SUNSHINE DIVISION, INC.

FINANCIAL STATEMENTS

June 30, 2019

With

Independent Auditor's Report

SUNSHINE DIVISION, INC.
JUNE 30, 2019
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sunshine Division, Inc.
Portland, Oregon

Report on Financial Statements

We have audited the accompanying financial statements of Sunshine Division, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunshine Division, Inc. as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14 *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not- for-Profit Entities*. Our opinion is not modified in respect to this matter.

Report on Prior Year Summarized Comparative Information

We have previously audited the Sunshine Division, Inc.'s 2018 financial statements, and our report dated December 20, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Richman & Associates, LLC

Portland, Oregon
January 31, 2020

SUNSHINE DIVISION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(with comparative amounts for 2018)

	2019	2018
ASSETS		
Current assets:		
Cash and equivalents	$ 967,986	$ 740,155
Accounts receivable	4,828	4,056
Prepaid expenses	77,082	39,765
Inventory (Note 3)	677,185	567,260
Accrued trust distributions receivable (Note 4)	58,847	59,104
Unemployment trust reserve (Note 13)	10,588	7,238
Total current assets	1,796,516	1,417,578
Investments (Note 4)	4,896,112	4,789,830
Property and equipment, net (Note 5)	510,092	542,594
Intangible assets, net (Note 6)	184,750	187,750
Total assets	$ 7,387,470	$ 6,937,752
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 23,661	$ 15,986
Accrued payroll and tax liabilities	84,326	68,690
Deferred revenue	232,451	21,500
Federal and state income taxes payable	-	5,636
Current portion of long-term debt (Note 7)	-	39,096
Total liabilities	340,438	150,908
Commitments (Notes 10 and 14)		
Net assets:		
Without donor restrictions:		
Without designation	496,668	507,310
In-kind inventory	677,185	567,260
Net property and equipment and intangible assets	694,842	691,248
Board-designated funds (Note 8)	3,033,187	2,962,940
Total without donor restrictions	4,901,882	4,728,758
With donor restrictions (Note 9)	2,145,150	2,058,086
Total net assets	7,047,032	6,786,844
Total liabilities and net assets	$ 7,387,470	$ 6,937,752

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019
(With comparative totals for 2018)

	2019			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**2018**
Operating support and revenues:				
Grants and donations	$ 504,854	$ 493,146	$ 998,000	$ 1,091,261
Donations - grocery	3,612,256	-	3,612,256	4,178,900
Donations - clothing	1,087,051	-	1,087,051	834,685
Donations - other in-kind	97,164	-	97,164	83,532
Winter Wonderland:				
Donations	89,588	-	89,588	94,954
Donations - in-kind	8,300	-	8,300	36,490
Less: in-kind expenses	(8,300)	-	(8,300)	(36,490)
Ticket sales	628,989	-	628,989	575,713
Less: Cost of sales	(542,380)	-	(542,380)	(512,653)
	86,609	-	86,609	63,060
Winter Wonderland, net	176,197	-	176,197	158,014
Special event revenue - net of direct expenses of $45,725 for 2019 and $36,433 for 2018	261,092	-	261,092	200,555
Investment income- net of investment fees of $18,092 for 2019 and $24,765 for 2018	125,237	-	125,237	107,355
Other	3,181	-	3,181	14,496
Net assets released from restrictions	442,117	(442,117)	-	-
Total operating support and revenues	6,309,149	51,029	6,360,178	6,668,798
Operating expenses:				
Program services:				
Food, clothing and other assistance	4,783,640	-	4,783,640	5,243,971
Other	742,209	-	742,209	679,358
	5,525,849	-	5,525,849	5,923,329
Supporting services:				
Management and general	232,313	-	232,313	159,778
Fund-raising	445,435	-	445,435	348,914
Total operating expenses	6,203,597	-	6,203,597	6,432,021
Change in net assets from operations	105,552	51,029	156,581	236,777
Non-operating activities:				
Gain (loss) on investments	94,072	-	94,072	148,507
Change in value of beneficial interest in perpetual trusts and pooled investments	-	36,035	36,035	73,455
Total non-operating activities	94,072	36,035	130,107	221,962
Change in net assets before provision for income taxes	199,624	87,064	286,688	458,739
Provision for income taxes	26,500	-	26,500	17,000
Change in net assets after provision for income taxes	173,124	87,064	260,188	441,739
Net assets, beginning of year	4,728,758	2,058,086	6,786,844	6,345,105
Net assets, end of year	$ 4,901,882	$ 2,145,150	$ 7,047,032	$ 6,786,844

