

Camp Sunshine, Inc. and Subsidiary

***Report on Consolidated Financial Statements –
Modified Cash Basis***

For the years ended December 31, 2015 and 2014

Camp Sunshine, Inc. and Subsidiary

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Independent Auditor's Report

To the Board of Directors
Camp Sunshine, Inc.
Decatur, Georgia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Camp Sunshine, Inc. and its subsidiary (collectively, the "Organization"), which comprise the consolidated statements of assets and net assets - modified cash basis as of December 31, 2015 and 2014, and the related consolidated statements of revenues, expenses and net assets - modified cash basis and functional expenses - modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the assets and net assets of Camp Sunshine, Inc. and its subsidiary as of December 31, 2015 and 2014, and their revenues, expenses and changes in net assets for the years then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Elliott Davis Decosimo, LLC

Atlanta, Georgia
June 30, 2016

Camp Sunshine, Inc. and Subsidiary

Consolidated Statements of Assets and Net Assets - Modified Cash Basis

As of December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,696,895 | \$ 1,728,972 |
| Investment securities | 4,349,255 | 4,058,078 |
| Property and equipment, net | 2,823,747 | 2,939,939 |
| Interest in net assets of Camp Sunshine Supporting Fund, Inc. | 1,409,654 | 1,459,662 |
| Total assets | <u>\$ 10,279,551</u> | <u>\$ 10,186,651</u> |
| Net assets | | |
| Unrestricted | \$ 7,034,498 | \$ 6,846,620 |
| Temporarily restricted | 2,245,053 | 2,340,031 |
| Permanently restricted | 1,000,000 | 1,000,000 |
| Total net assets | <u>\$ 10,279,551</u> | <u>\$ 10,186,651</u> |

See Notes to Consolidated Financial Statements

Camp Sunshine, Inc. and Subsidiary*Consolidated Statement of Revenues, Expenses and Net Assets – Modified Cash Basis**For the year ended December 31, 2015*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|------------------------|------------------------|----------------------|
| Revenues | | | | |
| Contributions | \$ 1,475,720 | \$ 1,650 | \$ - | \$ 1,477,370 |
| Fundraising revenue - less direct expenses of \$78,835 | 555,206 | - | - | 555,206 |
| Rental income | 15,252 | - | - | 15,252 |
| Camp tuition | 6,746 | - | - | 6,746 |
| Miscellaneous income | 3,775 | - | - | 3,775 |
| Interest income | 162 | - | - | 162 |
| Dividend income | - | 128,468 | - | 128,468 |
| Net loss on investments | - | (175,086) | - | (175,086) |
| Change in interest in net assets of Camp Sunshine Supporting Fund, Inc. | - | (26,385) | - | (26,385) |
| | <u>2,056,861</u> | <u>(71,353)</u> | <u>-</u> | <u>1,985,508</u> |
| Net assets released from restrictions | - | - | - | - |
| Total revenues | <u>2,056,861</u> | <u>(71,353)</u> | <u>-</u> | <u>1,985,508</u> |
| Expenses | | | | |
| Program services | <u>1,519,373</u> | <u>-</u> | <u>-</u> | <u>1,519,373</u> |
| Supporting services: | | | | |
| Management and general | 180,744 | - | - | 180,744 |
| Fundraising | <u>192,491</u> | <u>-</u> | <u>-</u> | <u>192,491</u> |
| Total supporting services | <u>373,235</u> | <u>-</u> | <u>-</u> | <u>373,235</u> |
| Total expenses | <u>1,892,608</u> | <u>-</u> | <u>-</u> | <u>1,892,608</u> |
| Change in net assets | 164,253 | (71,353) | - | 92,900 |
| Transfer from Camp Sunshine Supporting Fund, Inc. | 23,625 | (23,625) | - | - |
| Net assets, beginning of year | <u>6,846,620</u> | <u>2,340,031</u> | <u>1,000,000</u> | <u>10,186,651</u> |
| Net assets, end of year | <u>\$ 7,034,498</u> | <u>\$ 2,245,053</u> | <u>\$ 1,000,000</u> | <u>\$ 10,279,551</u> |

