

SUNSHINE DIVISION, INC.

FINANCIAL STATEMENTS

June 30, 2021

With

Independent Auditor's Report

SUNSHINE DIVISION, INC.
JUNE 30, 2021
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Richman & Associates, LLC

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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, 2021, 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, 2021, 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.

Report on Prior Year Summarized Comparative Information

We have previously audited the Sunshine Division, Inc.'s 2020 financial statements, and our report dated March 27, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information as restated and presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rickman & Associates, LLC

Portland, Oregon
April 25, 2022

SUNSHINE DIVISION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(with comparative amounts for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and equivalents	\$ 4,704,335	\$ 2,528,980
Accounts receivable	5,525	57,788
Unconditional promises to give	19,506	-
Prepaid expenses	83,021	48,478
Inventory (Note 3)	821,898	771,036
Unemployment trust reserve (Note 4)	4,182	12,492
Total current assets	<u>5,638,467</u>	<u>3,418,774</u>
Investments (Note 5)	4,467,018	3,398,424
Property and equipment, net (Note 6)	525,866	564,775
Goodwill, net (Note 7)	162,900	181,000
Covenant not to compete, net (Note 7)	-	750
Total assets	<u><u>\$ 10,794,251</u></u>	<u><u>\$ 7,563,723</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 109,056	\$ 33,603
Accrued payroll and tax liabilities	124,031	78,495
Paycheck Protection Program advance (Note 8)	-	167,208
Total liabilities	<u>233,087</u>	<u>279,306</u>
Commitments (Notes 15 and 16)		
Net assets:		
Without donor restrictions:		
Without designation	3,612,977	1,557,154
In-kind inventory	821,898	771,036
Net property and equipment and intangible assets	688,766	746,525
Board-designated funds (Note 9)	3,943,052	2,920,505
Total without donor restrictions	<u>9,066,693</u>	<u>5,995,220</u>
With donor restrictions (Note 10)	1,494,471	1,289,197
Total net assets	<u>10,561,164</u>	<u>7,284,417</u>
Total liabilities and net assets	<u><u>\$ 10,794,251</u></u>	<u><u>\$ 7,563,723</u></u>

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021
(With comparative totals for 2020)

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020
Operating support and revenues:				
Grants and donations	\$ 3,129,924	\$ 958,372	\$ 4,088,296	\$ 3,148,009
Donations - grocery	9,588,058	-	9,588,058	5,403,224
Donations - clothing	2,189	-	2,189	839,003
Donations - other in-kind	534,750	-	534,750	181,340
Winter Wonderland:				
Donations	162,155	-	162,155	89,956
Donations - in-kind	7,175	-	7,175	9,860
Less: in-kind expenses	(7,175)	-	(7,175)	(9,860)
Ticket sales	1,393,838	-	1,393,838	679,885
Less: Cost of sales	(616,697)	-	(616,697)	(536,429)
	777,141	-	777,141	143,456
Winter Wonderland, net	939,296	-	939,296	233,412
Contract fees for services	510,800	-	510,800	72,000
Special event revenue - net of direct expenses of \$0 for 2021 and \$45,228 for 2020	-	-	-	185,417
Investment income- net of investment fees of \$22,822 for 2021 and \$20,887 for 2020	23,928	-	23,928	33,244
Other	1,091	-	1,091	26,134
Net assets released from restrictions	875,930	(875,930)	-	-
Total operating support and revenues	15,605,966	82,442	15,688,408	10,121,783
Operating expenses:				
Program services:				
Food, clothing and other assistance	10,150,980	-	10,150,980	6,472,703
Other	2,069,746	-	2,069,746	1,134,093
	12,220,726	-	12,220,726	7,606,796
Supporting services:				
Management and general	359,702	-	359,702	281,311
Fund-raising	589,888	-	589,888	550,001
Total operating expenses	13,170,316	-	13,170,316	8,438,108
Change in net assets from operations	2,435,650	82,442	2,518,092	1,683,675
Non-operating activities:				
Gain (loss) on investments	907,523	-	907,523	(13,983)
Change in value of beneficial interest in pooled investments held by OCF	-	122,832	122,832	4,423
Total non-operating activities	907,523	122,832	1,030,355	(9,560)
Change in net assets before provision for income taxes	3,343,173	205,274	3,548,447	1,674,115
Provision for income taxes	271,700	-	271,700	47,300
Change in net assets after provision for income taxes	3,071,473	205,274	3,276,747	1,626,815
Net assets, beginning of year	5,995,220	1,289,197	7,284,417	5,657,602
Net assets, end of year	\$ 9,066,693	\$ 1,494,471	\$ 10,561,164	\$ 7,284,417

