



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

FINANCIAL STATEMENTS

DECEMBER 31, 2023
(With Independent Auditor's Report Thereon)

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

Opinion

We have audited the financial statements of The Sunshine Kids Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 the Foundation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are 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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Houston, Texas
June 18, 2024

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

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

Assets

Cash and cash equivalents (Note 3)	\$ 1,110,874
Contributions receivable	276,069
Inventory	31,365
Prepaid expenses and other assets	26,016
Investments (Note 4)	9,209,139
Property and equipment, net (Note 6)	<u>310,251</u>
 Total assets	 <u><u>\$ 10,963,714</u></u>

Liabilities and Net Assets

Liabilities - accounts payable and accrued liabilities	<u>\$ 26,069</u>
 Net assets:	
Without donor restrictions	10,937,645
With donor restrictions (Note 7)	<u>-</u>
 Total net assets	 <u>10,937,645</u>
 Total liabilities and net assets	 <u><u>\$ 10,963,714</u></u>

See accompanying notes to financial statements

THE SUNSHINE KIDS FOUNDATION
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STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and other:			
Contributions of financial assets (Note 3)	\$ 3,285,487	\$ -	\$ 3,285,487
Contributions of nonfinancial assets (Note 9)	950,217	-	950,217
Investment gain, net (Note 5)	278,003	-	278,003
Other income	4,840	-	4,840
Net assets released from restrictions (Note 7)	7,739	(7,739)	-
 Total public support, revenue and other	 4,526,286	 (7,739)	 4,518,547
Expenses:			
Program services	3,227,812	-	3,227,812
Management and general	208,884	-	208,884
Fundraising	377,347	-	377,347
 Total expenses	 3,814,043	 -	 3,814,043
 Change in net assets	 712,243	 (7,739)	 704,504
Net assets, beginning of year	10,225,402	7,739	10,233,141
Net assets, end of year	\$ 10,937,645	\$ -	\$ 10,937,645

See accompanying notes to financial statements

THE SUNSHINE KIDS FOUNDATION
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STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Fundraising	Total
Accommodations/meals	\$ 781,587	\$ 1,882	\$ 49,010	\$ 832,479
Activity supplies and support	999,335	87	29,068	1,028,490
Contract labor	22,205	144	-	22,349
Depreciation and amortization	32,286	3,001	3,000	38,287
Dues and fees	27,774	2,914	14,275	44,963
Equipment rental	28,828	4,927	8,330	42,085
Insurance	111,731	22,481	22,480	156,692
Legal and professional	8,616	18,594	6,867	34,077
Office supplies and expenses	86,715	33,210	18,835	138,760
Payroll taxes	30,113	7,528	12,547	50,188
Photography and video production	38,968	-	5,382	44,350
Printing and duplicating	9,016	781	5,827	15,624
Rent	135,899	-	-	135,899
Repairs and maintenance	50,959	1,344	1,429	53,732
Salaries	405,965	104,011	172,845	682,821
Scholarships	167,000	-	-	167,000
Telephone	9,660	2,896	2,485	15,041
Travel	274,782	1,694	22,204	298,680
Utilities	5,498	2,082	2,763	10,343
Miscellaneous	875	1,308	-	2,183
Total expenses by function	<u>\$ 3,227,812</u>	<u>\$ 208,884</u>	<u>\$ 377,347</u>	<u>\$ 3,814,043</u>

See accompanying notes to financial statements

THE SUNSHINE KIDS FOUNDATION
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STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities:	
Change in net assets	\$ 704,504
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	38,287
Unrealized and realized gain on investments	(39,022)
In-kind donation of stock	(11,961)
(Increase) decrease in operating assets:	
Contributions receivable	121,271
Note receivable	7,739
Inventory	(9,391)
Prepaid expenses and other assets	(11,594)
(Decrease) increase in operating liabilities:	
Accounts payable and accrued liabilities	<u>(14,018)</u>
Net cash provided by operating activities	<u>785,815</u>
Cash flows from investing activities:	
Purchases of investments	(6,167,029)
Liquidations of investments	4,431,395
Purchases of property and equipment	<u>(4,974)</u>
Net cash used by investing activities	<u>(1,740,608)</u>
Net decrease in cash and cash equivalents	(954,793)
Cash and cash equivalents, beginning of year	<u>2,065,667</u>
Cash and cash equivalents, end of year	<u>\$ 1,110,874</u>
Non-cash investing activity -	
Donation of stock	<u>\$ 11,961</u>