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019
(With comparative totals for 2018)

	2019							
	Program Services			**Supporting Services**				
	General	**Winter Wonderland**	**Total Program Services**	**Management and General**	**Fund-Raising**	**Shared Cost Pool**	**Total**	**2018**
Distributions to outside agencies - bulk food and clothing	$ 1,779,766	$ -	$ 1,779,766	$ -	$ -	$ -	$ 1,779,766	$ 2,386,457
Distributions for precinct boxes	24,730	-	24,730	-	-	-	24,730	22,338
Distributions for holiday food boxes	850,997	-	850,997	-	-	-	850,997	857,509
Emergency client assistance - grocery	1,545,195	-	1,545,195	-	-	-	1,545,195	1,433,559
Emergency client assistance - clothing	559,549	-	559,549	-	-	-	559,549	521,608
Emergency client assistance - other	23,403	-	23,403	-	-	-	23,403	22,500
	4,783,640	-	4,783,640	-	-	-	4,783,640	5,243,971
Salaries and wages	290,056	41,023	331,079	130,049	220,251	-	681,379	609,663
Employee benefits	26,405	3,615	30,020	11,504	20,144	21,258	82,926	83,855
Payroll taxes	21,795	3,092	24,887	9,802	16,546	4,722	55,957	46,912
Izzy's gift cards issued	51,505	-	51,505	-	-	-	51,505	49,213
Events:								
Paid	95	69,566	69,661	-	53,410	626	123,697	113,500
In-kind	-	-	-	-	11,874	-	11,874	11,812
Printing	910	8,429	9,339	-	21,553	204	31,096	23,390
Advertising and promotion	1,067	51,031	52,098	-	7,612	1,384	61,094	59,940
Rent:								
Paid	62,612	72,000	134,612	-	-	-	134,612	96,460
In-kind	-	8,300	8,300	-	5,909	-	14,209	25,225
Equipment, building supplies and repairs:								
Paid	34,369	72,340	106,709	-	818	2,576	110,103	81,751
In-kind	123	-	123	-	5,650	-	5,773	5,375
Insurance	-	3,340	3,340	1,515	-	23,804	28,659	28,751
Office supplies, postage, and fees	14,996	6,570	21,566	1,687	13,339	39,167	75,759	70,525
Professional fees:								
Paid	51,493	99,754	151,247	46,882	38,243	3,914	240,286	193,068
In-kind	-	-	-	-	13,205	-	13,205	20,110
Utilities	26,153	5,865	32,018	225	581	28,205	61,029	43,350
Depreciation and amortization	-	72,694	72,694	-		54,554	127,248	106,981
Vehicles:								
Paid	6,784	9,500	16,284	-		91	16,375	6,160
In-kind	35,000	-	35,000	-	-	-	35,000	35,000
Meals and travel	3,160	1,417	4,577	307	4,484	4,435	13,803	8,618
Property and other taxes	-	5,457	5,457	-		46	5,503	6,224
Interest	-	346	346	-		-	346	1,216
Other	593	16,341	16,934	191	15,420	2,379	34,924	46,527
Shared cost allocation	115,093	-	115,093	30,151	42,121	(187,365)	-	-
	742,209	550,680	1,292,889	232,313	491,160	-	2,016,362	1,773,626
Total expenses	5,525,849	550,680	6,076,529	232,313	491,160	-	6,800,002	7,017,597
Less expenses included with revenues on the statement of activities:								
In-kind	-	(8,300)	(8,300)	-			(8,300)	(36,490)
Cost of sales	-	(542,380)	(542,380)	-			(542,380)	(512,653)
Special events	-	-	-	-	(45,725)	-	(45,725)	(36,433)
Total operating expenses	$ 5,525,849	$ -	$ 5,525,849	$ 232,313	$ 445,435	$ -	$ 6,203,597	$ 6,432,021