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021
(With comparative totals for 2020)

	2021							2020
	Program Services			Supporting Services				
	General	Winter Wonderland	Total Program Services	Management and General	Fund- Raising	Shared Cost Pool	Total	
Distributions to outside agencies - bulk food and clothing	\$ 5,823,790	\$ -	\$ 5,823,790	\$ -	\$ -	\$ -	\$ 5,823,790	\$ 2,555,519
Distributions for precinct boxes	459	-	459	-	-	-	459	6,924
Distributions for holiday food boxes	1,024,419	-	1,024,419	-	-	-	1,024,419	1,236,146
Emergency client assistance - grocery	3,302,312	-	3,302,312	-	-	-	3,302,312	2,306,893
Emergency client assistance - clothing	-	-	-	-	-	-	-	361,721
Emergency client assistance - other in kind	-	-	-	-	-	-	-	5,500
	10,150,980	-	10,150,980	-	-	-	10,150,980	6,472,703
Salaries and wages	380,696	30,188	410,884	219,217	274,227	-	904,328	879,522
Employee benefits	19,039	1,502	20,541	10,316	13,337	41,892	86,086	91,638
Payroll taxes	25,705	1,942	27,647	15,417	18,837	20,650	82,551	74,025
Izzy's gift cards issued	7,996	-	7,996	-	-	-	7,996	51,800
Events:								
Paid	675	65,328	66,003	-	17,760	-	83,763	122,671
Printing	292	3,199	3,491	-	22,476	-	25,967	29,784
Advertising and promotion	2,231	56,176	58,407	322	94,901	-	153,630	137,851
Rent:								
Paid	66,440	77,700	144,140	-	-	-	144,140	138,239
In-kind	475,000	4,050	479,050	-	-	-	479,050	127,450
Equipment rentals, supplies, and repairs:								
Paid	146,510	60,171	206,681	140	-	1,406	208,227	112,776
In-kind	-	-	-	-	-	-	-	7,180
Insurance	-	29,712	29,712	1,532	-	23,092	54,336	34,045
Software, supplies, postage, and fees	43,583	11,839	55,422	2,307	15,141	31,525	104,395	121,824
Professional fees:								
Paid	590,403	110,035	700,438	55,657	68,193	12,805	837,093	307,351
In-kind	25,500	3,125	28,625	-	-	-	28,625	14,570
Utilities	36,230	-	36,230	1,098	1,393	25,212	63,933	61,688
Depreciation and amortization	-	65,240	65,240	-	-	66,646	131,886	119,431
Vehicles:								
Paid	59,080	9,176	68,256	-	-	-	68,256	19,851
In-kind	34,250	-	34,250	-	-	-	34,250	35,000
Meals and travel	20,408	14	20,422	24	1,151	402	21,999	17,675
Property and other taxes	-	-	-	2,126	-	-	2,126	-
Service fees and other	2,017	94,475	96,492	397	22,857	825	120,571	52,551
Shared cost allocation	133,691	-	133,691	51,149	39,615	(224,455)	-	-
	2,069,746	623,872	2,693,618	359,702	589,888	-	3,643,208	2,556,922
Total expenses	12,220,726	623,872	12,844,598	359,702	589,888	-	13,794,188	9,029,625
Less expenses included with revenues on the statement of activities:								
In-kind	-	(7,175)	(7,175)	-	-	-	(7,175)	(9,860)
Cost of sales	-	(616,697)	(616,697)	-	-	-	(616,697)	(536,429)
Special event direct benefit to donors	-	-	-	-	-	-	-	(45,228)
Total operating expenses	\$ 12,220,726	\$ -	\$ 12,220,726	\$ 359,702	\$ 589,888	\$ -	\$ 13,170,316	\$ 8,438,108