See Notes to Consolidated Financial Statements

Camp Sunshine, Inc. and Subsidiary*Consolidated Statement of Revenues, Expenses and Net Assets – Modified Cash Basis**For the year ended December 31, 2014*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|------------------------|------------------------|----------------------|
| Revenues | | | | |
| Contributions | \$ 1,500,452 | \$ 300 | \$ - | \$ 1,500,752 |
| Fundraising revenue - less direct expenses of \$68,636 | 601,699 | - | - | 601,699 |
| Rental income | 22,035 | - | - | 22,035 |
| Camp tuition | 9,546 | - | - | 9,546 |
| Miscellaneous income | 8 | - | - | 8 |
| Interest income | 249 | - | - | 249 |
| Dividend income | 138 | 78,697 | - | 78,835 |
| Net gain on investments | - | 90,900 | - | 90,900 |
| Change in interest in net assets of Camp Sunshine Supporting Fund, Inc. | - | 35,151 | - | 35,151 |
| | <u>2,134,127</u> | <u>205,048</u> | <u>-</u> | <u>2,339,175</u> |
| Net assets released from restrictions | 90,368 | (90,368) | - | - |
| Total revenues | <u>2,224,495</u> | <u>114,680</u> | <u>-</u> | <u>2,339,175</u> |
| Expenses | | | | |
| Program services | <u>1,423,789</u> | <u>-</u> | <u>-</u> | <u>1,423,789</u> |
| Supporting services: | | | | |
| Management and general | 192,162 | - | - | 192,162 |
| Fundraising | 147,020 | - | - | 147,020 |
| Total supporting services | <u>339,182</u> | <u>-</u> | <u>-</u> | <u>339,182</u> |
| Total expenses | <u>1,762,971</u> | <u>-</u> | <u>-</u> | <u>1,762,971</u> |
| Change in net assets | 461,524 | 114,680 | - | 576,204 |
| Transfer from Camp Sunshine Supporting Fund, Inc. | 23,071 | (23,071) | - | - |
| Net assets, beginning of year | <u>6,362,025</u> | <u>2,248,422</u> | <u>1,000,000</u> | <u>9,610,447</u> |
| Net assets, end of year | <u>\$ 6,846,620</u> | <u>\$ 2,340,031</u> | <u>\$ 1,000,000</u> | <u>\$ 10,186,651</u> |

See Notes to Consolidated Financial Statements

Camp Sunshine, Inc. and Subsidiary
Consolidated Statement of Functional Expenses - Modified Cash Basis
For the year ended December 31, 2015