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC.
STATEMENT OF CASH FLOWS
For the Year ended June 30, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 260,188	$ 441,739
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	127,248	106,981
(Gain) loss on investments	(130,107)	(221,962)
Contributions restricted by donors or designated by Board for investments	-	(63,469)
Contributions restricted for acquisition of equipment	-	(85,000)
(Increase) decrease in:		
Accounts receivable	(772)	(4,056)
Prepaid expenses	(37,317)	(11,390)
Inventory	(109,925)	9,422
Accrued trust distribution receivable	257	1,181
Unemployment trust reserve	(3,350)	(4,388)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,039	2,452
Accrued payroll and tax liabilities	15,636	16,713
Deferred revenue	210,951	(41,790)
Net cash provided by (used in) operating activities	334,848	146,433
Cash flows from investing activities:		
Purchases of investments	(117,950)	(158,322)
Proceeds from sales of investments	82,671	124,405
Purchases of property and equipment	(91,746)	(188,308)
Distributions from perpetual trust	59,104	60,285
Net cash provided by (used in) investing activities	(67,921)	(161,940)
Cash flows from financing activities:		
Proceeds from donations restricted by donors to acquisition of investments	-	63,469
Proceeds from contributions restricted to equipment purchases	-	85,000
Principal payments on long-term debt	(39,096)	(49,000)
Net cash provided by (used in) financing activities	(39,096)	99,469
Net increase in cash and equivalents	227,831	83,962
Cash and equivalents, beginning of year	740,155	656,193
Cash and equivalents, end of year	$ 967,986	$ 740,155
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 691	$ 1,559
Cash paid during the year for income taxes	$ 37,593	$ 3,700

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities - Since 1923, the Sunshine Division, Inc. (the Division) has been providing food, essential household items, and clothing relief to Portland area families and individuals in need. Whether due to the loss of a job, domestic crime, illness, or extraordinary events, the Sunshine Division has built a legacy of mobilizing quickly and efficiently to assist distressed Portlanders. The Sunshine Division offers food and clothing assistance six and five days a week at their clothing rooms and food pantry warehouses in northeast and southeast Portland, respectively, as well as 24 hours a day through their partnership with the Portland Police Bureau who store food boxes at each police precinct that can be dispatched to those in need at any time. For nearly 100 years the Sunshine Division has both built and, with the help of volunteers and police officers, distributed thousands of holiday food boxes directly to the homes of those in need.

In December 2018, 3,800 hearty holiday food boxes were built and stored in the Sunshine Division Warehouse. 2,500 holiday boxes were personally delivered to Portland homes (who signed up via Sunshine in November) by volunteers, and 1,300 holiday boxes were distributed to local schools, churches, and social service organizations to help families in the metro area during the holiday season. The Sunshine Division also built and distributed 600 Thanksgiving food boxes from their warehouse to local families the Tuesday prior to Thanksgiving. In June of 2019, 1,000 summer food boxes for families with school-aged children were distributed throughout the metro area. The Division also provides no-cost bulk food, food boxes, toiletries, essential items, and clothing to over 50 local hunger relief non-profits serving Clark, Clackamas, Washington, and Multnomah counties. In addition to food relief, the Division also offers new and gently used clothing at their facilities to those in need, and funds school clothes shopping for nearly 475 low-income children throughout the year via the Izzy's Kids program that pairs a Portland police officer with a child for a one-of-a-kind shopping experience.

More than 2,000 volunteer workers supplement the small civilian staff, which is supported solely by public donations and contributions. The Portland Police Bureau provides an officer to act as an internal and external representative of the Division, and to assist in implementing the Division's programs. The officer also serves the nearly 1,000 officers of the Bureau to facilitate year-round access to resources from the Sunshine Division when an officer encounters a crisis, poverty, or is advocating for a victim. A representative of the Portland Police Bureau serves on the Division's Board of Directors.

Program and Supporting Services - Program services of the Division include providing relief to the citizens of Portland metro area in the form of gifts of food, essential household items, clothing, and other activities in furtherance of its charitable purpose.

Management and general activities include business management, record keeping, budgeting, financing, and related administrative activities. These services provide the necessary developmental, organizational, and managerial support for effective operation of the Division and its programs.

Fundraising activities include conducting fundraising campaigns, preparing and distributing fundraising materials, and conducting other activities involving soliciting contributions from individuals, corporations, foundations, government agencies, and others.

Basis of Accounting - The Division uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - The financial statements of Sunshine Division have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the organization 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 organization. These net assets may be used at the discretion of the Division's management and the board of directors.
>
> **Net assets with donor restrictions**: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Division or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Equivalents - The Division considers all cash and other highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial. It is the Division’s policy to charge off uncollectible receivables when management determines the receivable will not be collected. Management has determined that an allowance for doubtful accounts was not necessary as of June 30, 2019.

Investments - Investments are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the gain (loss) on investments in the accompanying statements of activities.