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC.
STATEMENT OF CASH FLOWS
For the Year ended June 30, 2021
(With comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,276,747	\$ 1,626,815
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	131,886	119,431
(Gain) loss on investments	(1,030,355)	9,561
Contributions restricted for acquisition of equipment	-	(158,000)
Donations of investments	(20,400)	-
(Increase) decrease in:		
Accounts receivable	32,757	(52,960)
Prepaid expenses	(34,543)	28,604
Inventory	(50,862)	(93,851)
Contributions receivable	-	58,847
Unemployment trust reserve	8,310	(1,904)
Increase (decrease) in:		
Accounts payable and accrued expenses	75,453	9,942
Accrued payroll and tax liabilities	45,536	(5,831)
Paycheck Protection Program advance	(167,208)	167,208
Deferred revenue	-	(232,451)
Net cash provided by (used in) operating activities	<u>2,267,321</u>	<u>1,475,411</u>
Cash flows from investing activities:		
Purchases of investments	(86,769)	(48,624)
Proceeds from sales of investments	68,930	147,321
Purchases of property and equipment	(74,127)	(171,114)
Net cash provided by (used in) investing activities	<u>(91,966)</u>	<u>(72,417)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted to equipment purchases	-	158,000
Net cash provided by (used in) financing activities	<u>-</u>	<u>158,000</u>
Net increase in cash and equivalents	2,175,355	1,560,994
Cash and equivalents, beginning of year	<u>2,528,980</u>	<u>967,986</u>
Cash and equivalents, end of year	<u><u>\$ 4,704,335</u></u>	<u><u>\$ 2,528,980</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	\$ 271,700	\$ 47,300

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 including the ongoing pandemic, 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 and clothing assistance provided up to six days a week at our clothing rooms and food pantry warehouses in northeast and east Portland.
- Emergency response 24-hours a day through 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 thousands of holiday food boxes directly to the homes of those in need.
- Targeted school related emergency food programs including an on-school premises pantry, 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 and clothing 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.

In early March 2020, Sunshine Division staff, with board endorsement, responded to the rapidly emerging COVID crisis by immediately re-engineering our processes, and ramped up to do all we could to meet the extreme increase in demand for food relief. At the same time, we took all necessary steps to mediate risks to clients, staff, and partners. The key operations and programmatic changes initiated in the final quarter of our fiscal year 2020 have continued through our fiscal year 2021, and are summarized as follows:

- Shifted focus to 100% COVID Emergency food box relief, closing our shopping-style pantries and clothing store(s) inside our two facilities.
- Used pantry sites to implement socially distanced safe food box assembly and distribution model that took place outside the building for the safety of the families and individuals we serve.
- Immediately developed and implemented a new Home Delivery Program, in partnership with Better Series, LLC, and the Portland Police Bureau, to provide emergency food boxes directly to homes for homebound Portlanders otherwise unable to secure food. This program delivered food boxes for up to 1,000 residences per week.
- Sought out and were awarded lead funding gifts from Fred Meyer Zero Hunger Zero Waste and The Albertsons Companies Foundations as well as other donors for our new home delivery initiative and other COVID-19 related relief
- Developed innovative ways to raise funding such as televised giving days, and new online giving opportunities to reach new donors, and to replace revenue from cancelled fundraising events.
- Thanks to the support of Albertsons Safeway, secured 53,000 sq. ft. of donated temporary warehouse space to allow rapid expansion of food relief services including the home delivery initiative.
- Implemented programs to provide bulk food support to local non-profit agencies.