| | Program Services | | | | | | | | | | Management and general | Fund- raising | Total | |
|--|-------------------|-------------------|--------------------|-----------------------------|------------------|--------------------|------------------------------------|-------------------------------------|-----------------------------------|-------------------|---------------------------|-------------------|-------------------|---------------------|
| | Summer camp | Family weekend | Washington trip | Teen summer excursion | Teen retreat | Sibling weekend | Yearbook newsletter brochure | Bereavement family excursions | House and regional programs | Other programs | | | | Total |
| Salaries | \$ 186,240 | \$ 83,288 | \$ 20,967 | \$ 11,398 | \$ 20,969 | \$ 20,513 | \$ 40,153 | \$ 13,180 | \$ - | \$ 41,207 | \$ 437,915 | \$ 69,278 | \$ 103,149 | \$ 610,342 |
| Employee benefits | 34,767 | 15,548 | 3,914 | 2,128 | 3,915 | 3,829 | 7,496 | 2,460 | - | 7,692 | 81,749 | 12,933 | 19,256 | 113,938 |
| Payroll taxes | 13,577 | 6,072 | 1,528 | 831 | 1,529 | 1,495 | 2,928 | 961 | - | 3,004 | 31,925 | 5,050 | 7,519 | 44,494 |
| | <u>234,584</u> | <u>104,908</u> | <u>26,409</u> | <u>14,357</u> | <u>26,413</u> | <u>25,837</u> | <u>50,577</u> | <u>16,601</u> | <u>-</u> | <u>51,903</u> | <u>551,589</u> | <u>87,261</u> | <u>129,924</u> | <u>768,774</u> |
| Office supplies | 1,691 | 756 | 190 | 104 | 190 | 186 | 365 | 120 | 256 | 374 | 4,232 | 670 | 997 | 5,899 |
| Telephone | 3,054 | 1,366 | 344 | 187 | 344 | 336 | 659 | 216 | 463 | 676 | 7,645 | 1,209 | 1,800 | 10,654 |
| Postage and shipping | 2,828 | 1,265 | 318 | 173 | 318 | 312 | 610 | 200 | 429 | 626 | 7,079 | 1,120 | 1,668 | 9,867 |
| Occupancy | 158,570 | 108,426 | 23,845 | - | 20,670 | 22,330 | - | 10,889 | - | - | 344,730 | - | - | 344,730 |
| Camp supplies | 84,046 | 17,034 | - | 10,252 | 8,285 | 5,938 | - | 8,965 | 42,392 | 62,072 | 238,984 | - | - | 238,984 |
| Repairs and maintenance | 17,863 | 7,989 | 2,011 | 1,093 | 2,011 | 1,968 | 3,852 | 1,264 | 2,708 | 3,952 | 44,711 | 7,073 | 10,532 | 62,316 |
| Travel | 11,523 | 532 | 7,873 | 6,990 | 2,766 | 2,763 | 257 | 84 | 180 | 263 | 33,231 | 471 | 702 | 34,404 |
| Printing and publications | 8,670 | 1,835 | 462 | 251 | 462 | 452 | 61,369 | 290 | 622 | 908 | 75,321 | 1,625 | 2,419 | 79,365 |
| Conferences, conventions and meetings | 2,005 | 896 | 226 | 123 | 226 | 221 | 432 | 142 | 304 | 444 | 5,019 | 794 | 1,182 | 6,995 |
| Insurance | 13,351 | 5,971 | 1,503 | 817 | 1,503 | 1,471 | 2,879 | 945 | 2,024 | 2,954 | 33,418 | 5,287 | 7,871 | 46,576 |
| Staff training | 11,168 | - | - | - | - | - | - | - | 141 | - | 11,309 | - | - | 11,309 |
| Legal and accounting | - | - | - | - | - | - | - | - | - | - | - | 51,461 | - | 51,461 |
| Investment expenses | 7,860 | 3,515 | 885 | 481 | 885 | 866 | 1,695 | 556 | 1,192 | 1,739 | 19,674 | 3,112 | 4,634 | 27,420 |
| Utilities | 7,654 | 3,423 | 862 | 468 | 862 | 843 | 1,650 | 542 | 1,160 | 1,693 | 19,157 | 3,031 | 4,512 | 26,700 |
| Miscellaneous | 15,263 | 1,534 | 386 | 210 | 386 | 378 | 740 | 243 | 520 | 759 | 20,419 | 1,358 | 2,023 | 23,800 |
| Total expenses before depreciation | <u>580,130</u> | <u>259,450</u> | <u>65,314</u> | <u>35,506</u> | <u>65,321</u> | <u>63,901</u> | <u>125,085</u> | <u>41,057</u> | <u>52,391</u> | <u>128,363</u> | <u>1,416,518</u> | <u>164,472</u> | <u>168,264</u> | <u>1,749,254</u> |
| Depreciation | 41,094 | 18,377 | 4,626 | 2,515 | 4,627 | 4,526 | 8,860 | 2,908 | 6,230 | 9,092 | 102,855 | 16,272 | 24,227 | 143,354 |
| | <u>\$ 621,224</u> | <u>\$ 277,827</u> | <u>\$ 69,940</u> | <u>\$ 38,021</u> | <u>\$ 69,948</u> | <u>\$ 68,427</u> | <u>\$ 133,945</u> | <u>\$ 43,965</u> | <u>\$ 58,621</u> | <u>\$ 137,455</u> | <u>\$ 1,519,373</u> | <u>\$ 180,744</u> | <u>\$ 192,491</u> | <u>\$ 1,892,608</u> |

See Notes to Consolidated Financial Statements

Camp Sunshine, Inc. and Subsidiary
Consolidated Statement of Functional Expenses - Modified Cash Basis
For the year ended December 31, 2014

