SUNSHINE DIVISION, INC.

FINANCIAL STATEMENTS

June 30, 2023

With

Independent Auditor's Report

SUNSHINE DIVISION, INC.
JUNE 30, 2023
CONTENTS

Richman & Associates, LLC
Certified Public Accountants
3269 NE Alameda Terrace
Portland, OR 97212
(503) 295-3780

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in 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. 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 Sunshine Division, Inc. 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, which raise substantial doubt about Sunshine Division, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 Sunshine Division, Inc.'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, which raise substantial doubt about Sunshine Division, Inc.'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.

Report on Prior Year Summarized Comparative Information

We have previously audited Sunshine Division, Inc.'s 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 19, 2023. In our opinion, the summarized comparative information as restated and presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Richman & Associates, LLC

December 18, 2023
Portland, Oregon

SUNSHINE DIVISION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2023
(With comparative amounts for 2022)

	2023	2022
Assets		
Cash and equivalents	$ 2,572,210	$ 4,091,498
Operating investments (Note 3)	4,471,790	1,498,214
Operating investments restricted to facility acquisition project (Note 3)	870,651	-
Accounts receivable	91,640	76,064
Promises to give, net, restricted to facility acquisition project (Note 4)	578,462	541,375
Prepaid expenses	110,797	87,018
Inventory (Note 5)	529,346	404,090
Unemployment trust reserve (Note 6)	16,575	6,830
Property and equipment, net (Note 7)	436,236	442,497
Operating lease right-of-use asset (Note 9)	172,420	-
Finance lease right-of-use asset (Note 9)	5,065	-
Endowments: (Note 3)		
Beneficial interest in assets held by community foundation	2,655,652	2,583,286
Investments	1,611,832	1,438,495
Goodwill, net (Note 8)	126,700	144,800
Total assets	$ 14,249,376	$ 11,314,167
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued payroll liabilities	$ 116,775	$ 207,098
Refundable advances	7,069	-
Operating lease liability (Note 9)	174,173	-
Finance lease liability (Note 9)	5,123	-
Total liabilities	303,140	207,098
Commitments (Notes 9 and 15)		
Net assets		
Without donor restrictions		
Undesignated	2,386,643	3,309,771
Designated by the Board for operating reserve	1,011,811	-
Designated by the Board for facility acquisition project	2,970,000	1,498,214
Designated by the Board for endowment (Note 11)	3,753,946	3,536,969
In-kind food inventory	529,346	404,090
Net investment in fixed assets, leases, and goodwill	561,125	587,297
Total without donor restrictions	11,212,871	9,336,341
With donor restrictions (Note 10)	2,733,365	1,770,728
Total net assets	13,946,236	11,107,069
Total liabilities and net assets	$ 14,249,376	$ 11,314,167

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023
(With comparative totals for 2022)

	2023			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**2022**
Support and revenue				
Grants and contributions	$ 2,940,582	$ 866,084	$ 3,806,666	$ 2,784,972
Grants and contributions-facility acquisition project	-	717,654	717,654	541,375
In-kind contributions	4,230,799	-	4,230,799	4,719,314
Winter Wonderland revenue				
Contributions	125,766	-	125,766	140,120
In-kind contributions	-	-	-	4,010
Ticket sales	956,762	-	956,762	1,153,698
Less: Cost of sales	(679,825)	-	(679,825)	(619,316)
Net Winter Wonderland revenue	402,703	-	402,703	678,512
Special event revenue	543,568	-	543,568	430,782
Less: Costs of direct benefits to donors	(114,624)	-	(114,624)	(86,404)
Net special event revenue	428,944	-	428,944	344,378
Net investment return	276,812	229	277,041	(247,724)
Distributions from & change in value of beneficial interest in assets held by community foundation	124,177	49,751	173,928	(214,113)
Other income	56,943	-	56,943	19,069
Net assets released from restrictions	671,081	(671,081)	-	-
Total support and revenue	9,132,041	962,637	10,094,678	8,625,783
Expenses				
Program services				
Food, clothing and other client assistance	4,275,826	-	4,275,826	4,984,847
Other program expenses	1,737,811	-	1,737,811	1,808,320
Total program services	6,013,637	-	6,013,637	6,793,167
Supporting services				
Management and general	354,250	-	354,250	312,516
Fundraising and development	847,624	-	847,624	799,550
Total supporting services	1,201,874	-	1,201,874	1,112,066
Total expenses	7,215,511	-	7,215,511	7,905,233
Change in net assets before provision for income taxes	1,916,530	962,637	2,879,167	720,550
Provision for income taxes	40,000	-	40,000	174,645
Change in net assets after provision for income taxes	1,876,530	962,637	2,839,167	545,905
Net assets, beginning of year	9,336,341	1,770,728	11,107,069	10,561,164
Net assets, end of year	$ 11,212,871	$ 2,733,365	$ 13,946,236	$ 11,107,069