- Provided mission services in a Fee for Service agreement with Better Series, LLC. to support their last mile food box delivery programs.
- Participated in USDA Farmers to Families Food Box relief program which increased our capacity to provide significantly more food relief.

By virtue of successful fundraising made possible by the tremendous support from major donors and thousands of donations from the community, as well as through the expansion of programming, Sunshine Division was able to significantly expand our reach to help meet record demand during the COVID-19 crisis. We directly served more than nine times as many households in the final quarter of our fiscal year 2020 as compared to the same quarter in 2019. We increased the number of people served by 115% for fiscal 2021 over fiscal 2020, and by 58% for fiscal 2020 over fiscal 2019.

In a normal year, more than 2,000 volunteer workers supplement the small civilian staff, which is supported solely by public donations and contributions. Due to COVID-19, all volunteering was suspended in early March of 2020. During the fiscal 2021, while still significantly impacted by pandemic precautions, approximately 950 volunteers were able to be incorporated in distance appropriate opportunities in support of our mission. Primarily, this was for home delivery.

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 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. At the start of the pandemic in March of 2020 and continuing into fiscal 2021, the Bureau provided significant volunteer resources to assist in the home delivery of emergency food boxes to Portlanders in need.

Two representatives of the Portland Police Bureau serve on Sunshine Division's 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.

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.

Cash and Equivalents - Sunshine Division considers all cash and other highly liquid investments with initial 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 endowments that are perpetual in nature are excluded from this definition.

Accounts Receivable and Credit Policies - Accounts receivable consist primarily of noninterest-bearing amounts due for food delivery logistics and support services under various contracts. The allowance for uncollectable accounts receivable is based on an assessment of the credit history with those having outstanding balances and current relationships with them, economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. Management has determined that an allowance for doubtful accounts was not necessary as of June 30, 2021 or 2020.

Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give 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 uncollectable 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.

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. Investment return is reported on the statement of activities as interest and dividend income less external and direct internal investment expenses, realized and unrealized capital gains and losses, and changes in the value of beneficial interests.

Property and Equipment - Property and equipment additions of over \$1,000 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, 2021 or 2020.

Intangible Assets

Goodwill – 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.

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

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.

Donated Services and In-Kind Contributions- 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. Donated goods are recorded at fair market value on the date of donation. Sunshine Division recognized various donated goods and services for the year ended June 30, 2021, as reported in the statement of functional expenses.

Volunteers contribute significant amounts of time to our 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.

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 by Sunshine 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.

Sunshine 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 years ended June 30, 2021 and 2020, was \$34,250 and \$35,000, respectively.

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 \$271,700 and \$47,300 for the years ended June 30, 2021 and 2020, 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.

Unemployment Insurance - Sunshine 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. Sunshine Division incurred \$153,630 in advertising costs for the year ended June 30, 2021. Of this amount, \$56,176 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 \$137,581 in advertising costs for the year ended June 30, 2020. Of this amount, \$54,919 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 4.

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.

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 \$4,230,607 and \$2,236,245 as of June 30, 2021 and 2020, 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 2020- 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, 2020, 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 April 25, 2022, which is the date the financial statements were available to be issued.

Changes in Accounting Principles

Sunshine Division has implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* as of July 1, 2020, as management believes the standard improves the usefulness and understandability of Sunshine Division's financial reporting. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The various provisions of this standard resulted in no significant changes in the way Sunshine Division recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis.

Sunshine Division has also implemented Accounting Standards Update 2018-13, *Changes to the Disclosure Requirement for Fair Value Measurement*. This standard revised the disclosure requirements primarily for level 2 and level 3 in the fair value hierarchy as well as assets valued at net asset value in limited circumstances specific to investment liquidations. The provisions of ASU 2018-13 were implemented on a prospective basis. There was no significant impact on Sunshine Division's disclosures regarding assets measured at fair value.