| | Program Services | | | | | | | | | | Management and general | Fund-raising | Total | |
|---------------------------------------|-------------------|-------------------|------------------|-----------------------|------------------|------------------|------------------------------|-------------------------------|-----------------------------|-------------------|------------------------|-------------------|-------------------|---------------------|
| | Summer camp | Family weekend | Washington trip | Teen summer excursion | Teen retreat | Sibling weekend | Yearbook newsletter brochure | Bereavement family excursions | House and regional programs | Other programs | | | | Total |
| Salaries | \$ 174,865 | \$ 50,907 | \$ 26,282 | \$ 13,369 | \$ 25,938 | \$ 23,039 | \$ 49,185 | \$ 17,496 | \$ - | \$ 42,345 | \$ 423,426 | \$ 67,966 | \$ 100,353 | \$ 591,745 |
| Employee benefits | 34,156 | 9,943 | 5,134 | 2,611 | 5,066 | 4,500 | 9,607 | 3,417 | - | 8,271 | 82,705 | 13,276 | 19,602 | 115,583 |
| Payroll taxes | 12,722 | 3,704 | 1,912 | 973 | 1,887 | 1,676 | 3,579 | 1,273 | - | 3,081 | 30,807 | 4,945 | 7,301 | 43,053 |
| | <u>221,743</u> | <u>64,554</u> | <u>33,328</u> | <u>16,953</u> | <u>32,891</u> | <u>29,215</u> | <u>62,371</u> | <u>22,186</u> | <u>-</u> | <u>53,697</u> | <u>536,938</u> | <u>86,187</u> | <u>127,256</u> | <u>750,381</u> |
| Office supplies | 2,429 | 707 | 365 | 186 | 360 | 320 | 683 | 243 | 450 | 588 | 6,331 | 1,187 | 396 | 7,914 |
| Telephone | 2,905 | 846 | 437 | 222 | 431 | 383 | 817 | 291 | 538 | 704 | 7,574 | 1,420 | 473 | 9,467 |
| Postage and shipping | 4,314 | 1,256 | 648 | 330 | 640 | 568 | 1,213 | 432 | 800 | 1,045 | 11,246 | 2,109 | 703 | 14,058 |
| Occupancy | 105,726 | 47,719 | 23,840 | - | 23,160 | 21,291 | - | 11,835 | - | - | 233,571 | - | - | 233,571 |
| Camp supplies | 81,472 | 16,007 | - | 10,183 | 6,699 | 4,939 | - | 10,067 | 40,266 | 53,008 | 222,641 | - | - | 222,641 |
| Repairs and maintenance | 25,099 | 7,307 | 3,772 | 1,919 | 3,723 | 3,307 | 7,060 | 2,511 | 4,652 | 6,078 | 65,428 | 12,267 | 4,089 | 81,784 |
| Travel | 8,615 | 370 | 9,251 | 6,170 | 2,799 | 2,778 | 357 | 127 | 235 | 307 | 31,009 | 621 | 207 | 31,837 |
| Printing and publications | 8,287 | 1,147 | 592 | 301 | 584 | 519 | 62,677 | 394 | 730 | 954 | 76,185 | 1,926 | 642 | 78,753 |
| Conferences, conventions and meetings | 2,724 | 793 | 409 | 208 | 404 | 359 | 766 | 273 | 505 | 660 | 7,101 | 1,331 | 444 | 8,876 |
| Insurance | 14,286 | 4,159 | 2,147 | 1,092 | 2,119 | 1,882 | 4,018 | 1,429 | 2,648 | 3,459 | 37,239 | 6,982 | 2,327 | 46,548 |
| Staff training | 6,260 | - | - | - | - | - | - | - | 305 | - | 6,565 | - | - | 6,565 |
| Legal and accounting | - | - | - | - | - | - | - | - | - | - | - | 46,683 | - | 46,683 |
| Investment expenses | 7,431 | 2,163 | 1,117 | 568 | 1,102 | 979 | 2,090 | 743 | 1,377 | 1,799 | 19,369 | 3,632 | 1,211 | 24,212 |
| Utilities | 7,503 | 2,184 | 1,128 | 574 | 1,113 | 989 | 2,111 | 751 | 1,391 | 1,817 | 19,561 | 3,667 | 1,222 | 24,450 |
| Miscellaneous | 19,845 | 1,775 | 916 | 946 | 904 | 803 | 1,715 | 610 | 1,130 | 1,476 | 30,120 | 2,980 | 993 | 34,093 |
| Total expenses before depreciation | <u>518,639</u> | <u>150,987</u> | <u>77,950</u> | <u>39,652</u> | <u>76,929</u> | <u>68,332</u> | <u>145,878</u> | <u>51,892</u> | <u>55,027</u> | <u>125,592</u> | <u>1,310,878</u> | <u>170,992</u> | <u>139,963</u> | <u>1,621,833</u> |
| Depreciation | <u>43,314</u> | <u>12,609</u> | <u>6,510</u> | <u>3,312</u> | <u>6,425</u> | <u>5,707</u> | <u>12,183</u> | <u>4,334</u> | <u>8,028</u> | <u>10,489</u> | <u>112,911</u> | <u>21,170</u> | <u>7,057</u> | <u>141,138</u> |
| | <u>\$ 561,953</u> | <u>\$ 163,596</u> | <u>\$ 84,460</u> | <u>\$ 42,964</u> | <u>\$ 83,354</u> | <u>\$ 74,039</u> | <u>\$ 158,061</u> | <u>\$ 56,226</u> | <u>\$ 63,055</u> | <u>\$ 136,081</u> | <u>\$ 1,423,789</u> | <u>\$ 192,162</u> | <u>\$ 147,020</u> | <u>\$ 1,762,971</u> |

