

**Camp Sunshine, Inc. and Subsidiary**

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

***For the years ended December 31, 2017 and 2016***

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# 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, 2017 and 2016, 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 consolidated 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, 2017 and 2016, and their revenues, expenses and changes in their net assets for the years then ended in accordance with the modified cash 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 that matter.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a long, sweeping underline.

Chattanooga, Tennessee  
July 9, 2018

## Camp Sunshine, Inc. and Subsidiary

### Consolidated Statements of Assets and Net Assets – Modified Cash Basis

As of December 31, 2017 and 2016

|   | <u>2017</u>          | <u>2016</u>          |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| Cash and cash equivalents                                     | \$ 2,068,672         | \$ 1,598,941         |
| Investment securities   | 6,614,626            | 5,141,833            |
| Property and equipment, net                                   | 2,686,788            | 2,741,900            |
| Interest in net assets of Camp Sunshine Supporting Fund, Inc. | 1,721,337            | 1,479,679            |
| Total assets  | <u>\$ 13,091,423</u> | <u>\$ 10,962,353</u> |
| <b>Net assets</b>   |                      |                      |
| Unrestricted  | \$ 9,326,674         | \$ 7,587,539         |
| Temporarily restricted  | 2,764,749            | 2,374,814            |
| Permanently restricted  | 1,000,000            | 1,000,000            |
| Total net assets  | <u>\$ 13,091,423</u> | <u>\$ 10,962,353</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, 2017*

|  | <u>Unrestricted</u> | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>Total</u>         |
|--|---------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>Revenues</b>  |                     |                                   |                                   |                      |
| Contributions  | \$ 2,046,829        | \$ -                              | \$ -                              | \$ 2,046,829         |
| Fundraising revenue - less direct<br>expenses of \$64,198                  | 834,663             | -                                 | -                                 | 834,663              |
| Rental income  | 2,850               | -                                 | -                                 | 2,850                |
| Camp tuition   | 4,410               | -                                 | -                                 | 4,410                |
| Interest income  | 1,408               | 92                                | -                                 | 1,500                |
| Dividend income  | 95,045              | 19,320                            | -                                 | 114,365              |
| Net gain on investments  | 700,454             | 131,015                           | -                                 | 831,469              |
| Change in interest in net assets of Camp<br>Sunshine Supporting Fund, Inc. | -                   | 266,446                           | -                                 | 266,446              |
|  | <u>3,685,659</u>    | <u>416,873</u>                    | <u>-</u>                          | <u>4,102,532</u>     |
| Net assets released from restrictions                                      | 2,150               | (2,150)                           | -                                 | -                    |
| Total revenues   | <u>3,687,809</u>    | <u>414,723</u>                    | <u>-</u>                          | <u>4,102,532</u>     |
| <b>Expenses</b>  |                     |                                   |                                   |                      |
| Program services   | <u>1,607,599</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,607,599</u>     |
| Supporting services:   |                     |                                   |                                   |                      |
| Management and general   | 208,652             | -                                 | -                                 | 208,652              |
| Fundraising  | 157,211             | -                                 | -                                 | 157,211              |
| Total supporting services  | <u>365,863</u>      | <u>-</u>                          | <u>-</u>                          | <u>365,863</u>       |
| Total expenses   | <u>1,973,462</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,973,462</u>     |
| <b>Change in net assets</b>  | 1,714,347           | 414,723                           | -                                 | 2,129,070            |
| <b>Transfer of net assets from Camp Sunshine<br/>Supporting Fund, Inc.</b> | 24,788              | (24,788)                          | -                                 | -                    |
| <b>Net assets, beginning of year</b>                                       | <u>7,587,539</u>    | <u>2,374,814</u>                  | <u>1,000,000</u>                  | <u>10,962,353</u>    |
| <b>Net assets, end of year</b>   | <u>\$ 9,326,674</u> | <u>\$ 2,764,749</u>               | <u>\$ 1,000,000</u>               | <u>\$ 13,091,423</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, 2016*

