

**THE SUNSHINE KIDS FOUNDATION**  
**(a Texas Non-Profit Corporation)**

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016  
*(With Independent Auditor's Report Thereon)*

**Insight. Oversight. Foresight.<sup>SM</sup>**

 **DoerenMayhew**  
CPAs AND ADVISORS

**THE SUNSHINE KIDS FOUNDATION**  
**(a Texas Non-Profit Corporation)**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
of **The Sunshine Kids Foundation**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Sunshine Kids Foundation (the Foundation) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, 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 the 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 audits 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 Foundation'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 Foundation'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 the Foundation as of December 31, 2017 and 2016, 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.

A handwritten signature in cursive script that reads "Doeren Mayhew".

Houston, Texas  
June 15, 2018

**THE SUNSHINE KIDS FOUNDATION**  
**(a Texas Non-Profit Corporation)**

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

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<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents (Note 3)	\$ 1,188,496	\$ 1,492,726
Contributions receivable	755,636	556,807
Note receivable (Note 4)	95,909	109,294
Inventory	27,087	31,264
Prepaid expenses and other assets	57,891	26,714
Investments (Note 5)	2,921,296	2,915,693
Property and equipment, net (Note 7)	492,752	534,993
	<hr/>	<hr/>
Total assets	\$ 5,539,067	\$ 5,667,491
	<hr/>	<hr/>
<b><u>Liabilities and Net Assets</u></b>		
Liabilities - accounts payable and accrued liabilities	\$ 6,485	\$ 79,154
	<hr/>	<hr/>
Net assets:		
Unrestricted	5,436,673	5,479,043
Temporarily restricted (Note 8)	95,909	109,294
	<hr/>	<hr/>
Total net assets	5,532,582	5,588,337
	<hr/>	<hr/>
Total liabilities and net assets	\$ 5,539,067	\$ 5,667,491
	<hr/>	<hr/>

See accompanying notes to financial statements.

**THE SUNSHINE KIDS FOUNDATION**  
(a Texas Non-Profit Corporation)

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>			<u>2016</u>		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support, revenue and other:						
Contributions (Notes 3 and 9)	\$ 3,630,186	\$ -	\$ 3,630,186	\$ 4,406,847	\$ 109,294	\$ 4,516,141
Investment income (loss), net (Note 6)	71,883	-	71,883	(23,531)	-	(23,531)
Other income	6,815	-	6,815	6,044	-	6,044
Net assets released from restrictions (Note 8)	13,385	(13,385)	-	-	-	-
 Total public support, revenue and other	 <u>3,722,269</u>	 <u>(13,385)</u>	 <u>3,708,884</u>	 <u>4,389,360</u>	 <u>109,294</u>	 <u>4,498,654</u>
Expenses:						
Program services	3,280,210	-	3,280,210	3,287,859	-	3,287,859
Management and general	213,349	-	213,349	176,621	-	176,621
Fundraising	271,080	-	271,080	274,733	-	274,733
 Total expenses	 <u>3,764,639</u>	 <u>-</u>	 <u>3,764,639</u>	 <u>3,739,213</u>	 <u>-</u>	 <u>3,739,213</u>
 Change in net assets	 (42,370)	 (13,385)	 (55,755)	 650,147	 109,294	 759,441
 Net assets, beginning of year	 <u>5,479,043</u>	 <u>109,294</u>	 <u>5,588,337</u>	 <u>4,828,896</u>	 <u>-</u>	 <u>4,828,896</u>
 Net assets, end of year	 <u>\$ 5,436,673</u>	 <u>\$ 95,909</u>	 <u>\$ 5,532,582</u>	 <u>\$ 5,479,043</u>	 <u>\$ 109,294</u>	 <u>\$ 5,588,337</u>

See accompanying notes to financial statements.