See Notes to Consolidated Financial Statements

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements - Modified Cash Basis

December 31, 2015 and 2014

Note 1. Nature of Business and Significant Accounting Policies

Camp Sunshine, Inc. was formed for the purpose of operating a summer camp for children and adolescents who have cancer and to provide recreational, educational and support programs for these children and their families. Camp Sunshine, Inc. and subsidiary operate their camp and other programs within the State of Georgia and solicit donations throughout the United States.

On December 13, 2005, Camp Sunshine Property Holdings, LLC was formed as a wholly-owned subsidiary of Camp Sunshine, Inc. for the sole purpose of owning and operating real property. Effective January 1, 2006, Camp Sunshine, Inc. deeded the land and buildings it owned to the subsidiary.

Principles of consolidation:

The consolidated modified cash basis financial statements include the accounts of Camp Sunshine, Inc. and its wholly-owned subsidiary, Camp Sunshine Property Holdings, LLC. All intercompany accounts and transactions have been eliminated in consolidation.

Basis of accounting:

The Organization prepares its consolidated financial statements on the modified cash basis of accounting. Under this method, revenues are recognized when collected rather than when earned and expenditures are recognized when paid rather than when obligations are incurred. Consequently, contributions receivable from donors and amounts due to vendors and suppliers are not included in the consolidated financial statements. Certain donated products and services are recognized as support when received. If the Organization purchases an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated over the estimated useful life of the asset.

Financial statement presentation:

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the resources are classified for accounting and reporting purposes into categories established according to their nature and purpose. The assets and net assets of the Organization are reported in three self-balancing categories as follows:

Unrestricted net assets - are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Organization and its purposes.

Temporarily restricted net assets - are resources whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or are satisfied by actions of the Organization.

Permanently restricted net assets - are resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor are satisfied by actions of the Organization. In general, the donors of these assets permit the Organization to use all or part of the income or related investments for specific or general purposes. Permanently restricted net assets consist of assets held for endowment purposes of the Organization.

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements - Modified Cash Basis

December 31, 2015 and 2014

Note 1. Nature of Business and Significant Accounting Policies, Continued

Net assets released from restrictions:

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in operations as net assets released from restrictions.

Cash and cash equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains at various financial institutions cash and cash equivalent accounts which may exceed federally insured amounts at times and may at times exceed consolidated statement of assets and net assets - modified cash basis amounts due to outstanding checks.

Investment securities:

Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidated statements of assets and net assets. Unrealized and realized gains and losses are included in the change in net assets.

Purchases and sales of securities are recorded on a trade-date basis. Interest and dividend income is recorded when received. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair value of the individual investments for the year, or since the acquisition date, if acquired during the year.

Fair value measurements:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability (see Note 3).

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Donated equipment is capitalized at fair value when received. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. It is management's policy to capitalize purchases of property and equipment of \$1,000 or more. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the depreciable assets.

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements - Modified Cash Basis

December 31, 2015 and 2014

Note 1. Nature of Business and Significant Accounting Policies, Continued

Contributions:

Contributions received are classified as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Donated services:

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or if the services require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Volunteers also perform substantial fundraising and operating services that are not recognized in the consolidated modified cash basis financial statements since this criteria is not met.

Income taxes:

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and relevant state regulations. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to the Organization's exempt purpose. The Organization's federal exempt organization tax returns are subject to examination by the Internal Revenue Service for three years after they are filed. The Organization is no longer subject to tax examinations for years before 2012.

