |
| Contributions receivable                                                                  | 310,289             | 310,103             |
| Total financial assets                                                                    | 4,512,616           | 4,590,715           |
| Less those unavailable for general expenditures within one year:                          |                     |                     |
| Donor-restricted assets                                                                   | 464,783             | 480,086             |
| Financial assets available to meet cash needs<br>for general expenditures within one year | <u>\$ 4,047,833</u> | <u>\$ 4,110,629</u> |

The Project Sunshine 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.