NOTE 2 – AVAILABILITY AND LIQUIDITY

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 interest-bearing checking and money market accounts. The Board of Directors has also established an endowment fund, the internally established operating terms of which are described in Note 10. Sunshine 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, 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.

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

	2021	2020
Financial assets at year-end:		
Cash and equivalents, including Winter Wonderland	\$ 4,704,335	\$ 2,528,980
Accounts receivable	5,525	57,788
Contributions receivable	19,506	-
Investments	4,467,018	3,398,424
	<u>9,196,384</u>	<u>5,985,192</u>
Less: Board-designated endowments and other funds	(3,943,052)	(2,920,505)
Less: Donor restricted endowments	(603,178)	(480,346)
Less: Donor restricted for capital campaign	(190,085)	(3,085)
	<u>(4,736,315)</u>	<u>(3,403,396)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,460,069</u>	<u>\$2,581,256</u>

Subsequent to June 30, 2021, the Board of Directors designated \$1,500,000 for the acquisition of a new headquarters and warehouse facility.

NOTE 3 – INVENTORY

Donated food and essential household items inventory valuations at June 30, 2021 and 2020, are determined on poundage and an average price per pound of \$1.60 and \$1.62, 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. In May of 2020, Sunshine Division began participating in the USDA COVID-19 relief program. Food from this program was valued at \$1.16 and \$1.15 per pound at June 30, 2021 and 2020, respectively, based on information provided by the program vendors. Donated clothing inventory valuations at June 30, 2021 and 2020, 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:

	2021	2020
Food and essential household items	\$ 732,773	\$ 540,216
Clothing	89,125	230,820
	<u>\$ 821,898</u>	<u>\$ 771,036</u>

NOTE 4– 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 \$5,327 and \$1,000 for the years ended June 30, 2021 and 2020, 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 year ended June 30, 2021 totaled \$13,661. There were no unemployment claims paid on behalf of Sunshine Division during the year ended June 30, 2020. Unemployment trust reserve balances amounted to \$4,182 and \$12,492 as of June 30, 2021 and 2020, respectively.

NOTE 5 – INVESTMENTS

Investments are reported at fair value (also see Note 12) and consist of the following as of June 30:

	2021	2020
Cash	\$ 48,368	\$ 71,216
Equities	22,886	-
Exchange traded funds	877,073	580,738
Equity mutual funds	427,133	344,473
Fixed income mutual funds	310,265	315,333
	<u>1,685,725</u>	<u>1,311,760</u>
Investments held at Oregon Community Foundation (OCF)	2,180,543	1,608,746
Beneficial interest in pooled investments held by OCF	600,750	477,918
	<u>\$ 4,467,018</u>	<u>\$ 3,398,424</u>

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 Sunshine 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 Sunshine Division and OCF's Boards of Directors. Sunshine Division received from OCF a total of \$68,930 and \$67,662 in distributions for the years ended June 30, 2021 and 2020, respectively.

Beneficial interest in pooled investments held by OCF (Isabell Hoyt Kids Fund) - The beneficial interest in assets held by others consists of Sunshine Division's interest in a group of pooled investments held by the Oregon Community Foundation (OCF). In 2017, Sunshine 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 Sunshine Division, based on OCF's investment, spending, and related policies. Although OCF accepted the transferred assets subject to its own variance power, Sunshine 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, 2021, management believes that future distributions from OCF are capable of fulfillment and consistent with OCF's mission. The beneficial interest in pooled investments held by OCF has been valued, as a practical expedient, at the fair value of Sunshine Division's share of the OCF's investment pool as of June 30, 2021. Sunshine Division received from OCF a total of \$19,521 and \$19,659 in distributions for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 – PROPERTY AND EQUIPMENT

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

	2021	2020
Land	\$ 40,000	\$ 40,000
Building	120,000	120,000
Building improvements	185,538	214,732
Furniture and equipment	661,879	638,538
Vehicles	283,342	247,840
Artwork	4,000	4,000
Leasehold improvements	25,756	25,756
	1,320,515	1,290,866
Less accumulated depreciation	(794,649)	(726,091)
	<u>\$ 525,866</u>	<u>\$ 564,775</u>

Depreciation and amortization expense on property and equipment totaled \$131,886 and \$119,431, including \$65,240 and \$61,809 reported as a direct expense of the Winter Wonderland event, for the years ended June 30, 2021 and 2020, respectively.