Estimates and uncertainties:

The preparation of consolidated financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events:

The Organization has evaluated subsequent events for potential recognition and disclosure through June 30, 2016, the date the consolidated modified cash basis financial statements were available to be issued.

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements - Modified Cash Basis

December 31, 2015 and 2014

Note 2. Investment Securities

Investment securities as of December 31, 2015 and 2014, consist of the following:

| | 2015 | | 2014 | |
|--|--|---------------------|--|---------------------|
| | Number of shares/ percent ownership | Carrying amount | Number of shares/ percent ownership | Carrying amount |
| Mutual Funds, at fair value | | | | |
| Vanguard STAR Fund | 257 | \$ 5,982 | 257 | \$ 6,324 |
| BNY Charitable Equity Fund | 52,467 | 1,019,787 | 58,414 | 894,805 |
| BNY Fixed Income Fund Charitable Fund | 52,121 | 614,433 | 46,031 | 540,047 |
| BNY Endowment Equity Fund | 29,247 | 567,993 | 41,332 | 621,769 |
| BNY Endowment Fixed Income Fund | 49,177 | 576,916 | 49,625 | 583,823 |
| BNY Endowment Sub Fixed Income Fund | 16,259 | <u>185,522</u> | 14,617 | <u>168,429</u> |
| | | <u>2,970,633</u> | | <u>2,815,197</u> |
| Equity Securities, at fair value | | | | |
| BNY Charitable Equity Fund | 12,909 | 886,514 | 10,483 | 736,525 |
| BNY Endowment Equity Fund | 7,168 | <u>492,100</u> | 6,954 | <u>506,348</u> |
| | | <u>1,378,614</u> | | <u>1,242,873</u> |
| Limited Partnership Interest, at cost | | | | |
| Wynnton Capital Partners, L.P. | 0.032% | <u>8</u> | 0.032% | <u>8</u> |
| | | <u>\$ 4,349,255</u> | | <u>\$ 4,058,078</u> |

The aggregate costs of the investments totaled \$4,140,138 and \$3,507,725 as of December 31, 2015 and 2014, respectively.

Return on investments for the years ended December 31, 2015 and 2014, consists of the following:

| | 2015 | | | Total |
|--------------------------------|---------------|------------------------|------------------------|--------------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Interest income | \$ 162 | \$ - | \$ - | \$ 162 |
| Dividend income | - | 128,468 | - | 128,468 |
| Realized gain on investments | - | 171,476 | - | 171,476 |
| Unrealized loss on investments | - | (346,562) | - | (346,562) |
| | <u>\$ 162</u> | <u>\$ (46,618)</u> | <u>\$ -</u> | <u>\$ (46,456)</u> |

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements - Modified Cash Basis

December 31, 2015 and 2014

Note 2. Investment Securities, Continued

| | 2014 | | | Total |
|--------------------------------|---------------|------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Interest income | \$ 249 | \$ - | \$ - | \$ 249 |
| Dividend income | 138 | 78,697 | - | 78,835 |
| Realized gain on investments | - | 181,468 | - | 181,468 |
| Unrealized loss on investments | - | (90,568) | - | (90,568) |
| | <u>\$ 387</u> | <u>\$ 169,597</u> | <u>\$ -</u> | <u>\$ 169,984</u> |

Bank of New York Mellon Wealth Management, the trustee, holds, manages, administers and allocates the Organization's portfolio of assets between mutual funds consisting of common stock, bonds, cash management vehicles and limited partnership interests.

Note 3. Fair Value Measurements

Major categories of assets measured at fair value by level of the fair value hierarchy on a recurring basis as of December 31, 2015 and 2014, are as follows:

| | Fair value measurements at December 31, 2015 | | | Total |
|-------------------|--|-------------|-------------|---------------------|
| | (Level 1) | (Level 2) | (Level 3) | |
| Mutual funds | \$ 2,970,633 | \$ - | \$ - | \$ 2,970,633 |
| Equity securities | <u>1,378,614</u> | <u>-</u> | <u>-</u> | <u>1,378,614</u> |
| | <u>\$ 4,349,247</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,349,247</u> |

| | Fair value measurements at December 31, 2014 | | | Total |
|-------------------|--|-------------|-------------|---------------------|
| | (Level 1) | (Level 2) | (Level 3) | |
| Mutual funds | \$ 2,815,197 | \$ - | \$ - | \$ 2,815,197 |
| Equity securities | <u>1,242,873</u> | <u>-</u> | <u>-</u> | <u>1,242,873</u> |
| | <u>\$ 4,058,070</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,058,070</u> |