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023
(With comparative totals for 2022)

	2023									
	Program Services			Supporting Services						
	Food & Clothing Assistance Services	Winter Wonderland	Total Program Services	Management and General	Fundraising & Development	Total Supporting Services	Costs of Direct Benefits to Donors	Shared Cost Pool	Total	2022
Food, clothing and other client assistance										
In-kind food distribution direct to clients	$ 2,670,521	$ -	$ 2,670,521	$ -	$ -	$ -	$ -	$ -	$ 2,670,521	$ 3,208,616
In-kind food & clothing distribution to outside agency partners	836,773	-	836,773	-	-	-	-	-	836,773	1,386,616
Purchased food distribution direct to clients	705,487	-	705,487	-	-	-	-	-	705,487	369,615
Gift cards issued for client food & clothing	53,795	-	53,795	-	-	-	-	-	53,795	43,211
Emergency client assistance - other in-kind	9,250	-	9,250	-	-	-	-	-	9,250	20,000
Total food, clothing and other client assistance	4,275,826	-	4,275,826	-	-	-	-	-	4,275,826	5,028,058
Other expenses										
Salaries and wages	498,190	49,401	547,591	209,229	400,235	609,464	-	-	1,157,055	1,121,524
Employee benefits	24,725	2,650	27,375	12,316	20,655	32,971	-	40,261	100,607	84,928
Payroll taxes	35,152	3,436	38,588	15,252	28,760	44,012	-	16,480	99,080	103,887
Occupancy	650,650	78,948	729,598	1,513	1,709	3,222	-	20,952	753,772	673,290
Professional fees	112,905	258,675	371,580	49,237	91,633	140,870	-	7,967	520,417	570,248
Advertising and promotion	-	55,300	55,300	13,331	119,548	132,879	-	443	188,622	159,428
Events	-	6,400	6,400	-	-	-	114,624	-	121,024	149,014
Equipment rentals, repairs and maintenance	63,373	96,545	159,918	-	151	151	-	13,511	173,580	119,335
Supplies, postage, and fees	104,346	8,465	112,811	5,490	13,974	19,464	-	12,160	144,435	122,976
Information technology	7,250	519	7,769	4,079	11,451	15,530	-	75,897	99,196	57,148
Transportation & logistics	61,125	14,227	75,352	-	-	-	-	-	75,352	67,440
Printing and copying	134	826	960	185	40,685	40,870	-	722	42,552	48,793
Insurance	15,646	13,600	29,246	-	325	325	-	25,369	54,940	75,563
Depreciation and amortization	-	29,357	29,357	-	-	-	-	60,383	89,740	98,650
Goodwill amortization	-	18,100	18,100	-	-	-	-	-	18,100	18,100
Meals and travel	4,670	94	4,764	3,795	3,606	7,401	-	1,094	13,259	23,875
Interest	-	-	-	-	-	-	-	161	161	-
Service fees and other	1,315	43,282	44,597	1,230	35,811	37,041	-	604	82,242	88,696
Shared cost allocation	158,330	-	158,330	38,593	79,081	117,674	-	(276,004)	-	-
	1,737,811	679,825	2,417,636	354,250	847,624	1,201,874	114,624	-	3,734,134	3,582,895
Total expenses by function	6,013,637	679,825	6,693,462	354,250	847,624	1,201,874	114,624	-	8,009,960	8,610,953
Less expenses included with revenues on the statement of activities:										
Cost of sales	-	(679,825)	(679,825)	-	-	-	-	-	(679,825)	(619,316)
Special event direct benefits to donors	-	-	-	-	-	-	(114,624)	-	(114,624)	(86,404)
Total expenses included in the expense section on the statement of activities	$ 6,013,637	$ -	$ 6,013,637	$ 354,250	$ 847,624	$ 1,201,874	$ -	$ -	$ 7,215,511	$ 7,905,233