Property and Equipment - Property and equipment are capitalized at original cost if purchased or at fair value if contributed. Depreciation is provided using the straight-line method over the estimated economic useful lives of 3 to 30 years for the related assets. Maintenance and repairs are charged to expense as incurred; expenditures for additions, improvements, and replacements in excess of $1,000 are generally capitalized.

Intangible Assets - Intangible assets with a determinable life are amortized over the life of the asset. Intangible assets with an indeterminable life, such as goodwill, are not amortized. All intangible assets are assessed annually for impairment. If necessary, an impairment loss is recognized to write down the asset to its estimated fair value.

Deferred Revenue - Deferred revenue consists of payments received in advance for events.

Restricted and Unrestricted Support - Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and nature of any donor imposed restrictions. All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor and are recorded as support when received.

Donor restricted support is reported as an increase in net assets with donor restrictions. When a stipulated time restriction expires or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Division reports gifts of property and equipment as increases in net assets without donor restrictions 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. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Division reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-Kind Contributions- The Division recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Division recognized various donated goods and services as reported in the statement of functional expenses and as included in direct expenses of the Winter Wonderland on the statement of activities.

The Division also receives services from a substantial number of volunteers who have donated significant amounts of time to assist in a range of program and fund-raising activities. These hours of general volunteer support are not reflected in the financial statements as they do not meet the criteria for recording donated services.

In-kind contributions of equipment and other materials are recorded when there is an objective basis upon which to value the contribution and where the contribution is an essential part of the Division's activities. Substantial donations of food, essential household items, and clothing are received by the Division, and are distributed to outside agencies and individual beneficiaries of the Division's emergency assistance programs. These donations are recorded by the Division as inventory and as unrestricted support (absent specific donor stipulations) when received, and as direct program expense when provided to outside agencies and individuals.

The Division uses certain vehicles and equipment owned and maintained by the City of Portland free of charge. The estimated fair value of this contribution for the year ended June 30, 2019, was $35,000.

Income Taxes- The Division is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions on all income except on net income derived from unrelated business activity. The Division is not classified as a private foundation.

Net income from Winter Wonderland ticket sales is considered unrelated business income, as it is a trade or business activity which is not substantially related to the exercise or performance of the Division's exempt purpose. The provision for Federal and state income taxes amounted to $26,500 and $17,000 for the years ended June 30, 2019 and 2018, respectively.

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, an organization must also evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. Management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Division files Form 990 in the U.S. federal jurisdiction and is subject to examination by U.S. federal tax authorities generally for three years from the filing of a tax return.

Unemployment Insurance - The Division is self-insured for unemployment and makes periodic payments to a trust company in an amount equal to estimated future claims. Deposits to the trust are recorded as an unemployment trust asset. Unemployment claims paid by the trust company reduce the trust asset and are expensed.

Advertising Expense - Advertising costs are charged to expense as they are incurred. The Division incurred $61,094 in advertising costs for the year ended June 30, 2019. Of this amount, $51,031 was for promoting ticket sales to the public for the Winter Wonderland light show event which is the Division's largest annual fundraiser.

Functional Allocation of Expenses - The costs of providing program and supporting activities have been summarized on a functional basis in the statements of activities. Specific expenses that are readily identifiable to a single program activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Accordingly, these expenses require allocation on a reasonable basis that is consistently applied. Payroll costs are allocated based on estimates of employee time and effort. Other expenses that are allocated are maintained in a shared cost pool that includes some payroll costs, professional services, occupancy, postage, office supplies, printing and copying, telephone and internet, some travel, depreciation and miscellaneous other costs. The shared cost pool is allocated across program and supporting services functions based on the estimated employee FTE of each function.

Financial Instruments with Concentrations of Risk- Financial instruments that potentially subject the Division to concentrations of risk consist principally of investments as described in Note 3.

The Division's investments, including those held at OCF, are exposed to various risks, such as interest rate, market, and credit risk. The value, liquidity, and related income of these investments are sensitive to changes in economic conditions and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits total approximately $740,232 and $548,004 as of June 30, 2019 and 2018, respectively. Management has assessed the risk of loss on such accounts as remote.

Estimates- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Financial Information for 2018- The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Division's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Reclassifications- Certain reclassifications have been made to the 2018 information to conform to the 2019 presentation.

Subsequent Events- Subsequent events were evaluated through January 31, 2020, which is the date the financial statements were available to be issued.

<u>New Accounting Pronouncement</u>

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Sunshine Division has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The new standards change the following aspects of Sunshine Division's financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).