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements - Modified Cash Basis

December 31, 2015 and 2014

Note 4. Property and Equipment

Property and equipment consist of the following major classifications:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 812,211 | \$ 812,211 |
| Land improvements | 973,035 | 975,339 |
| Buildings | 2,668,873 | 2,668,873 |
| Furniture and equipment | 402,543 | 378,577 |
| Software | 35,985 | 30,485 |
| Automobiles | <u>65,628</u> | <u>65,628</u> |
| | 4,958,275 | 4,931,113 |
| Less accumulated depreciation | <u>(2,134,528)</u> | <u>(1,991,174)</u> |
| | <u>\$ 2,823,747</u> | <u>\$ 2,939,939</u> |

Depreciation expense for 2015 and 2014 totaled \$143,354 and \$141,138, respectively.

Note 5. Camp Sunshine Supporting Fund, Inc.

In 1997, Camp Sunshine Supporting Fund, Inc. (the "Foundation"), was established for the sole benefit of Camp Sunshine, Inc. If the Foundation is liquidated, all remaining assets become the property of Camp Sunshine, Inc. The Foundation's Board of Directors must include two members from Camp Sunshine's Board, but a majority of the Foundation's Board members cannot also be on Camp Sunshine's Board. The amount and timing of transfers to/from Camp Sunshine Supporting Fund, Inc. are at the discretion of the Foundation's Board. The Foundation's Board has no variance power over the use of the assets. The Organization accounts for its beneficial interest in the Foundation on the modified cash basis of accounting at fair value in the consolidated financial statements, as shown below:

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 9,548 | \$ 3,843 |
| Investment securities | <u>1,400,106</u> | <u>1,455,819</u> |
| Total net assets | <u>\$ 1,409,654</u> | <u>\$ 1,459,662</u> |
| Revenues | | |
| Investment income | \$ 50,347 | \$ 27,041 |
| Net gain (loss) on investments | <u>(65,386)</u> | <u>41,026</u> |
| | (15,039) | 68,067 |
| Expenses | | |
| Administrative expenses | <u>11,344</u> | <u>9,845</u> |
| Revenues over expenses | (26,383) | 58,222 |
| Transfer to Camp Sunshine, Inc. | (23,625) | (23,071) |
| Net assets, beginning of year | <u>1,459,662</u> | <u>1,424,511</u> |
| Net assets, end of year | <u>\$ 1,409,654</u> | <u>\$ 1,459,662</u> |

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements - Modified Cash Basis

December 31, 2015 and 2014

Note 6. Net Assets

Total restricted net assets are comprised of an endowment, unused income generated by the endowment and the net assets of Camp Sunshine Supporting Fund, Inc. The endowment is permanently restricted in corpus, while income and appreciation of the endowment is restricted for capital repairs and maintenance for Camp Sunshine facilities. Restrictions on net assets as of December 31, 2015 and 2014, are summarized as follows:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|---------------------|---------------------|
| Permanently restricted | | |
| Endowment | \$ 1,000,000 | \$ 1,000,000 |
| Temporarily restricted | | |
| Income and appreciation | 835,399 | 880,369 |
| Camp Sunshine Supporting Fund, Inc. | <u>1,409,654</u> | <u>1,459,662</u> |
| | <u>2,245,053</u> | <u>2,340,031</u> |
| | <u>\$ 3,245,053</u> | <u>\$ 3,340,031</u> |

Unrestricted net assets consist of resources available for the various programs and administration of the Organization which have not been restricted by a donor or other outside party. Unrestricted net assets as of December 31, 2015 and 2014, are summarized as follows:

| | <u>2015</u> | <u>2014</u> |
|-----------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,696,895 | \$ 1,728,972 |
| Investment securities | 2,513,856 | 2,177,709 |
| Property and equipment, net | <u>2,823,747</u> | <u>2,939,939</u> |
| | <u>\$ 7,034,498</u> | <u>\$ 6,846,620</u> |

Note 7. Endowment

The Organization's endowment consists of a fund established by a donor for preservation of the Organization's headquarters, also known as the Camp Sunshine House. Its endowment consists of donor-restricted endowment funds whose original contribution totaled \$1,000,000. Net assets associated with endowment funds are classified and reported based on the donor-imposed restrictions.