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC.
STATEMENT OF CASH FLOWS
For the Year ended June 30, 2023
(With comparative totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 2,839,167	$ 545,905
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	107,840	116,750
Present value discount on non-current unconditional promises to give	9,207	8,625
(Gain) loss on investments	(441,492)	500,896
(Gain) loss on disposition of fixed assets	3,056	1,007
(Increase) decrease in:		
Accounts receivable	(15,576)	(51,033)
Prepaid expenses	(23,779)	(3,997)
Inventory	(125,256)	417,808
Contributions receivable	(46,294)	(550,000)
Unemployment trust reserve	(9,745)	(2,648)
Operating lease right-of-use asset	49,131	-
Finance lease right-of-use asset	1,947	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(90,323)	(25,989)
Refundable advances	7,069	-
Operating lease liability	(47,378)	-
Net cash provided by (used in) operating activities	2,217,574	957,324
Cash flows from investing activities:		
Purchases of investments	(3,750,000)	(1,646,468)
Proceeds from sales of investments	101,562	92,595
Purchases of property and equipment	(86,535)	(16,288)
Net cash provided by (used in) investing activities	(3,734,973)	(1,570,161)
Cash flows from financing activities:		
Principle paid on finance lease liability	(1,889)	-
Net cash provided by (used in) financing activities	(1,889)	-
Net increase (decrease) in cash and equivalents	(1,519,288)	(612,837)
Cash and equivalents, beginning of year	4,091,498	4,704,335
Cash and equivalents, end of year	$ 2,572,210	$ 4,091,498
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	$ 40,000	$ 174,645
Operating lease right-of-use asset and liability recognized upon change in accounting principle	$ 221,551	$ -
Finance lease right-of-use asset and liability recognized upon change in accounting principle	$ 7,012	$ -

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Since 1923, Sunshine Division, Inc. (Sunshine Division) has provided free emergency food and clothing to Portland Metro area families and individuals in need. Whether due to the loss of a job, domestic crime, illness, or other extraordinary events, Sunshine Division has built a legacy of mobilizing quickly and efficiently to assist those in crisis. Sunshine Division's activities are primarily funded from individual & corporate donors, foundation grants, and events. We accomplish our mission through the generosity of our donors, a small staff, exceptional volunteers, engaged board, and a historically evolving number of programs including:

- Free food assistance provided up to six days a week at our facilities in North and Southeast Portland.
- A Home Delivery Program that provides emergency food boxes directly to homes for homebound Portlanders otherwise unable to secure food. This program delivered food boxes for up to 360 residences per week.
- Emergency response 24-hours a day through our partnership with the Portland Police Bureau. The Bureau stores food boxes at each police precinct so they can be dispatched to those in need at any time.
- With the support of hundreds of volunteers, including Portland Police Officers, distribution of 2,500 holiday food boxes directly to the homes of those in need.
- Targeted school related emergency food programs including on site food box distributions, summer breakfast programs, and holiday outreach.
- Support to local hunger relief agencies, social service organizations, schools, churches, and first responders periodically throughout the year. This support includes distribution of food in bulk quantities as well as assembled food boxes at various times during the year and wide-ranging bulk distributions during the holidays.
- A shopping experience for low-income children through the Izzy's Kids program, which pairs a police officer and a child in need so they can go shopping for new school clothes.

Relationship with the Portland Police Bureau

The Portland Police Bureau provides an Officer to act as an internal and external liaison from the Bureau and City of Portland to the Sunshine Division. This Officer assists in implementing Sunshine Division's programs and is a connector of Sunshine Division services to a wide array of City programs and departments, local non-profits, and faith-based organizations that intersect with the City of Portland and the Bureau. The Officer also serves the sworn and non-sworn members of the Bureau to connect them to year-round resources from the Sunshine Division, to assist individuals in crisis. When any Officer encounters a crisis, poverty, or is advocating for a victim, they can easily distribute emergency food or clothing assistance to the family or individual and refer them to Sunshine Division for continuing assistance. Two representatives of the Portland Police Bureau serve on Sunshine Division's fourteen-member Board of Directors.

Basis of Accounting

Sunshine 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 net assets, revenues, gains, and losses based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

> **Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board designated endowment fund, an operating reserve and for building acquisition.
>
> **Net assets with donor restrictions**: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Sunshine 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 and reported as net assets released from restrictions in the statement of activities. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time period has elapsed, when the purpose for which the resource was restricted has been fulfilled, or both. Conditional contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Cash and Equivalents

Sunshine Division considers all cash and highly liquid investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to facility acquisition projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due from special events and cost-reimbursement agreements. The allowance for uncollectible accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. Management has determined that an allowance for doubtful accounts was not necessary as of June 30, 2023 or 2022.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The allowance for uncollectible promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. Management has determined that an allowance for uncollectible promises to give was not necessary as of June 30, 2023 or 2022.