|  | <u>Unrestricted</u> | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>Total</u>         |
|--|---------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>Revenues</b>  |                     |                                   |                                   |                      |
| Contributions  | \$ 1,691,004        | \$ 500                            | \$ -                              | \$ 1,691,504         |
| Fundraising revenue - less direct<br>expenses of \$76,421                  | 513,594             | -                                 | -                                 | 513,594              |
| Rental income  | 2,150               | -                                 | -                                 | 2,150                |
| Camp tuition   | 6,875               | -                                 | -                                 | 6,875                |
| Interest income  | 580                 | 45                                | -                                 | 625                  |
| Dividend income  | 81,218              | 21,118                            | -                                 | 102,336              |
| Net gain on investments  | 168,016             | 38,073                            | -                                 | 206,089              |
| Change in interest in net assets of Camp<br>Sunshine Supporting Fund, Inc. | -                   | 91,513                            | -                                 | 91,513               |
|  | <u>2,463,437</u>    | <u>151,249</u>                    | <u>-</u>                          | <u>2,614,686</u>     |
| Net assets released from restrictions                                      | -                   | -                                 | -                                 | -                    |
| Total revenues   | <u>2,463,437</u>    | <u>151,249</u>                    | <u>-</u>                          | <u>2,614,686</u>     |
| <b>Expenses</b>  |                     |                                   |                                   |                      |
| Program services   | <u>1,536,806</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,536,806</u>     |
| Supporting services:   |                     |                                   |                                   |                      |
| Management and general   | 203,211             | -                                 | -                                 | 203,211              |
| Fundraising  | 191,867             | -                                 | -                                 | 191,867              |
| Total supporting services  | <u>395,078</u>      | <u>-</u>                          | <u>-</u>                          | <u>395,078</u>       |
| Total expenses   | <u>1,931,884</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,931,884</u>     |
| <b>Change in net assets</b>  | 531,553             | 151,249                           | -                                 | 682,802              |
| <b>Transfer of net assets from Camp Sunshine<br/>Supporting Fund, Inc.</b> | 21,488              | (21,488)                          | -                                 | -                    |
| <b>Net assets, beginning of year</b>                                       | <u>7,034,498</u>    | <u>2,245,053</u>                  | <u>1,000,000</u>                  | <u>10,279,551</u>    |
| <b>Net assets, end of year</b>   | <u>\$ 7,587,539</u> | <u>\$ 2,374,814</u>               | <u>\$ 1,000,000</u>               | <u>\$ 10,962,353</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, 2017*