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements - Modified Cash Basis

December 31, 2015 and 2014

Note 7. Endowment, Continued

Interpretation of relevant law:

The Finance Committee of the Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets, the original value of the gift donated to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Finance Committee in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain and as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in temporarily restricted net assets. During 2015 and 2014, such deficiencies totaled \$0.

Return objectives and risk parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Finance Committee, the endowment assets are invested in a manner that is intended to attain, at a minimum, a total return to help fund repairs and maintenance and capital expenditures of the Camp Sunshine House, as well as provide additional cash flow to help fund different programs that are led by the Organization.

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements - Modified Cash Basis

December 31, 2015 and 2014

Note 7. Endowment, Continued

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a high emphasis on mutual funds and equity-based investments to achieve its long-term return objectives within prudent risk constraints. Changes in endowment net assets for the year ended December 31, 2015, are as follows:

| | 2015 | | | Total |
|---|--------------|------------------------|------------------------|--------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Endowment net assets, beginning of year | \$ - | \$ 880,369 | \$ 1,000,000 | \$ 1,880,369 |
| Investment income | - | 85,311 | - | 85,311 |
| Net loss on investments | - | (106,656) | - | (106,656) |
| | - | (21,345) | - | (21,345) |
| Appropriation of endowment assets for expenditure | - | (23,625) | - | (23,625) |
| Endowment net assets, end of year | \$ - | \$ 835,399 | \$ 1,000,000 | \$ 1,835,399 |

Changes in endowment net assets for the year ended December 31, 2014, are as follows:

| | 2014 | | | Total |
|---|--------------|------------------------|------------------------|--------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Endowment net assets, beginning of year, as restated | \$ - | \$ 823,911 | \$ 1,000,000 | \$ 1,823,911 |
| Investment income | - | 40,649 | - | 40,649 |
| Net gain on investments | - | 38,880 | - | 38,880 |
| | - | 79,529 | - | 79,529 |
| Appropriation of endowment assets for expenditure | - | (23,071) | - | (23,071) |
| Endowment net assets, end of year | \$ - | \$ 880,369 | \$ 1,000,000 | \$ 1,880,369 |

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements - Modified Cash Basis

December 31, 2015 and 2014

Note 8. Fundraising

Revenues from fundraising events, net of direct and allocated expenses, consist of the following:

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| Revenues | | |
| Keencheefoone road race | \$ 284,266 | \$ 258,407 |
| Special events | 177,952 | 227,787 |
| Signature event | 158,835 | 173,717 |
| T-Shirt sales | <u>12,988</u> | <u>10,424</u> |
| | 634,041 | 670,335 |
| Direct expenses (includes donated materials of \$3,488 for 2015 and \$4,770 for 2014) | <u>78,835</u> | <u>68,636</u> |
| | 555,206 | 601,699 |
| Allocated expenses | <u>192,491</u> | <u>147,020</u> |
| | <u>\$ 362,715</u> | <u>\$ 454,679</u> |

Note 9. Functional Allocation of Expenses

The direct costs of providing the various programs and activities have been reported on a functional basis in the consolidated statements of revenues, expenses and net assets - modified cash basis. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited. The allocations of these costs are determined by the amount of time and resources management invests in each activity.

Note 10. Donated Products and Services

The Organization receives substantial fundraising and operating services from volunteers. The value of many of these services cannot be readily determined and are not reflected in these consolidated modified cash basis financial statements. The Organization has recognized revenue from contributions for the following donated products and services, which were allocated to the various activities:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|------------------|------------------|
| Medical staff services and equipment | \$ 32,000 | \$ 32,000 |
| Accounting and legal services | 28,799 | 23,851 |
| Summer camp | 11,220 | 14,511 |
| Graphics and printing | 7,538 | 8,570 |
| House programs | <u>3,926</u> | <u>3,805</u> |
| | <u>\$ 83,483</u> | <u>\$ 82,737</u> |

Note 11. Employee Benefit Plan

The Organization has a contributory 401(k) plan covering substantially all full-time employees with a minimum of one year of service. The plan provides for matching contributions by the Organization of up to 7% of a participant's qualifying compensation. Contributions by the Organization totaled \$30,164 for 2015 and \$31,618 for 2014, respectively.