**THE SUNSHINE KIDS FOUNDATION**  
**(a Texas Non-Profit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2017**

	Program Services	Management and General	Fundraising	Total
Accommodations/meals	\$ 785,627	\$ 32,469	\$ 55,571	\$ 873,667
Activity supplies and support	821,025	151	29,110	850,286
Contract labor	2,091	-	-	2,091
Consulting fees	70,630	8,310	-	78,940
Depreciation and amortization	44,384	3,916	3,916	52,216
Dues and fees	35,929	3,201	8,424	47,554
Equipment rental	39,748	4,940	8,935	53,623
Insurance	137,363	25,837	25,846	189,046
Legal and professional	17,894	16,798	5,662	40,354
Office supplies and expenses	57,302	14,007	10,685	81,994
Payroll taxes	69,612	6,114	6,274	82,000
Photography and video production	4,983	-	-	4,983
Printing and duplicating	9,574	3,294	5,526	18,394
Public awareness/advertising	12,100	-	-	12,100
Rent	68,715	-	-	68,715
Repairs and maintenance	37,272	1,780	125	39,177
Salaries	761,298	66,739	69,013	897,050
Telephone	22,103	5,777	4,832	32,712
Travel	274,818	17,651	34,352	326,821
Utilities	5,910	2,031	2,222	10,163
Miscellaneous	1,832	334	587	2,753
<b>Total expenses</b>	<b><u>\$ 3,280,210</u></b>	<b><u>\$ 213,349</u></b>	<b><u>\$ 271,080</u></b>	<b><u>\$ 3,764,639</u></b>

See accompanying notes to financial statements.

**THE SUNSHINE KIDS FOUNDATION**  
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**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**

	Program Services	Management and General	Fundraising	Total
Accommodations/meals	\$ 807,792	\$ 22,385	\$ 67,760	\$ 897,937
Activity supplies and support	793,095	465	26,910	820,470
Contract labor	353	-	-	353
Consulting fees	131,920	-	-	131,920
Depreciation and amortization	32,192	2,841	2,840	37,873
Dues and fees	37,207	3,426	5,979	46,612
Equipment rental	38,228	4,616	8,601	51,445
Insurance	121,365	22,670	22,670	166,705
Legal and professional	5,784	14,441	4,083	24,308
Office supplies and expenses	85,210	12,671	11,019	108,900
Payroll taxes	59,630	5,262	5,262	70,154
Photography and video production	4,067	-	-	4,067
Printing and duplicating	12,093	2,032	2,791	16,916
Public awareness/advertising	3,800	-	-	3,800
Rent	67,986	-	-	67,986
Repairs and maintenance	34,848	4,092	41	38,981
Salaries	747,406	66,025	65,917	879,348
Telephone	21,506	4,431	4,256	30,193
Travel	274,939	8,967	40,007	323,913
Utilities	6,291	2,297	2,453	11,041
Miscellaneous	2,147	-	4,144	6,291
<b>Total expenses</b>	<b>\$ 3,287,859</b>	<b>\$ 176,621</b>	<b>\$ 274,733</b>	<b>\$ 3,739,213</b>

See accompanying notes to financial statements.



**THE SUNSHINE KIDS FOUNDATION**  
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**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Change in net assets	\$ (55,755)	\$ 759,441
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	52,215	37,873
Unrealized and realized (gain) loss on investments	(5,603)	68,875
Donation of property and equipment	(5,200)	(70,900)
Changes in operating assets and liabilities:		
Contributions receivable	(198,829)	(400,834)
Note receivable	13,385	(109,294)
Inventory	4,177	(8,808)
Prepaid expenses and other assets	(31,177)	(11,764)
Accounts payable and accrued liabilities	(72,669)	65,992
	<u>(299,456)</u>	<u>330,581</u>
Cash flows from investing activities:		
Purchases of investments	-	(3,547,647)
Sales of investments	-	2,856,220
Purchases of property and equipment	(4,774)	(3,085)
	<u>(4,774)</u>	<u>(694,512)</u>
Net decrease in cash and cash equivalents	(304,230)	(363,931)
Cash and cash equivalents, beginning of year	<u>1,492,726</u>	<u>1,856,657</u>
Cash and cash equivalents, end of year	<u>\$ 1,188,496</u>	<u>\$ 1,492,726</u>
Non-cash investing activity -		
Donation of property and equipment	<u>\$ 5,200</u>	<u>\$ 70,900</u>

See accompanying notes to financial statements.