|  | Program services  |                   |                  |                              |                   |                             |                   | Total               | Management and general | Fund-raising      | Total expenses      |
|--|-------------------|-------------------|------------------|------------------------------|-------------------|-----------------------------|-------------------|---------------------|------------------------|-------------------|---------------------|
|  | Summer camp       | Teen programs     | Sibling weekend  | Yearbook newsletter brochure | Family programs   | House and regional programs | Other programs    |                     |                        |                   |                     |
| Salaries                                     | \$ 184,588        | \$ 61,675         | \$ 23,875        | \$ 45,070                    | \$ 63,893         | \$ 67,250                   | \$ 67,445         | \$ 513,796          | \$ 73,450              | \$ 108,000        | \$ 695,246          |
| Employee benefits                            | 38,503            | 12,864            | 4,980            | 9,401                        | 13,327            | 15,890                      | 14,068            | 109,033             | 15,587                 | 22,919            | 147,539             |
| Payroll taxes                                | 13,414            | 4,482             | 1,735            | 3,277                        | 4,643             | 5,536                       | 4,901             | 37,988              | 5,431                  | 7,985             | 51,404              |
|  | <u>236,505</u>    | <u>79,021</u>     | <u>30,590</u>    | <u>57,748</u>                | <u>81,863</u>     | <u>88,676</u>               | <u>86,414</u>     | <u>660,817</u>      | <u>94,468</u>          | <u>138,904</u>    | <u>894,189</u>      |
| Office supplies                              | 2,863             | 957               | 370              | 699                          | 991               | 1,558                       | 1,046             | 8,484               | 1,591                  | 530               | 10,605              |
| Telephone                                    | 2,497             | 834               | 323              | 610                          | 864               | 1,359                       | 912               | 7,399               | 1,387                  | 462               | 9,248               |
| Postage and shipping                         | 3,933             | 1,314             | 509              | 960                          | 1,362             | 2,141                       | 1,437             | 11,656              | 2,186                  | 729               | 14,571              |
| Occupancy                                    | 111,159           | 46,882            | 20,933           | -                            | 60,259            | -                           | -                 | 239,233             | -                      | -                 | 239,233             |
| Program materials and other program expenses | 96,600            | 19,516            | 8,692            | -                            | 26,067            | 47,075                      | 91,125            | 289,075             | -                      | -                 | 289,075             |
| Repairs and maintenance                      | 25,390            | 8,484             | 3,284            | 6,199                        | 8,788             | 13,820                      | 9,277             | 75,242              | 14,108                 | 4,703             | 94,053              |
| Travel                                       | 11,850            | 17,260            | 2,760            | 242                          | 342               | 538                         | 361               | 33,353              | 549                    | 183               | 34,085              |
| Printing and publications                    | 9,108             | 1,476             | 571              | 61,972                       | 1,530             | 2,405                       | 1,614             | 78,676              | 2,455                  | 818               | 81,949              |
| Conferences, conventions and meetings        | 6,890             | 2,302             | 891              | 1,682                        | 2,384             | 3,750                       | 2,517             | 20,416              | 3,828                  | 1,276             | 25,520              |
| Insurance                                    | 13,521            | 4,518             | 1,749            | 3,301                        | 4,680             | 7,360                       | 4,940             | 40,069              | 7,513                  | 2,504             | 50,086              |
| Staff training                               | 12,084            | -                 | -                | -                            | -                 | -                           | -                 | 12,084              | -                      | -                 | 12,084              |
| Legal and accounting                         | -                 | -                 | -                | -                            | -                 | -                           | -                 | -                   | 59,260                 | -                 | 59,260              |
| Utilities                                    | 6,104             | 2,039             | 790              | 1,490                        | 2,113             | 3,323                       | 2,230             | 18,089              | 3,392                  | 1,131             | 22,612              |
| Miscellaneous                                | 18,511            | 1,506             | 583              | 1,101                        | 1,561             | 2,455                       | 5,106             | 30,823              | 2,506                  | 835               | 34,164              |
| Total expenses before depreciation           | <u>557,015</u>    | <u>186,109</u>    | <u>72,045</u>    | <u>136,004</u>               | <u>192,804</u>    | <u>174,460</u>              | <u>206,979</u>    | <u>1,525,416</u>    | <u>193,243</u>         | <u>152,075</u>    | <u>1,870,734</u>    |
| Depreciation                                 | <u>27,732</u>     | <u>9,266</u>      | <u>3,587</u>     | <u>6,771</u>                 | <u>9,599</u>      | <u>15,095</u>               | <u>10,133</u>     | <u>82,183</u>       | <u>15,409</u>          | <u>5,136</u>      | <u>102,728</u>      |
|  | <u>\$ 584,747</u> | <u>\$ 195,375</u> | <u>\$ 75,632</u> | <u>\$ 142,775</u>            | <u>\$ 202,403</u> | <u>\$ 189,555</u>           | <u>\$ 217,112</u> | <u>\$ 1,607,599</u> | <u>\$ 208,652</u>      | <u>\$ 157,211</u> | <u>\$ 1,973,462</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, 2016*