The changes have the following effects on net assets reported as of June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 4,728,758	$ -
Temporarily restricted net assets	228,767	-
Permanently restricted net assets	1,829,319	-
Net assets without donor restrictions	-	4,728,758
Net assets with donor restrictions	-	2,058,086
Total net assets	$ 6,786,844	$ 6,786,844

NOTE 2 – AVAILABILITY AND LIQUIDITY

The Division regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Division's liquidity management plan, cash in excess of daily requirements is invested in interest-bearing checking accounts. The Board of Directors has also established an endowment fund, the internally-established operating terms of which are described in Note 8. The financial assets available to meet general expenditures over the next twelve months at June 30, 2019 displayed below represent approximately one-fourth of the Division's annual cash expenditures. In addition to financial assets available to meet general expenditures over the next 12 months at June 30, 2019, the Division consistently operates with a balanced budget, collecting sufficient revenue to cover general expenditures not covered with board-designated and donor-restricted resources.

For purposes of analyzing resources available to meet general expenditures over the next twelve months, the Division considers all expenditures related to its primary operations to be general expenditures, and excludes resources unavailable within one year due to contractual or donor-imposed restrictions and board designations.

The following represents the Division's financial assets available to meet general expenditures, including accrued expenses, over the next twelve months as of June 30, 2019:

Financial assets at year-end:	
Cash and equivalents, including Winter Wonderland	$ 967,986
Accounts receivable	4,828
Accrued trust distributions receivable	58,847
Investments	4,896,112
	5,927,773
Less: Board-designated endowments and other funds (Note 8)	(3,033,186)
Less: Donor restricted endowments (Note 9)	(1,865,353)
	(4,898,539)
Financial assets available to meet general expenditures over the next twelve months	$ 1,029,234

NOTE 3 – INVENTORY

Donated food and essential household items inventory valuations at June 30, 2019 and 2018, are determined on poundage and an average price per pound of $1.73. Management has estimated the approximate average wholesale value of one pound of donated food product using a national study performed by Feeding America as a guideline. Donated clothing inventory valuations at June 30, 2019 and 2018, are determined on poundage and an average price per pound of $10.04. Donated clothing inventory valuations are estimated by management based on an analysis of the types of donations received and the estimated fair market values associated with each. Purchased food is valued at cost on a first-in-first-out basis.

Inventory consists of the following as of June 30:

	2019	2018
Food and essential household items	$ 371,578	$ 456,409
Clothing	305,607	110,851
	$ 677,185	$ 567,260

NOTE 4 – INVESTMENTS

Investments are reported at fair value (also see Note 11) and consist of the following as of June 30:

	2019	2018
Cash	$ 37,107	$ 93,096
Exchange traded funds	617,299	-
Alternative funds	-	302,295
Equity mutual funds	471,340	656,242
Fixed income mutual funds	225,370	264,687
	1,351,116	1,316,320
Investments held at Oregon Community Foundation (OCF)	1,682,071	1,646,620
Beneficial interest in perpetual trusts maintained by OCF	1,389,430	1,367,734
Beneficial interest in pooled investments held by OCF	473,495	459,156
	$ 4,896,112	$ 4,789,830

Investments held at OCF (Sunshine Division Endowment Fund and Eddie Wilson Fund) - In March 1998, the Board of Directors entered into an agreement with the Oregon Community Foundation (OCF) to transfer certain investments to OCF in order to achieve improved performance results and enhanced long-term planned giving goals. The agreement stipulates that OCF will distribute annually, a percentage of the fair market value of the funds to the Division based on the expected total return on the investments of the permanent funds of OCF and other factors. The agreement specifies that such percentage shall not be less than a reasonable rate of return. Additional distributions may be made on a resolution of both the Division and OCF's Boards of Directors. The Division received from OCF a total of $67,611 and $64,385 in distributions for the years ended June 30, 2019 and 2018, respectively.

Beneficial interest in perpetual trusts held by OCF (Sunshine Division Inc. Fund and Brownfield Fund) - The Division has been named beneficiary of two perpetual trusts maintained by OCF. The beneficial interest in these trusts has been recorded using the fair value of the underlying assets in each trust. The Division receives annual distributions from these trusts based on the provisions of each trust agreement. These distributions, which are reported as investment income in the Division's statement of activities, increase unrestricted net assets. The fair market value of these perpetual trusts as of the date of initial donation and all subsequent fluctuations in the value of these perpetual trusts have been recorded as permanently restricted activity in the statement of activities. Investment income reported from these trusts for the years ended June 30, 2019 and 2018 totaled $80,544 and $59,104, respectively.