NOTE 7– INTANGIBLE ASSETS

Intangible assets consist of the following at June 30:

	2021	2020
Goodwill	\$ 181,000	\$ 181,000
Less accumulated amortization	(18,100)	-
Goodwill, net	<u>162,900</u>	<u>181,000</u>
 Covenant not to compete	 \$ 15,000	 \$ 15,000
Less accumulated amortization	(15,000)	(14,250)
Covenant not to compete, net	<u>\$ -</u>	<u>\$ 750</u>

The intangible assets are related to the 2016 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 the year ended June 30, 2021 was \$18,100. Management has assessed goodwill and concluded that no impairment exists at June 30, 2021. Amortization expense related to the covenant not to compete totaled \$750 and \$3,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 8–COVID-19 UNCERTAINTY AND PAYCHECK PROTECTION PROGRAM ADVANCE

The COVID-19 outbreak in the United States beginning in early 2020 has caused business disruption through mandated closings of nonessential businesses and activities. While the disruption is currently expected to be temporary and businesses are beginning to re-open, there is considerable uncertainty around the duration of the pandemic and its effects on business operations.

On April 27, 2020, Sunshine Division received loan proceeds in the amount of \$167,208 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after a period of eight to twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. On January 21, 2021, Sunshine Division received notice from the bank that the PPP loan had been forgiven in-full and was recorded as a government grant included in grants and donations on the statement of activities.

NOTE 9 – BOARD-DESIGNATED NET ASSETS

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

	2021	2020
Board-Designated Quasi-Endowment:		
Ameritrade/Morgan Stanley Investments	\$ 1,662,509	\$ 1,311,760
Sunshine Division Endowment Fund at OCF	<u>1,824,219</u>	<u>1,337,758</u>
	3,486,728	2,649,518
Bud Lewis Fund	100,000	-
Eddie Wilson Fund	<u>356,324</u>	<u>270,987</u>
	<u>\$ 3,943,052</u>	<u>\$ 2,920,505</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
<u>Subject to expenditure for specific purposes:</u>		
Izzy's Kids fund	\$ 54,539	\$ 43,011
Staffing, food purchases, and infrastructure	500,994	611,171
Food fund	145,675	151,584
Capital campaign	190,085	3,085
	<u>891,293</u>	<u>808,851</u>
<u>Donor-restricted endowments subject to spending policy and appropriation to support the following purposes:</u>		
Beneficial interest in pooled investments:		
Isabell Hoyt Kids Fund at OCF	600,750	477,918
Jorgensen Trust	2,428	2,428
	<u>603,178</u>	<u>480,346</u>
Total net assets with donor restrictions	<u>\$ 1,494,471</u>	<u>\$ 1,289,197</u>

During the years ended June 30, 2021 and 2020, net assets with donor restrictions amounting to \$875,930 and \$756,890, respectively, were released from restriction by incurring expenses satisfying donor purpose stipulations or by the expiration of time-related restrictions.

NOTE 11- ENDOWMENT FUNDS: BOARD-DESIGNATED QUASI-ENDOWMENTS & DONOR-RESTRICTED ENDOWMENTS

Sunshine Division's endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. 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. 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 quasi-endowment funds not held by OCF, 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 quasi-endowment funds held by OCF, 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.