|  | Program services  |                   |                  |                              |                   |                             |                   | Total               | Management and general | Fund-raising      | Total expenses      |
|--|-------------------|-------------------|------------------|------------------------------|-------------------|-----------------------------|-------------------|---------------------|------------------------|-------------------|---------------------|
|  | Summer camp       | Teen programs     | Sibling weekend  | Yearbook newsletter brochure | Family programs   | House and regional programs | Other programs    |                     |                        |                   |                     |
| Salaries                                     | \$ 201,682        | \$ 71,238         | \$ 23,184        | \$ 52,320                    | \$ 74,646         | \$ -                        | \$ 59,456         | \$ 482,526          | \$ 71,605              | \$ 105,185        | \$ 659,316          |
| Employee benefits                            | 40,575            | 14,331            | 4,664            | 10,526                       | 15,017            | -                           | 11,961            | 97,074              | 14,406                 | 21,161            | 132,641             |
| Payroll taxes                                | 14,748            | 5,209             | 1,695            | 3,827                        | 5,459             | -                           | 4,348             | 35,286              | 5,236                  | 7,692             | 48,214              |
|  | <u>257,005</u>    | <u>90,778</u>     | <u>29,543</u>    | <u>66,673</u>                | <u>95,122</u>     | <u>-</u>                    | <u>75,765</u>     | <u>614,886</u>      | <u>91,247</u>          | <u>134,038</u>    | <u>840,171</u>      |
| Office supplies                              | 2,354             | 831               | 271              | 611                          | 871               | 475                         | 694               | 6,107               | 906                    | 1,331             | 8,344               |
| Telephone                                    | 2,905             | 1,025             | 334              | 754                          | 1,075             | 586                         | 856               | 7,535               | 1,118                  | 1,643             | 10,296              |
| Postage and shipping                         | 3,973             | 1,404             | 457              | 1,031                        | 1,471             | 802                         | 1,171             | 10,309              | 1,529                  | 2,247             | 14,085              |
| Occupancy                                    | 109,555           | 46,770            | 19,846           | -                            | 64,739            | -                           | -                 | 240,910             | -                      | -                 | 240,910             |
| Program materials and other program expenses | 104,179           | 20,351            | 7,932            | -                            | 28,936            | 51,096                      | 74,613            | 287,107             | -                      | -                 | 287,107             |
| Repairs and maintenance                      | 21,330            | 7,534             | 2,452            | 5,533                        | 7,895             | 4,306                       | 6,288             | 55,338              | 8,212                  | 12,063            | 75,613              |
| Travel                                       | 15,992            | 22,269            | 1,416            | 226                          | 321               | 175                         | 256               | 40,655              | 334                    | 491               | 41,480              |
| Printing and publications                    | 3,826             | 1,102             | 359              | 66,468                       | 1,156             | 630                         | 921               | 74,462              | 1,202                  | 1,766             | 77,430              |
| Conferences, conventions and meetings        | 3,855             | 1,361             | 443              | 1,000                        | 1,427             | 778                         | 1,137             | 10,001              | 1,484                  | 2,180             | 13,665              |
| Insurance                                    | 13,635            | 4,816             | 1,567            | 3,537                        | 5,047             | 2,753                       | 4,020             | 35,375              | 5,250                  | 7,711             | 48,336              |
| Staff training                               | 11,696            | -                 | -                | -                            | -                 | -                           | -                 | 11,696              | -                      | -                 | 11,696              |
| Legal and accounting                         | -                 | -                 | -                | -                            | -                 | -                           | -                 | -                   | 56,938                 | -                 | 56,938              |
| Investment expenses                          | -                 | -                 | -                | -                            | -                 | -                           | -                 | -                   | 15,650                 | -                 | 15,650              |
| Utilities                                    | 7,703             | 2,721             | 885              | 1,998                        | 2,851             | 1,555                       | 2,271             | 19,984              | 2,966                  | 4,356             | 27,306              |
| Miscellaneous                                | 17,463            | 2,302             | 646              | 1,458                        | 2,081             | 1,135                       | 1,657             | 26,742              | 2,173                  | 3,179             | 32,094              |
| Total expenses before depreciation           | <u>575,471</u>    | <u>203,264</u>    | <u>66,151</u>    | <u>149,289</u>               | <u>212,992</u>    | <u>64,291</u>               | <u>169,649</u>    | <u>1,441,107</u>    | <u>189,009</u>         | <u>171,005</u>    | <u>1,801,121</u>    |
| Depreciation                                 | <u>36,887</u>     | <u>13,029</u>     | <u>4,240</u>     | <u>9,569</u>                 | <u>13,652</u>     | <u>7,447</u>                | <u>10,875</u>     | <u>95,699</u>       | <u>14,202</u>          | <u>20,862</u>     | <u>130,763</u>      |
|  | <u>\$ 612,358</u> | <u>\$ 216,293</u> | <u>\$ 70,391</u> | <u>\$ 158,858</u>            | <u>\$ 226,644</u> | <u>\$ 71,738</u>            | <u>\$ 180,524</u> | <u>\$ 1,536,806</u> | <u>\$ 203,211</u>      | <u>\$ 191,867</u> | <u>\$ 1,931,884</u> |