Beneficial interest in pooled investments held by OCF (Isabell Hoyt Kids Fund) - The beneficial interest in assets held by others consists of the Division's interest in a group of pooled investments held by the Oregon Community Foundation (OCF). In 2017, the Division entered into an agreement to transfer funds to OCF to establish a permanent fund as part of the stipulations of a donor. The Fund was established through an initial transfer of assets to OCF in return for the contractual promise of a perpetual stream of future distributions back to the Division, based on OCF's investment, spending and related policies. Although OCF accepted the transferred assets subject to its own variance power, the Division has retained a future economic beneficial interest in the transferred assets, having named itself as the beneficiary of the transferred funds and related future investment return. As of June 30, 2019, management believes that future distributions from OCF are capable of fulfillment and consistent with OCF's mission. The beneficial interest in polled investments held by OCF has been valued, as a practical expedient, at the fair value of the Division's share of the OCF's investment pool as of June 30, 2019. The Division received from OCF a total of $19,280 and $13,478 in distributions for the years ended June 30, 2019 and 2018, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of June 30:

	2019	2018
Land	$ 40,000	$ 40,000
Building	120,000	120,000
Building improvements	211,345	208,345
Equipment	635,620	549,026
Vehicles	102,852	102,852
Artwork	4,000	4,000
Leasehold improvements	25,756	23,605
	1,139,573	1,047,828
Less accumulated depreciation	(629,481)	(505,234)
	$ 510,092	$ 542,594

Depreciation and amortization expense on property and equipment totaled $127,248 for the year ended June 30, 2019, including $72,694 reported as a direct expense of the Winter Wonderland event in the statement of activities.

NOTE 6– INTANGIBLE ASSETS, NET

Intangible assets, net consist of the following at June 30:

	2019	2018
Goodwill	$ 181,000	$ 181,000
Covenant not to compete	15,000	15,000
Less accumulated amortization	(11,250)	(8,250)
Covenant not to compete, net	3,750	6,750
	$ 184,750	$187,750

The intangible assets are related to the 2016 acquisition of the business assets and concept rights of the Winter Wonderland. Management has assessed goodwill and concluded that no impairment exists at June 30, 2019. Amortization expense related to the covenant not to compete totaled $3,000 for the year ended June 30, 2019. The estimated future amortization expense for the covenant not to compete is as follows at June 30:

2020	$ 3,000
2021	750
	$ 3,750

NOTE 7 –LONG-TERM DEBT

As of June 30, 2018, the Division was obligated under a note agreement to Thunder Media, Inc., bearing interest at 2.25 percent per annum, with a remaining balance of $39,096. The remaining principal balance was paid in full in October 2018.

NOTE 8 – BOARD-DESIGNATED NET ASSETS

Board-designated net assets consist of the following as of June 30:

	2019	2018
Board-Designated Quasi-Endowment:		
Ameritrade/Morgan Stanley Investments	$ 1,351,116	$ 1,316,320
Sunshine Division Endowment Fund at OCF	1,398,738	1,369,255
	2,749,854	2,685,575
Eddie Wilson Fund	283,333	277,365
	$ 3,033,187	$ 2,962,940

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following as of June 30:

	2019	2018
Subject to expenditure for specific purposes:		
Izzy's Kids	$ 32,559	$ 28,035
Staffing, food purchases, and infrastructure	122,908	69,343
Food	111,245	81,193
SE Expansion	-	37,111
Capital campaign	3,085	3,085
Bank of America	10,000	10,000
	279,797	228,767
Donor-restricted endowments subject to spending policy and appropriation to support the following purposes:		
Beneficial interest in perpetual trusts:		
Sunshine Division Inc. Fund at OCF	113,286	111,533
Brownfield Fund at OCF	1,276,144	1,256,201
	1,389,430	1,367,734
Beneficial interest in pooled investments:		
Isabell Hoyt Kids Fund at OCF	473,495	459,156
Jorgensen Trust	2,428	2,429
	1,865,353	1,829,319
Total net assets with donor restrictions	$ 2,145,150	$ 2,058,086

During the years ended June 30, 2019 and 2018, net assets with donor restrictions amounting to $442,117 and $563,333, respectively, were released from restriction by incurring expenses satisfying donor stipulations or by the expiration of time-related restrictions.