Investments

Investments purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported on the statement of activities as interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expense.

Property and Equipment

Property and equipment additions of over $5,000 are capitalized at original cost if purchased or at fair value if contributed. Depreciation and amortization are computed using the straight-line method over the estimated economic useful lives of 3 to 30 years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Sunshine Division reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2023 or 2022.

Intangible Assets

<u>Goodwill</u> – Prospectively beginning as of July 1, 2020, Sunshine Division amortizes goodwill over 10 years using the straight-line method. Sunshine Division has elected the accounting alternative for the evaluation of a goodwill impairment triggering event, as allowed under U.S. GAAP. The Organization performs the goodwill impairment triggering event evaluation as of the end of the reporting period (Sunshine Division's fiscal year end), by evaluating the facts and circumstances at the end of the reporting period, rather than during the reporting period as triggering events may occur.

<u>Other intangibles</u> – Sunshine Division amortizes other intangibles over the life of the asset using the straight-line method.

Beneficial Interest in Assets Held by Community Foundation

In 1998, Sunshine Division established an endowment fund that is perpetual in nature (the Fund) under Oregon Community Foundation's (OCF) endowment partners program, and named Sunshine Division as beneficiary. In 2017, Sunshine Division entered into a second agreement to transfer funds to OCF to establish a permanent fund as part of the stipulations of a donor (also part of the Fund). The Fund was established through an initial transfer of assets from Sunshine Division to OCF in return for the contractual promise of a perpetual stream of future distributions back to Sunshine Division, based on OCF's investment, spending, and related policies. Variance power was granted to OCF in all agreements, which allows OCF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of the OCF Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by OCF for Sunshine Division's benefit, and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized on the statement of activities.

Revenue and Revenue Recognition

Contracts with customers - Sunshine Division recognizes contract services for logistical support of food delivery programs when the performance obligations of transferring the products and providing the services are met. Winter Wonderland ticket sales are recorded at the time of purchase. Special events revenue is comprised of an exchange element based on the direct benefit donors receive and a contribution element for the difference. Special events revenue equal to the fair value of direct benefit to donors is recognized when the special event takes place. The contribution component of a special event is recognized immediately, unless there is a right of return if the special event does not take place.

Contributions - Sunshine Division recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Donations in-kind – Sunshine Division receives various forms of in-kind donations including food, essential household items, clothing, in-kind services, and in-kind use of facilities, vehicles, and equipment. Donations in-kind are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized.

Substantial donations of food, essential household items, and clothing are received by Sunshine Division, and are distributed to outside agencies and individual beneficiaries of Sunshine Division's emergency assistance programs. These donations are recorded as inventory and as unrestricted support (absent specific donor stipulations) when received, and as direct program expense when provided to outside agencies and individuals. These donations are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. These donated goods are not sold and are only distributed for program use. See Note 5.

Sunshine 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. Contributed professional services are recorded at their estimated fair value using current market rates from similar vendors and comparable professionals.

In-kind use of facilities, vehicles, and equipment are valued at estimated fair market rental values. See Note 14.

In addition to contributed nonfinancial assets, approximately 3,000 volunteers contribute significant amounts of time to Sunshine Division's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by generally accepted accounting principles.

Unemployment Insurance

Sunshine Division is partially self-insured for unemployment benefits 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. See Note 6.

Income Taxes

Sunshine 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. Sunshine 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 Sunshine Division's exempt purpose. The provision for Federal and state income taxes amounted to $40,000 and $174,645 for the years ended June 30, 2023 and 2022, 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.

Sunshine 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.

Advertising Expense

Advertising costs are charged to expense as they are incurred. Sunshine Division incurred $188,622 in advertising costs for the year ended June 30, 2023. Of this amount, $55,300 was for promoting ticket sales to the public for the Winter Wonderland light show event which is Sunshine Division's largest annual fundraiser. Sunshine Division incurred $159,428 in advertising costs for the year ended June 30, 2022. Of this amount, $55,475 was for promoting ticket sales to the public for the Winter Wonderland light show event. Sunshine Division, in most cases, secures sponsorship revenue to offset advertising expenses.

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, utilities, IT infrastructure and software, office supplies, 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 Sunshine Division to concentrations of risk consist principally of investments as described in Note 3.

Sunshine 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.

Sunshine Division 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 $2,937,796 and $3,589,741 as of June 30, 2023 and 2022, 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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Summarized Financial Information for 2022

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 Sunshine Division's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Subsequent events were evaluated through December 18, 2023, which is the date the financial statements were available to be issued.