**THE SUNSHINE KIDS FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**Note 1 - Organization**

The Sunshine Kids Foundation (the Foundation) was incorporated on March 1, 1982 under the provisions of the Texas Nonprofit Corporation Act. The Foundation provides group activity programs for children confronted with cancer, from hospitals across the country. The Foundation is funded by contributions from individuals, corporations and foundations. All of the Foundation's activities are completely free of charge to the children's families and hospitals.

**Note 2 - Summary of Significant Accounting Policies**

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Foundation is required to report information regarding its financial position and activities according to three classes of net assets, based on the existence or absence of donor imposed restrictions. The three classes of net assets are unrestricted, temporarily restricted and permanently restricted.

Use of Estimates

Management must make estimates and assumptions to prepare financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various functions. Accordingly, actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

Contributions Receivable

Contributions are recorded as revenue in the year they are received unless they contain a conditional promise to give. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Any amounts that are expected to be collected in more than one year are discounted to estimate the present value of future cash flows, if material. Management of the Foundation considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when the determination is made.

**THE SUNSHINE KIDS FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

Note receivable

Note receivable represents a promissory note received by the Foundation in connection with a bequest.

Inventory

Inventory consists of T-shirts, hats, bandanas, visors and other supplies for the program participants. Inventory is valued using the first-in first-out method and is stated at the lower of cost or net realizable value. During 2017, the Foundation adopted ASU 2015-11, *Inventory (Topic 360), Simplifying the Measurement of Inventory*. The adoption of this ASU did not have a material impact on the financial statements.

Investments and Investment Income

Investments are stated at fair value as described in Note 5. Investment income, including unrealized gains and losses, is included as a change to unrestricted net assets unless otherwise specified by donor restrictions. Marketable securities donated to the Foundation are recorded at fair value on the date of donation.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at fair value at the date of the gift. Expenditures greater than \$1,000 that materially increase values or extend useful lives are capitalized. Routine maintenance and replacement costs are charged against operations in the year incurred. Depreciation is computed using the straight-line method over the estimated useful lives of 15 to 30 years for building and building improvements and 3 to 10 years for equipment and vehicles.

Contributions

Contributions received are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted revenue. Contributions whose restrictions are met in the same reporting period as they are received are reported as unrestricted revenue. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Gifts of property and equipment are recognized as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support and absent explicit donor stipulations about how long those long-lived assets must be maintained, are released from restrictions when the donated or acquired long-lived assets are placed in service.

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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 2 - Summary of Significant Accounting Policies (Continued)**

Functional Allocation 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 programs and supporting services benefited based upon estimated use.

Income Taxes

The Foundation is exempt from Federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi) and §509(a)(1) and §509(a)(1). The Foundation files annual Federal information returns. In accordance with FASB ASC 740, the Foundation records charges for uncertain tax positions when they are considered probable. Based on its evaluation, the Foundation has concluded that there are no significant uncertain tax positions requiring recognition or disclosure in the financial statements. The Foundation is subject to routine examinations of its returns; however, there are no examinations for any tax periods currently in progress. The Foundation is no longer subject to income tax examinations by taxing authorities for the years before 2014.

**Note 3 - Concentrations**

Credit Risk

The Foundation is subject to concentration of credit risk relating primarily to cash and investments. The Foundation's cash deposits are maintained in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. As of December 31, 2017 and 2016, amounts in excess of the insured limits were \$646,861 and \$1,016,286, respectively. Management believes the Foundation's credit risk has been mitigated by the financial strength of the financial institution in which the funds are held.

Source of Revenue

The Foundation is subject to concentration of revenue through its relationship with Berkshire Hathaway HomeServices, which adopted the Foundation as their network-wide charity in 1991. During the years ended December 31, 2017 and 2016, contributions from Berkshire Hathaway HomeServices represented approximately 49% and 47%, respectively, of total contributions.

**THE SUNSHINE KIDS FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**Note 4 - Note Receivable**

During 2016, in connection with a bequest, the Foundation received a promissory note in the original amount of \$123,750 and bearing interest at 6%. Under the terms of the note, the first installment of \$5,000 was due in March 2016 and payments of \$1,250 are due monthly until March 2021, whereupon the remaining principal balance is due. Prepayments are allowed. As of December 31, 2017 and 2016, the principal balance due on the promissory note is \$95,909 and \$109,294, respectively.