NOTE 10 - PENSION PLAN

The Division has a defined contribution plan covering all employees who have completed one year of employment of at least 1,000 hours. The Division's contribution is 3 percent of each eligible participant's compensation. In addition, the Division makes a matching contribution equal to 50 percent of employee salary deferrals, not to exceed 2 percent of eligible compensation. Pension expense is included in employee benefits expense for the years ended June 30, 2019 and 2018 totaled $20,493 and $18,656, respectively.

NOTE 11 – FAIR VALUE MEASUREMENTS

Assets recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. In order to increase consistency and comparability in fair measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1- Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2- Observable inputs other than Level 1 inputs such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with market data.

Level 3- Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

The following sets forth, by level within the fair value hierarchy, the Division's assets measured at fair value on a recurring basis as of June 30, 2019:

		Fair Value Measurements Using:		
Description	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Investments held at TD Ameritrade:				
Cash	$ 37,107	$ 37,107	$ -	$ -
Exchange traded funds	617,299	617,299		
Equity mutual funds	471,340	471,340	-	-
Fixed income funds	225,370	225,370	-	-
	1,351,116	1,351,116	-	-
Investments held at OCF	1,682,071	-	-	1,682,071
Beneficial interest in perpetual trusts maintained by OCF	1,389,430	-	-	1,389,430
Beneficial interest in pooled investments held by OCF	473,495	-	-	473,495
	$ 4,896,112	$ 1,351,116	$ -	$ 3,544,996

The Division uses the following methods to estimate fair values for assets measured at fair value on a recurring basis:

Investments - Investments are valued by reference to quoted market prices and other relevant information generated by market transactions.

Investments held at OCF – Investments held at OCF represent the Division's share of a pooled investment portfolio managed by OCF. The Division's share of the pooled investment portfolio is not actively traded, and significant other observable inputs are not available. OCF investments in pooled funds are valued at the net asset per unit provided by OCF trustees. Net asset value is based on fair value of the underlying assets of the funds using a market approach, using quoted market prices when available.

Beneficial interest in perpetual trusts maintained by OCF and in pooled investments held by OCF– The Division's beneficial interests are not actively traded. The underlying assets are invested in OCF's pooled investment portfolio described above.

A summary of the fair value measurements using unobservable inputs (Level 3) for the year ended June 30, 2019, is as follows:

	Investments Held at OCF	**Beneficial Interest in Perpetual Trusts Maintained by OCF**	**Beneficial Interest in Pooled Investments held by OCF**
Balance, July 1, 2018	$ 1,646,620	$ 1,367,734	$ 459,156
Contributions to beneficial interests	-	-	-
Change in value of beneficial interests	-	21,696	14,339
Interest and dividends	11,798	-	-
Contributions to OCF	-	-	-
Realized and unrealized gains	102,562	-	-
Fees paid to OCF	(11,298)	-	-
Distributions from OCF	(67,611)	-	-
Balance, June 30, 2019	$ 1,682,071	$1,389,430	$ 473,495

NOTE 12- ENDOWMENT FUNDS: BOARD-DESIGNATED QUASI-ENDOWMENTS & DONOR-RESTRICTED ENDOWMENTS

The Division's endowment includes both donor-restricted funds (beneficial interests in perpetual trusts maintained by OCF and pooled investments held by OCF) and funds designated by the Board of Directors to function as endowments (investments and certain funds held at OCF). As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) governs Oregon charitable institutions with respect to the management, investment and expenditure of donor-restricted endowment funds.

The Division's Board of Directors has interpreted Oregon's adoption of UPMIFA as requiring the Division to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the Division has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Other factors include: the purposes of the Division and the fund; general economic conditions; the possible effects of inflation; the expected total return from income and the appreciation of investments; other resources of the Division; and the investment policies of the Division.

Furthermore, in accordance with UPMIFA, a portion of the endowment's original gift may be appropriated for expenditure in support of the restricted purposed of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA. As a result of this interpretation, the Division classifies as endowment principal (1) the original value of gifts donated to the donor-restricted endowment, (2) subsequent gifts to the endowment, and (3) accumulations to the endowment made pursuant to the direction of the applicable donor gift instrument.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as accumulated endowment return until those amounts are appropriated for expenditure by the Division in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Any investment return classified as endowment principal represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce accumulated endowment return to the extent that donor=imposed restriction on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces endowment principal.