Adopted Accounting Pronouncements

Effective July 1, 2022, Sunshine Division has implemented Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases*, as subsequently amended and clarified, utilizing all available practical expedients. The most significant change in the new leasing guidance is the requirement to recognize on the statement of financial position right-of-use (ROU) assets and lease liabilities for operating leases with terms greater than 12 months and for finance leases. See Note 9.

NOTE 2 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	2023	2022
Cash and equivalents	$ 2,572,210	$ 4,091,498
Operating investments	4,471,790	1,498,214
Accounts receivable	91,640	76,064
	7,135,640	5,665,776
Less: Board-designated operating reserve	(1,011,811)	-
Less: Board-designated for facility acquisition project	(2,970,000)	(1,498,214)
Less: Donor restricted for facility acquisition project	-	(731,460)
	(3,981,811)	(2,229,674)
Financial assets available to meet general expenditures over the next twelve months	$ 3,153,829	$ 3,436,102

`

For purposes of analyzing resources available to meet general expenditures over the next twelve months, Sunshine 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.

Sunshine 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 Sunshine Division's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs and interest-bearing checking and money market accounts. Sunshine Division consistently operates with a balanced budget, collecting sufficient revenue to cover general expenditures not covered with board-designated and donor-restricted resources. During the year ended June 30, 2023, the Board designated $1,011,811 of its operating surplus to create an operating reserve equivalent to approximately 3 months of operating expenses.

Sunshine Division has a Board-designated endowment, the operating terms of which are described in Note 11. Although the organization does not intend to spend from this Board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), $1,611,832 of these amounts could be made available if necessary. The remaining $2,142,114 is held by the Oregon Community Foundation and can only be accessed with a majority vote of both the Sunshine Division's and Oregon Community Foundation's Boards of Directors.

Sunshine Division has completely outgrown its current headquarter facility, which has served us well since 1975. We have been relying on temporarily donated warehouse space for the past 3 years. The Board of Directors has authorized an active search for the acquisition of facilities costing up to $7,300,000, inclusive of necessary improvements. For this purpose, the Board of Directors has designated $2,970,000 from available funds for a purchase down payment and any necessary improvements and initiated a $6,500,000 Capital Campaign to raise additional funds over the next 5-6 years, of which $870,651 has been received and an additional $578,462 has been unconditionally promised as of June 30, 2023. See Notes 4 and 10.

NOTE 3 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

Sunshine Division reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes inputs as follows:

Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3- Unobservable inputs for the asset or liability. In these situations, little or no market data is available and inputs are developed using the best information available in the circumstances. The fair value hierarchy gives lowest priority to Level 3 inputs.

A significant portion of Sunshine Division's investments are classified as Level 1 because they comprise open-ended mutual funds with readily determinable fair values based on daily redemption values. Sunshine Division invests in CDs traded in the financial markets. Those CDs are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified as Level 2. The fair value of beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

The following sets forth, by level within the fair value hierarchy, Sunshine Division's assets measured at fair value on a recurring basis as of June 30, 2023:

		Fair Value Measurements Using:		
Description	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Operating investments:				
Cash (at cost)	$ 1,092,486	$ -	$ -	$ -
Certificates of deposit	1,999,955	-	1,999,955	-
Fixed income mutual funds	2,250,000	2,250,000	-	-
	$ 5,342,441	$ 2,250,000	$ 1,999,955	$ -
Beneficial interest in assets held by community foundation	$ 2,655,652	$ -	$ -	$ 2,655,652
Endowment investments:				
Cash (at cost)	$ 79,835	$ -	$ -	$ -
Exchange traded funds	892,729	892,729	-	-
Equity mutual funds	380,050	380,050	-	-
Fixed income mutual funds	259,218	259,218	-	-
	$ 1,611,832	$ 1,531,977	$ -	$ -

Operating investments are reported on the statement of financial position as the following at June 30, 2023:

Operating investments	$ 4,471,790
Operating investments restricted to facility acquisition project	870,651
	$ 5,342,441

The following sets forth, by level within the fair value hierarchy, Sunshine Division's assets measured at fair value on a recurring basis as of June 30, 2022:

		Fair Value Measurements Using:		
Description	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Operating investments:				
Cash (at cost)	$ 250,022	$ -	$ -	$ -
Certificates of deposit	1,248,192	-	1,248,192	-
	$ 1,498,214	$ -	$ 1,248,192	$ -
Beneficial interest in assets held by community foundation	$ 2,583,286	$ -	$ -	$ 2,583,286
Endowment investments:				
Cash (at cost)	$ 36,086	$ -	$ -	$ -
Exchange traded funds	752,653	752,653	-	-
Equity mutual funds	380,401	380,401	-	-
Fixed income mutual funds	269,355	269,355	-	-
	$ 1,438,495	$ 1,402,409	$ -	$ -