**See Notes to Consolidated Financial Statements**

## **Camp Sunshine, Inc. and Subsidiary**

*Notes to Consolidated Financial Statements – Modified Cash Basis*

*December 31, 2017 and 2016*

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### **Note 1. Nature of Business and Significant Accounting Policies**

Camp Sunshine, Inc. (the “Organization”) enriches the lives of Georgia’s children with cancer and their families through recreational, educational and support programs. From the Organization’s formation as a traditional summer camp for children and adolescents who have cancer, the Organization has grown programming to include year round activities for these individuals impacted by cancer along with other programs to offer support for their siblings and families. In addition to providing this programming in the traditional camp setting, the Organization also provide activities at its facility in Atlanta as well as directly within Georgia hospitals.

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 financial statements include the accounts of Camp Sunshine, Inc. and the net assets of 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. These consolidated financial statements are not intended to represent the assets and net assets, revenue, expenses and net assets, and functional expenses in accordance with accounting principles generally accepted in the United States of America. 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 at their fair market value 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. In addition, investment securities are classified as trading securities, available-for-sale securities, and held-to-maturity securities and recorded at amortized cost or fair value depending on the classification of the security.

#### 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.

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## Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2017 and 2016

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

Financial statement presentation, continued:

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 for specific or general purposes. Permanently restricted net assets consist of assets held for endowment purposes of the Organization.

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 – modified cash basis. 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).

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## **Camp Sunshine, Inc. and Subsidiary**

*Notes to Consolidated Financial Statements – Modified Cash Basis*

*December 31, 2017 and 2016*

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

#### *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.

#### *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 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.

#### *Estimates and uncertainties:*

The preparation of consolidated financial statements in accordance 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.

## Camp Sunshine, Inc. and Subsidiary

### Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2017 and 2016

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

##### 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.

##### Recently issued accounting pronouncements:

In August 2016, the Financial Accounting Standards Board issued guidance to make targeted improvements to the not-for-profit financial reporting model, including changes in how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the effect that implementation of the new standard will have on its consolidated financial statements.

##### Reclassifications:

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation.

##### Subsequent events:

The Organization has evaluated subsequent events for potential recognition and disclosure through July 9, 2018, the date the consolidated financial statements were available to be issued. The Organization has determined that no subsequent events occurred during this period that would require recognition or disclosure in the financial statements.