See accompanying notes to financial statements

THE SUNSHINE KIDS FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 through national trips, local activities and programs in participating hospitals across the country. All of the Foundation's activities are free of charge to the children's families and hospitals. In addition, the Foundation funds a college scholarship program for pediatric oncology patients or survivors who have participated in the Foundation's programs and meet other eligibility requirements. The Foundation receives contributions from individuals, corporations and foundations.

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 U.S. generally accepted accounting principles (GAAP), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors or grantors. Donor-imposed restrictions may be temporary in nature, such as those that will be met by the *passage* of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

If donor-imposed restrictions are met in the same reporting period as the contribution was recognized as revenue, the Foundation reports such contributions as an increase in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions and when the restriction expires or is satisfied, these net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers investments with a maturity of three months or less at date of purchase to be cash equivalents. Cash held for investment purposes is classified as investments in the statement of financial position and is not considered cash for the purposes of the statement of cash flows.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are discounted to estimate the present value of future cash flows if material. Conditional promises to give are not included as support until the conditions are met. At December 31, 2023, the Foundation had no long-term contributions receivable. Management of the Foundation considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded as of December 31, 2023. 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, 2023

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.

Investments and Investment Income

Investments are stated at fair value as described in Note 4. Marketable securities donated to the Foundation are recorded at fair value on the date of donation. Investment income, including unrealized gains and losses, is included as a change to net assets without donor restrictions unless otherwise specified by donor restrictions. If donor-imposed restrictions are met in the same reporting period as the investment income was recognized as revenue, the Foundation reports such income as an increase in net assets without donor restrictions. Investment income is reported net of investment related expenses.

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.

Public Support and Revenue Recognition

Contributions are recorded as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as donor-restricted revenue. Contributions whose restrictions are met in the same reporting period as they are received are reported as unrestricted revenue. Conditional contributions are those that contain a measurable performance obligation or other barrier, as well as right of return, and are not recognized as revenue until the conditions on which they depend have been met. There were no conditional contributions as of December 31, 2023.

Contributed property and equipment are reflected at estimated fair value at the date of receipt. Contributed 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 specifying 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 donor-restricted support and absent explicit donor stipulations about how long those long-lived assets must be maintained, are released from donor restrictions when the assets are placed in service.

Contributed services that meet the revenue recognition requirements of GAAP are recorded at estimated fair value when received.

Donated materials and securities are recorded as contributions at the estimated fair market value at the date of donation.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Functional Allocation of Expenses

The costs of providing program and supporting service activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs *have* been allocated among the programs and supporting services benefited based upon estimated use or time and effort. The statement of functional expenses presents the natural classification detail of expenses by function.

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). The Foundation files annual Federal information returns and its filings are still open to examination by taxing authorities for fiscal years 2020 and later, though there are no known years under examination. The Foundation follows the provisions of the Financial Accounting Standards Board (FASB) ASC Topic 740-10, *Accounting for Income Taxes*, and management believes it has no material uncertain tax positions or any related penalties and interest to accrue or disclose for the years ended December 31, 2023.

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.

New Accounting Pronouncement

The current expected credit loss (CECL) model established by ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, requires the recognition of estimated expected credit losses over the life of a financial instrument, giving consideration to historical information and future economic conditions and events. ASU 2016-13 and subsequent amendments are codified in ASC 326, with pledges receivable specifically excluded from the CECL standard. Effective January 1, 2023, the Foundation adopted the standard using the modified retrospective method with no significant impact on results of operations or cash flows.

Subsequent Events

The Foundation has evaluated subsequent events through June 18, 2024, the date which the financial statements were available to be issued.