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable input (Level 3), which consists entirely of the beneficial interest in assets held by community foundation, for the years ending June 30, 2023 and 2022:

Balance, July 1, 2021	$ 2,781,293
Purchases/contributions of investments	105,151
Investment return, net	(214,113)
Distributions	(89,045)
Balance, June 30, 2022	2,583,286
Purchases/contributions of investments	-
Investment return, net	173,928
Distributions	(101,562)
Balance, June 30, 2023	$ 2,655,652

NOTE 4 – PROMISES TO GIVE

During the year ended June 30, 2022, Sunshine Division initiated a capital campaign for the acquisition of a new operating facility. Unconditional capital campaign promises consist of the following as of June 30:

	2023	2022
Receivable in less than one year	$ 239,633	$ 350,000
Receivable in one to five years	356,661	200,000
	596,294	550,000
Less discount to net present value at rates ranging from 2.99% to 4.87%	(17,832)	(8,625)
	$ 578,462	$ 541,375

NOTE 5 – INVENTORY

Donated food and essential household items inventory valuations at June 30, 2023 and 2022, are determined on poundage and an average price per pound of $1.74 and $1.60, respectively. Management has estimated the approximate average wholesale value of one pound of donated food product using a national study performed by a national hunger nonprofit, and other sources, as a guideline. Purchased food is valued at cost on a first-in-first-out basis.

Donated clothing inventory valuation at June 30, 2022 was determined on poundage and an average price per pound of $10.04. Donated clothing inventory valuation was estimated by management based on an analysis of the types of donations received and the estimated fair market values associated with each.

Inventory consists of the following as of June 30:

	2023	2022
Food and essential household items	$ 529,346	$ 342,726
Clothing	-	61,364
	$ 529,346	$ 404,090

NOTE 6– UNEMPLOYMENT TRUST

Sunshine Division 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, Sunshine 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 Sunshine Division. Contributions totaled $9,698 and $9,205 for the years ended June 30, 2023 and 2022, respectively. Claims are paid by the Trust on behalf of Sunshine Division to the State of Oregon for unemployment claims paid to former employees of Sunshine Division. 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 Sunshine Division. Unemployment claims paid on behalf of Sunshine Division during the years ended June 30, 2023 and 2022 totaled $0 and $6,571, respectively. Unemployment trust reserve balances amounted to $16,575 and $6,830 as of June 30, 2023 and 2022, respectively.

NOTE 7 – PROPERTY AND EQUIPMENT, NET

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

	2023	2022
Land	$ 40,000	$ 40,000
Building	120,000	120,000
Building improvements	155,671	185,538
Leasehold improvements	25,756	25,756
Furniture and equipment	548,241	673,234
Vehicles	289,742	283,342
Artwork	-	4,000
	1,179,410	1,331,870
Less accumulated depreciation	(743,174)	(889,373)
	$ 436,236	$ 442,497

Depreciation and amortization expense on property and equipment totaled $89,740 and $116,750, including $29,357 and $53,787 reported as a direct expense of the Winter Wonderland event, for the years ended June 30, 2023 and 2022, respectively.

NOTE 8 – GOODWILL, NET

Goodwill, net consists of the following at June 30:

	2023	2022
Goodwill	$ 181,000	$ 181,000
Less accumulated amortization	(54,300)	(36,200)
	$ 126,700	$ 144,800

Goodwill was acquired in fiscal 2016 as part of the acquisition of the business assets and concept rights of the Winter Wonderland event. As discussed in Note 1, the Organization has elected the option to amortize goodwill over 10 years, as allowed under U.S. GAAP. Goodwill amortization for each of the years ended June 30, 2023 and 2022 was $18,100. Management has assessed goodwill and concluded that no impairment exists at June 30, 2023.

NOTE 9 – LEASES

Sunshine Division leases certain facilities and equipment under long-term operating lease and financing lease agreements. Included in the determination of the right-of-use assets and lease liabilities are any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implied in the lease. Sunshine Division has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. This risk-free rate option has been applied to the facility and equipment classes of assets.

Sunshine Division has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Sunshine Division leases a program office facility under an operating lease through October 31, 2026, including a cancellation clause requiring 270-day notice. The operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease requires Sunshine Division to pay insurance. The lease contains one remaining 3-year renewal. The lease provides for increases in future minimum annual rental payments and has a remaining lease term of 3.33 years as of June 30, 2023. A risk-free discount rate of 2.88% was applied to the calculation.