#### Note 2. Investment Securities

Investment securities as of December 31, 2017 and 2016, consist of the following:

|  | 2017                |                     | 2016                |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | Cost                | Fair value          | Cost                | Fair value          |
| <b>Mutual funds, at fair value</b>           |                     |                     |                     |                     |
| Vanguard STAR Fund                           | \$ 5,002            | \$ 6,885            | \$ 5,002            | \$ 6,611            |
| BNY Charitable Equity Fund                   | 1,634,476           | 1,930,465           | 1,337,886           | 1,386,729           |
| BNY Fixed Income Fund Charitable Fund        | 978,880             | 974,929             | 755,592             | 747,191             |
| BNY Endowment Equity Fund                    | 603,784             | 758,162             | 595,275             | 647,669             |
| BNY Endowment Fixed Income Fund              | 631,667             | 630,704             | 603,668             | 598,987             |
| BNY Endowment Sub Fixed Income Fund          | 216,510             | 214,499             | 204,775             | 201,831             |
|  | <u>4,070,319</u>    | <u>4,515,644</u>    | <u>3,502,198</u>    | <u>3,589,018</u>    |
| <b>Equity securities, at fair value</b>      |                     |                     |                     |                     |
| BNY Charitable Equity Fund                   | 1,019,840           | 1,498,531           | 851,492             | 1,050,695           |
| BNY Endowment Equity Fund                    | 385,184             | 600,451             | 385,810             | 502,112             |
|  | <u>1,405,024</u>    | <u>2,098,982</u>    | <u>1,237,302</u>    | <u>1,552,807</u>    |
| <b>Limited partnership interest, at cost</b> |                     |                     |                     |                     |
| Wynnton Capital Partners, L.P.               | -                   | -                   | 8                   | 8                   |
|  | <u>\$ 5,475,343</u> | <u>\$ 6,614,626</u> | <u>\$ 4,739,508</u> | <u>\$ 5,141,833</u> |

## Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2017 and 2016

### Note 2. Investment Securities, Continued

Return on investments for the years ended December 31, 2017 and 2016, consists of the following:

|                                | 2017              |                        |                        | Total             |
|--------------------------------|-------------------|------------------------|------------------------|-------------------|
|                                | Unrestricted      | Temporarily restricted | Permanently restricted |                   |
| Interest income                | \$ 1,408          | \$ 92                  | \$ -                   | \$ 1,500          |
| Dividend income                | 95,045            | 19,320                 | -                      | 114,365           |
| Realized gain on investments   | 98,177            | 29,307                 | -                      | 127,484           |
| Unrealized gain on investments | 627,916           | 109,042                | -                      | 736,958           |
| Investment fees                | (25,639)          | (7,334)                | -                      | (32,973)          |
|                                | <u>\$ 796,907</u> | <u>\$ 150,427</u>      | <u>\$ -</u>            | <u>\$ 947,334</u> |

  

|                                | 2016              |                        |                        | Total             |
|--------------------------------|-------------------|------------------------|------------------------|-------------------|
|                                | Unrestricted      | Temporarily restricted | Permanently restricted |                   |
| Interest income                | \$ 580            | \$ 45                  | \$ -                   | \$ 625            |
| Dividend income                | 81,218            | 21,118                 | -                      | 102,336           |
| Realized gain on investments   | 26,936            | 9,870                  | -                      | 36,806            |
| Unrealized gain on investments | 163,029           | 35,189                 | -                      | 198,218           |
| Investment fees                | (21,949)          | (6,986)                | -                      | (28,935)          |
|                                | <u>\$ 249,814</u> | <u>\$ 59,236</u>       | <u>\$ -</u>            | <u>\$ 309,050</u> |

Investments that have been in a continuous loss position for greater than 12 months as of December 31, 2017, are as follows:

|              | 2017              |                     |                     |
|--------------|-------------------|---------------------|---------------------|
|              | Fair value        | Cost                | Net unrealized loss |
| Mutual funds | <u>\$ 991,242</u> | <u>\$ 1,024,614</u> | <u>\$ (33,372)</u>  |

Proceeds from sales of securities totaled \$615,075 and \$100,017 for the years ended December 31, 2017 and 2016, respectively.