Endowment with Deficiencies

From time to time, the fair value of assets associated with individual donor-restrice4d endowments may fall below the level that the donor or UPMIFA requires the Division to retain as a fund of perpetual duration. In addition, the Division's Board of Directors interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law, and the organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater.

Investment Strategy and Endowment Spending Policies

For Board-designated quasi-endowment funds not held by OCF, the Board of Directors of the Division has adopted investment and spending policies for Board-designated endowment assets that attempt to provide a consistent stream of income necessary to further the charitable objectives of the Division and then to secure sufficient growth in the invested assets to offset the impact of inflation and administrative expense.

For Board-designated quasi-endowment funds held by OCF, the Division has an agreement with OCF to distribute annually an appropriate percentage as determined by OCF's Board of Directors under its spending policy and based on the preceding 13-quarter average fund balance to the Division.

OCF follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the investment portfolio, combining market-value changes (realized and unrealized), and current yield (interest and dividends). Funds held with OCF are invested in a mixture of equities, fixed-income instruments, and alternative investment classes, such as hedge funds, distressed debt, private investments, and cash. The Division believes the investment and spending policy is consistent with the Division's objective to maintain purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

The investment of the Division's beneficial interest in perpetual trusts is determined by trustees of the trusts rather than the Division. The Division has the right to receive distributions but does not have access to the underlying assets of the trusts.

Endowment net asset composition as of June 30, 2019 is as follows:

	Without Donor Restriction: Board-Designated				
	Held by OCF	**Other**	**Total**	**With donor restrictions**	**Total**
Board-designated funds	$ 1,398,738	$ 1,351,116	$ 2,749,854	$ -	$ 2,749,854
Beneficial interest in perpetual trusts	-	-	-	1,389,430	1,389,430
Beneficial interest in Pooled investments	-	-	-	473,495	473,495
Cash and cash equivalents	-	-	-	2,428	2,428
Total all endowment funds	$ 1,398,738	$ 1,351,116	$ 2,749,854	$ 1,865,353	$ 4,615,207

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets at June 30, 2018	$ 2,685,574	$ 1,829,318	$ 4,514,892
Contributions	-	-	-
Investment income	120,498	36,035	156,533
Amounts appropriated for expenditure	(56,218)	-	(56,218)
Endowment net assets at June 30, 2019	$ 2,749,854	$ 1,865,353	$ 4,615,207

NOTE 13 – UNEMPLOYMENT TRUST

Sunshine Division, Inc., is a participating member of the First Nonprofit Unemployment Savings Program, a revocable grantor trust composed of individual 501(c)(3) organizations. The Trust acts as a servicing agent for funds contributed by its participating members for payment of unemployment claims. As a participating member of the Trust, the Division. is able to take advantage of the benefits of directly reimbursing unemployment claims generally at a lower cost than paying state unemployment taxes.

Contributions to the Trust are recommended by the Trust's actuary based on analyses of historical claims experience and current economic conditions in order to approximate future unemployment obligations of the Division. Contributions totaled $3,350 and $5,701 for the years ended June 30, 2019 and 2018, respectively. Claims are paid by the Trust on behalf of the Division to the State of Oregon for unemployment claims paid to former employees of the Divison. The obligation for the estimated future claim liabilities of each participating member is ultimately the responsibility of that member. Since contributions are based on actuarial estimates, the amounts held in trust at a given time may be less than the potential future unemployment obligations of the Division. There were no uunemployment claims paid on behalf of the Division during the year ended June 30, 2019. The June 30, 2019 financial statements reflect a trust balance of $10,588. The June 30, 2018 financial statements reflect a trust balance of $7,238.

NOTE 14 – LEASE COMMITMENTS

The Division leases an additional program office under a non-cancelable operating lease expiring October 31, 2021. The approximate monthly rent under the agreement is $3,997 per month, increasing by approximately 2% each subsequent year of the lease. The Division also leases storage space under a short-term lease renewable annually.

Total rent expense approximated $68,512 and $43,955 for the years ended June 30, 2019 and 2018, respectively, which included donated warehouse space of approximately $5,900 and $7,500 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease commitments under operating leases are as follows:

Year Ending June 30,	
2020	$ 49,576
2021	16,634
	$ 66,210

NOTE 15 – RELATED PARTY TRANSACTIONS

The Vice-Chair of the Division's Board of Directors is the CEO of vendor for fundraising, marketing and operating the Division's Winter Wonderland event. Expenses to this vendor amounted to approximately $181,300 and $139,500 for the years ended June 30, 2019 and 2018, respectively.