Future minimum lease payments under the operating lease are as follows:

Year Ending June 30,		
2024	$	53,662
2025		54,735
2026		55,830
2027		18,733
Total lease payments		182,960
Less: interest (discount)		(8,787)
Present value of operating lease liability	$	174,173

Total lease expense related to this operating lease for the year ended June 30, 2023, amounted to $54,362. Amortization of operating lease right-of-use asset amounting to $49,131, and principal payments on the operating lease liability amounting to $47,378, were included in the determination of cash flows from operating activities on the statement of cash flows the year ended June 30, 2023.

Total rent expense, including expenses from the facility operating lease, approximated $682,493 and $602,721 for the years ended June 30, 2023 and 2022, respectively. This includes donated warehouse and other space of approximately $550,000 and $475,885 for the years ended June 30, 2023 and 2022, respectively.

Sunshine Division has a finance lease for an office copier. The lease agreement allows for an extension of the lease period and does not permit early termination. The lease has a remaining term of 2.17 years as of June 30, 2023. A risk-free discount rate of 3.54% was applied to the calculation.

Future maturities of the finance lease liability are as follows:

Year Ending June 30,		
2024	$	2,460
2025		2,460
2026		410
Total lease payments		5,330
Less: interest (discount)		(207)
Present value of finance lease liability	$	5,123

Finance lease expenses for the year ended June 30, 2023, amounted to $2,108, consisting of $1,947 amortization of the finance lease right-of-use asset, and $160 interest expense on the finance lease liability.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2023	2022
Subject to expenditure for specified purpose:		
Home delivery program	$ 290,987	$ 141,734
Pantry and other client services	477,299	410,293
Facility acquisition/capital campaign	1,449,113	731,460
	2,217,399	1,283,487
Donor-restricted endowments, perpetual in nature, not subject to spending policy or appropriation:		
Beneficial interest in assets held by community foundation-Isabella Hoyt Fund	513,538	484,813
Jorgensen Trust	2,428	2,428
	515,966	487,241
Total net assets with donor restrictions	$ 2,733,365	$ 1,770,728

During the years ended June 30, 2023 and 2022, net assets with donor restrictions amounting to $671,081 and $581,420, respectively, were released from restriction by incurring expenses satisfying donor purpose stipulations or by the expiration of time-related restrictions.

NOTE 11- ENDOWMENT

Sunshine Division's endowment consists of two funds established by donors to provide annual funding for specific activities. The Endowment also includes certain net assets without donor restrictions that have been designated by the Board of Directors to function as endowments.

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. Sunshine Division's Board of Directors has interpreted Oregon's adoption of UPMIFA as requiring Sunshine 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 Sunshine 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 Sunshine 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 Sunshine Division; and the investment policies of Sunshine Division.

Furthermore, in accordance with UPMIFA, a portion of the endowment's original gift may be appropriated for expenditure in support of the restricted purpose 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, Sunshine 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 Sunshine 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-restricted endowments may fall below the level that the donor or UPMIFA requires Sunshine Division to retain as a fund of perpetual duration. In addition, Sunshine 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 endowment funds the Board of Directors of Sunshine 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 Sunshine Division and then to secure sufficient growth in the invested assets to offset the impact of inflation and administrative expense.

For Board-designated endowment funds held by Oregon Community Foundation (reported as beneficial interest in assets held by community foundation on the statement of financial position), Sunshine 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 Sunshine 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. Sunshine Division believes the investment and spending policy is consistent with Sunshine 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.

As of June 30, 2023 and 2022, Sunshine Division had the following endowment net asset composition by type of fund:

Year ended June 30, 2023	**Without donor restrictions**	**With donor restrictions**	**Total**
Board-designated endowment funds	$ 3,753,946	$ -	$ 3,753,946
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	515,966	515,966
Total all endowment funds	$ 3,753,946	$ 515,966	$ 4,269,912

Year ended June 30, 2022	**Without donor restrictions**	**With donor restrictions**	**Total**
Board-designated endowment funds	$ 3,536,969	$ -	$ 3,536,969
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	487,241	487,241
Total all endowment funds	$ 3,536,969	$ 487,241	$ 4,024,210