Endowment net asset composition as of June 30, 2021 is as follows:

	Without Donor Restriction: Board-Designated				
	Held by OCF	Other	Total	With donor restrictions	Total
Board-designated funds	\$ 1,824,219	\$ 1,662,509	\$ 3,486,728	\$ -	\$ 3,486,728
Beneficial interest in Pooled investments held by OCF	-	-	-	600,750	600,750
Cash and cash equivalents	-	-	-	2,428	2,428
Total all endowment funds	\$ 1,824,219	\$ 1,662,509	\$ 3,486,728	\$ 603,178	\$ 4,089,906

Endowment net asset composition as of June 30, 2020 is as follows:

	Without Donor Restriction: Board-Designated				
	Held by OCF	Other	Total	With donor restrictions	Total
Board-designated funds	\$ 1,337,758	\$ 1,311,760	\$ 2,649,518	\$ -	\$ 2,649,518
Beneficial interest in Pooled investments held by OCF	-	-	-	477,918	477,918
Cash and cash equivalents	-	-	-	2,428	2,428
Total all endowment funds	\$ 1,337,758	\$ 1,311,760	\$ 2,649,518	\$ 480,346	\$ 3,129,864

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	Without Donor Restrictions: Board designated	With Donor Restrictions	Total
Endowment net assets at July 1, 2019	\$ 2,749,854	\$ 475,923	\$ 3,225,777
Contributions	-	-	-
Investment income, net	15,935	4,423	20,358
Amounts appropriated for expenditure	(116,271)	-	(116,271)
Endowment net assets at June 30, 2020	2,649,518	\$ 480,346	\$ 3,129,864
Contributions	64,364	-	64,364
Investment income, net	830,164	122,832	952,996
Amounts appropriated for expenditure	(57,318)	-	(57,318)
Endowment net assets at June 30, 2021	\$ 3,486,728	\$ 603,178	\$ 4,089,906

NOTE 12 – 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, Sunshine Division's assets measured at fair value on a recurring basis as of June 30, 2021:

Description	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Investments held at TD				
Ameritrade:				
Cash	\$ 48,368	\$ 48,368	\$ -	\$ -
Equities	22,886	22,866	-	-
Exchange traded funds	877,073	877,073	-	-
Equity mutual funds	427,133	427,133	-	-
Fixed income funds	310,265	310,265	-	-
	<u>1,685,725</u>	<u>1,685,725</u>	<u>-</u>	<u>-</u>
Investments held at OCF	2,180,543	-	-	2,180,543
Beneficial interest in pooled investments held by OCF	600,750	-	-	600,750
	<u>\$ 4,467,018</u>	<u>\$ 1,685,725</u>	<u>\$ -</u>	<u>\$ 2,781,293</u>

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, 2020:

Description	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Investments held at TD				
Ameritrade:				
Cash	\$ 71,216	\$ 71,216	\$ -	\$ -
Exchange traded funds	580,738	580,738	-	-
Equity mutual funds	344,473	344,473	-	-
Fixed income funds	315,333	315,333	-	-
	<u>1,311,760</u>	<u>1,311,760</u>	<u>-</u>	<u>-</u>
Investments held at OCF	1,608,746	-	-	1,608,746
Beneficial interest in pooled investments held by OCF	477,918	-	-	477,918
	<u>\$ 3,398,424</u>	<u>\$ 1,311,760</u>	<u>\$ -</u>	<u>\$ 2,086,664</u>

Sunshine 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 Sunshine Division's share of a pooled investment portfolio managed by OCF. Sunshine 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 pooled investments held by OCF– Sunshine 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 years ended June 30, 2021 and 2020, is as follows:

	Investments Held at OCF	Beneficial Interest in Pooled Investments held by OCF
Balance, July 1, 2019	\$ 1,682,071	\$ 473,495
Change in value of beneficial interests	-	4,423
Interest and dividends	11,071	-
Realized and unrealized gains	(4,589)	-
Fees paid to OCF	(12,145)	-
Distributions from OCF	(67,662)	-
Balance, June 30, 2020	1,608,746	477,918
Change in value of beneficial interests	-	122,832
Interest and dividends	9,073	-
Contributions to OCF	64,364	-
Realized and unrealized gains	580,960	-
Fees paid to OCF	(13,670)	-
Distributions from OCF	(68,930)	-
Balance, June 30, 2021	<u>\$ 2,180,543</u>	<u>\$ 600,750</u>

NOTE 13 – OREGON COMMUNITY FOUNDATION – INCOME BENEFICIARY

Sunshine Division is an income beneficiary of three funds established by donors at the Oregon Community Foundation: Walter and Clara 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 \$65,291 and \$62,103 for the years ended June 30, 2021 and 2020, respectively. Distributions are unrestricted contributions in the period received.