**Note 5 - Fair Value Measurements**

GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The Foundation's investments are measured at fair value on a recurring basis. The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical securities as of the reporting date.

Level 2 - Pricing inputs other than quoted priced included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.

Level 3 - Pricing inputs include those that are significant to the fair value and are generally unobservable.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Financial instruments measured at fair value on a recurring basis at December 31, 2017 and 2016 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
Fixed income securities - Government Sponsored Enterprise Securities	<u>\$ 2,921,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,921,296</u>
<u>December 31, 2016</u>				
Fixed income securities - Government Sponsored Enterprise Securities	<u>\$ 2,915,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,915,693</u>

**THE SUNSHINE KIDS FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**Note 5 - Fair Value Measurements (Continued)**

Fixed income securities are valued at the closing price reported in the active market in which the individual securities are traded. Other financial instruments that are not valued on a recurring or nonrecurring basis are contributions receivable and accounts payable. Management believes the carrying amounts of these financial instruments approximate their fair values.

The valuation methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values and the inputs or methodology used to measure investments are not necessarily indicative of the risk of investing in a particular security. Furthermore, although management of the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 6 - Investment Income**

Investment income is net of related investment fees and is as follows for the years ended December 31, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Interest	\$ 66,280	\$ 53,564
Net realized and unrealized gain (loss), net of fees	5,603	(77,095)
Total investment income (loss), net	\$ 71,883	\$ (23,531)

**Note 7 - Property and Equipment**

Following is a summary of property and equipment at December 31:

	<b>2017</b>	<b>2016</b>
Land	\$ 100,000	\$ 100,000
Building and improvements	909,866	904,667
Office equipment	228,270	225,693
Computer equipment	241,889	239,690
Vehicles	133,741	133,742
Total property and equipment	1,613,766	1,603,792
Less: accumulated depreciation	(1,121,014)	(1,068,799)
Property and equipment, net	\$ 492,752	\$ 534,993

Depreciation expense for the years ended December 31, 2017 and 2016 is \$52,215 and \$37,873, respectively.

**THE SUNSHINE KIDS FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 8 - Temporarily Restricted Net Assets**

As of December 31, 2017 and 2016, there was \$95,909 and \$109,294, respectively, of temporarily restricted net assets related to timing restrictions. Temporarily restricted net assets of \$13,385 were released from donor restrictions during December 31, 2017 by incurring expenses satisfying the purpose restrictions specified by the donor.

**Note 9 - Donated Materials and Services**

Donated lodging, meals, materials and property are recorded at fair value as contributions when an unconditional commitment is received from the donor. Included in public support is approximately \$982,000 and \$1,063,000 of contributed goods and services in 2017 and 2016, respectively.

A substantial number of volunteers have donated significant amounts of their time to the Foundation's programs. No value for these volunteer hours has been recorded in the statements of activities because they do not meet the criteria for recognition under GAAP.

**Note 10 - Defined Contribution Plan**

The Foundation has a 401(k) defined contribution plan (the Plan) which covers substantially all employees. The Foundation makes a matching contribution equal to 50% of a participant's elective deferrals provided, however, that the matching contribution shall be made only with respect to the first 6% of the participant's compensation for each payroll period. The Foundation's contribution to the Plan for the years ended December 31, 2017 and 2016 approximated \$22,400 and \$16,900, respectively.

**Note 11 - Operating Leases**

The Foundation has various operating leases for office space and equipment expiring through fiscal year 2021. The minimum rental commitments under the noncancelable operating leases as of December 31, 2017 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2018	\$ 19,681
2019	17,493
2020	7,620
2021	<u>1,920</u>
Total	<u>\$ 46,714</u>

Rental expense related to operating leases approximated \$57,000 and \$51,000 for the years ended December 31, 2017 and 2016, respectively.

**THE SUNSHINE KIDS FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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**Note 12 - Subsequent Events**

Management has evaluated subsequent events through June 15, 2018, the date which the financial statements were available to be issued. Management has determined that no subsequent events require recognition or disclosure in these financial statements.

**\* \* \* End of Notes \* \* \***