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets at July 1, 2021	$ 3,843,052	$ 603,178	$ 4,446,230
Contributions	105,151	-	105,151
Investment return, net	(341,857)	(96,269)	(438,126)
Appropriation of endowment assets pursuant to spending-rate policy	-	-	-
Distributions from beneficial interest in assets held by community foundation	(69,377)	(19,668)	(89,045)
Endowment net assets at June 30, 2022	3,536,969	487,241	4,024,210
Contributions	-	-	-
Investment return, net	297,514	49,750	347,264
Appropriation of endowment assets pursuant to spending-rate policy	-	-	-
Distributions from beneficial interest in assets held by community foundation	(80,537)	(21,025)	(101,562)
Endowment net assets at June 30, 2023	$ 3,753,946	$ 515,966	$ 4,269,912

NOTE 12 – OREGON COMMUNITY FOUNDATION – INCOME BENEFICIARY

Sunshine Division is an income beneficiary of three funds established by donors at the Oregon Community Foundation: Walter and Clora Brownfield Sunshine Fund, Sunshine Division, Inc. Fund, and Juan Young VI Fund. Under the terms of the various fund agreements, OCF distributes not less often than annually an appropriate percentage of the fair market value of each fund. Sunshine Division received annual distributions from the funds totaling $68,731 and $65,351 for the years ended June 30, 2023 and 2022, respectively. Distributions are unrestricted contributions in the period received.

NOTE 13 – REVENUES FROM CONTRACTS WITH CUSTOMERS

All contract revenues were earned at point in time and consisted entirely of Winter Wonderland gate fees amounting to $956,762 and $1,153,699 for years ended June 30, 2023 and 2022, respectively.

There were no contract asset and liability balances as of June 30, 2023, 2022, and 2021.

NOTE 14 – DONATED GOODS AND SERVICES

Donated food and other goods and services included in the financial statements consisted of the following for the years ended June 30:

	2023	2022
Food	$ 3,613,945	$ 4,152,344
Clothing	18,604	25,080
Supplies	9,250	29,240
Rent	550,000	475,885
Professional services	-	3,125
Use of vehicles	39,000	37,650
	$ 4,230,799	$ 4,723,324

See Note 5 for details on Sunshine Division's contributed food and clothing which are all used in program services. Contributed supplies and professional services are valued and reported at the estimated fair value in the financial statements based on current market rates for similar services or supplies and are used in program services.

Contributed rent and use of vehicles are facilities and equipment that have been provided for the organization's use by independent third parties, are used in program services, and are valued and reported at estimated fair value based on current market rates for renting and/or leasing similar facilities and equipment.

Unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

NOTE 15 - PENSION PLAN

Sunshine Division has a defined contribution plan covering all employees who have completed six months of employment of at least 1,000 hours. Sunshine Division makes a matching contribution equal to 50 percent of employee salary deferrals, not to exceed 2 percent of eligible compensation. In addition, Sunshine Division has made discretionary contributions of 3 percent of each eligible participant's compensation for each of the years ended June 30, 2023 and 2022. Pension expense is included in employee benefits expense, and totaled $41,011 and $26,765 for the years ended June 30, 2023 and 2022, respectively.

NOTE 16 – RELATED PARTY TRANSACTIONS

A member of the Board of Directors is the CEO of Better Series, LLC (Hood to Coast Race Series, HTC). This member is not involved in any of the planning, approval, or contract negotiations that take place between Sunshine Division and Better Series, LLC for any agreements. High level negotiations and planning is done with the HTC COO. Staff and directors are aware of the relationship and different employees of the Better Series, LLC organization are the executives and day-to-day contacts who work with Sunshine Division. Two agreements negotiated by the Executive Director of Sunshine Division and HTC COO for the year ended June 30, 2023, and 2022 were in place as follows:

- Better Series has for years been the key vendor partner for fundraising, marketing, and operating Sunshine Division's Winter Wonderland event. Expenses paid under this agreement amounted to approximately $286,490 and $188,000 for the years ended June 30, 2023, and 2022, respectively.

- Sunshine Division and Hood to Coast Race Series partner under an agreement whereby HTC assists in fundraising and provides web-based reservations and routing functionality and delivery services for our Home Delivery Program. Expenses paid by Sunshine Division to HTC under this agreement amounted to approximately $92,900 and $297,000 for the years ended June 30, 2023, and 2022, respectively.

Also, during the years ended June 30, 2023, and 2022, Sunshine Division purchased boxes from a company owned by a member of the Board at competitive pricing totaling approximately $90,623 and $58,500 for the years ended June 30, 2023 and 2022, respectively.

Sunshine Division staff and directors are subject to the Board's conflict of interest policies and procedures, including annual disclosure and review of potentially conflicting relationships.