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 FDIC up were to \$250,000 per depositor. At December 31, 2023, amounts in excess of the insured limits \$872,374.

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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. For the year ended December 31, 2023, contributions from Berkshire Hathaway HomeServices represented approximately 45% of total contributions.

Note 4 - 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 levels of input that may be used to measure fair value are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are significant and reflect substantial management judgment or estimation.

The categorization within the valuation hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 from December 31, 2022.

Money market mutual fund: Valued at the net asset value of shares held at year-end as reported on the active market on which the securities are held.

Corporate bonds: Valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of comparable securities of issuers with similar credit ratings.

Bank deposit program accounts: Valued at cost, which approximates fair value.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

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. 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.

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Financial instruments measured at fair value on a recurring basis at December 31, 2023 are as follows:

	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ 5,200,671	\$ -	\$ -	\$ 5,200,671
Corporate bonds	-	3,939,770	-	3,939,770
Bank deposit program accounts	-	41,300	-	41,300
Common stock	27,398	-	-	27,398
Total	\$ 5,228,069	\$ 3,981,070	\$ -	\$ 9,209,139

Note 5 - Investment Return

Investment return is net of related investment fees and is as follows for the year ended December 31, 2023:

Interest	\$ 229,022
Net realized and unrealized gain, net of fees	48,981
Total investment return, net	\$ 278,003

Note 6 - Property and Equipment

Following is a summary of property and equipment at December 31, 2023:

Land	\$ 100,000
Building and improvements	977,684
Office equipment	230,845
Computer equipment	227,900
Vehicles	91,625
Total property and equipment	1,628,054
Less: accumulated depreciation	(1,317,803)
Total property and equipment, net	\$ 310,251

Note 7 - Net Assets with Donor Restrictions

At December 31, 2023, there were no assets with donor restrictions. Net assets with donor restrictions of \$7,739 were released from donor restrictions during the year ended December 31, 2023 through the passage of time.

Note 8 - Commitments and Contingencies

Defined Contribution Plan

The Foundation employees participate in a 401(k) defined contribution plan (the Plan) into which 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 year ended December 31, 2023 approximated \$15,000.

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Paycheck Protection Program Loan

During 2021, the Foundation received a Paycheck Protection Program loan in the amount of \$248,984. The Foundation received notification of forgiveness from the Small Business Administration (SBA) on November 15, 2021. The Foundation may be subject to examination from the SBA for six years following the date of forgiveness.

Note 9 - Contributed Nonfinancial Assets

The Foundation received the following contributions of nonfinancial assets for the year ended December 31, 2023:

Supplies and event tickets	\$ 524,563
Meals	77,411
Accommodations	180,713
Office space	109,278
Repair and maintenance services	11,915
Other	<u>46,337</u>
Total	<u><u>\$ 950,217</u></u>

Contributed supplies and event tickets are used for activities included within the national and regional trips, as well as for local activities. These items were recorded as contributions and expense at their estimated fair value based on published information or pricing provided by the vendor.

Contributed meals are used for the national and regional trips, as well as for local activities. These items were recorded as contribution and expense at estimated fair value based on information provided by the vendor.

Contributed accommodations are used for the national and regional trips. These items were recorded as contributions and expense at estimated fair value based on published rates.

Contributed office space represents the difference between the market rate and amount paid by the Foundation for the Southeast office. This donation is recorded as contributions and expense based on the estimated fair market rental rate for the office location as provided by the lessor.

Contributed repairs and maintenance is comprised of lawn care and building repair services provided by service corporations. These services were recorded as contributions and expense at their estimated fair value based on information provided by the service provider.

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.

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NOTES TO FINANCIAL STATEMENTS
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Note 10 - Liquidity and Availability of Resources

The following table reflects the Foundation's financial assets at December 31, 2023, reduced by amounts not available for general expenditure within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or they are not convertible to cash within one year. Financial assets are available for general expenditure if they do not have donor or other restrictions limiting their use through purpose restrictions.

Financial assets:	
Cash and cash equivalents	\$ 1,110,874
Contributions receivable	276,069
Investments	<u>9,209,139</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 10,596,082</u>

The Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations become due.