NOTE 14 – REVENUES FROM CONTRACTS WITH CUSTOMERS

All contract revenues were earned at point in time and consisted of the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Winter Wonderland gate fees	\$ 1,393,838	\$ 679,885
Hood-to-Coast delivery programs	510,800	72,000
	<u>\$ 1,904,638</u>	<u>\$ 751,885</u>

Contract asset and liability balances were as follows as of June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ -	\$ 52,500	\$ -
Contract liabilities	\$ -	\$ -	\$ -

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's contribution is 3 percent of each eligible participant's compensation. In addition, Sunshine 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, 2021 and 2020 totaled \$36,402 and \$21,988, respectively.

NOTE 16 – LEASE COMMITMENTS

As of June 30, 2021, Sunshine Division leased an additional program office under an operating lease through October 31, 2023, including a cancellation clause requiring 270-day notice. Sunshine Division also leases storage space under a month-to-month agreement and rents space as needed for events.

Total rent expense approximated \$623,190 and \$265,689 for the years ended June 30, 2021 and 2020, respectively, which included donated warehouse and other space of approximately \$479,050 and \$127,450 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease commitments under operating leases, if carried to term, are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 51,578
2023	52,610
2024	17,652
	<u>\$ 121,840</u>

NOTE 17 – RELATED PARTY TRANSACTIONS

The Chair of Sunshine Division's Board of Directors is the CEO of Better Series, LLC (Hood to Coast Race Series, HTC). This member of the Board of Directors 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. Several agreements negotiated by Sunshine Division Executive Director and HTC COO were in place for the year ended June 30, 2021 and 2020.

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 \$179,500 and \$175, 400 for the years ended June 30, 2021 and 2020, respectively.

With the onset of the pandemic in March 2020, Sunshine Division and Hood to Coast Race Series partnered under an agreement whereby HTC agreed to assist in fundraising and to provide facilities management, web-based reservations and routing functionality, variable warehouse and fulfillment labor, logistical warehousing support, and delivery services for our new COVID-19 Home Delivery Program. Expenses paid by Sunshine Division to HTC under this agreement amounted to approximately \$565,000 and \$83,000 for the years ended June 30, 2021 and 2020, respectively.

In June 2020, Better Series, LLC contracted with Sunshine Division to provide mission services including facilities, warehousing and inventory management, refrigeration, equipment, food relief, and logistics support to ensure that bulk deliveries could be made on a weekly basis to social service organizations across Portland that were serving targeted communities under a logistics and management contract Better Series had with the City of Portland. Under this arrangement, Sunshine Division recognized \$388,800 and \$83,000 in fees for services for the years ended June 30, 2021 and 2020, respectively.

In November 2020, the fee for services agreement between Sunshine Division and Better Series, LLC expanded to include support for another HTC contract with Brown Hope non-profit agency. Under this arrangement, Sunshine Division recognized \$122,000 in fees for services for the year ended June 30, 2021.

Sunshine Division contracted with HTC to provide management, labor and logistical support for certain holiday food distribution programs during the fall of 2020. Under this arrangement, Sunshine Division paid \$40,000 in fees for services for the year ended June 30, 2021.

Also, during the year ended June 30, 2021 and 2020, Sunshine Division purchased boxes from a company owned by a member of the Board at competitive pricing totaling \$27,500 and \$26,000 for services for the years ended June 30, 2021 and 2020, respectively. For the year ended June 30, 2021, this company also arranged for certain equipment rentals at below the cost we could rent similar equipment. We reimbursed the company approximately \$17,000 during the year for rented equipment.

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.