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.

## Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2017 and 2016

### 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, 2017 and 2016, are as follows:

|                   | Fair value measurements at December 31, 2017 |             |             |                     |
|-------------------|--|-------------|-------------|---------------------|
|                   | Level 1                                      | Level 2     | Level 3     | Total               |
| Mutual funds      | \$ 4,515,644                                 | \$ -        | \$ -        | \$ 4,515,644        |
| Equity securities | 2,098,982                                    | -           | -           | 2,098,982           |
|                   | <u>\$ 6,614,626</u>                          | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,614,626</u> |

  

|                   | Fair value measurements at December 31, 2016 |             |             |                     |
|-------------------|--|-------------|-------------|---------------------|
|                   | Level 1                                      | Level 2     | Level 3     | Total               |
| Mutual funds      | \$ 3,589,018                                 | \$ -        | \$ -        | \$ 3,589,018        |
| Equity securities | 1,552,807                                    | -           | -           | 1,552,807           |
|                   | <u>\$ 5,141,825</u>                          | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,141,825</u> |

### Note 4. Property and Equipment

Property and equipment consist of the following major classifications:

|                          | 2017                | 2016                |
|--------------------------|---------------------|---------------------|
| Land                     | \$ 812,211          | \$ 812,211          |
| Land improvements        | 973,035             | 973,035             |
| Buildings                | 2,668,873           | 2,668,873           |
| Furniture and equipment  | 355,967             | 435,975             |
| Software                 | 50,910              | 51,469              |
| Automobiles              | 65,628              | 65,628              |
|                          | <u>4,926,624</u>    | <u>5,007,191</u>    |
| Accumulated depreciation | <u>(2,239,836)</u>  | <u>(2,265,291)</u>  |
|                          | <u>\$ 2,686,788</u> | <u>\$ 2,741,900</u> |

Depreciation expense for 2017 and 2016 totaled \$102,728 and \$130,763, respectively.

## Camp Sunshine, Inc. and Subsidiary

### Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2017 and 2016

#### 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 the Foundation 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>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| <b>Assets</b>                          |                     |                     |
| Cash and cash equivalents              | \$ 8,269            | \$ 9,522            |
| Investment securities                  | <u>1,713,068</u>    | <u>1,470,157</u>    |
| Total net assets                       | <u>\$ 1,721,337</u> | <u>\$ 1,479,679</u> |
| <b>Revenues</b>                        |                     |                     |
| Investment income                      | \$ 27,012           | \$ 28,438           |
| Net gain on investments                | <u>250,487</u>      | <u>68,313</u>       |
|  | 277,499             | 96,751              |
| <b>Expenses</b>                        |                     |                     |
| Administrative expenses                | <u>11,053</u>       | <u>5,238</u>        |
| Revenues over expenses                 | 266,446             | 91,513              |
| <b>Transfer to Camp Sunshine, Inc.</b> | (24,788)            | (21,488)            |
| <b>Net assets, beginning of year</b>   | <u>1,479,679</u>    | <u>1,409,654</u>    |
| <b>Net assets, end of year</b>         | <u>\$ 1,721,337</u> | <u>\$ 1,479,679</u> |

#### Note 6. Net Assets

Total restricted net assets are comprised of an endowment, unused income generated by the endowment and the net assets of the Foundation. 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, 2017 and 2016, are summarized as follows:

|                                     | <u>2017</u>         | <u>2016</u>         |
|-------------------------------------|---------------------|---------------------|
| <b>Permanently restricted</b>       |                     |                     |
| Restricted for endowment            | <u>\$ 1,000,000</u> | <u>\$ 1,000,000</u> |
| <b>Temporarily restricted</b>       |                     |                     |
| Capital repair and maintenance      | 1,043,412           | 892,985             |
| Camp Sunshine Supporting Fund, Inc. | 1,721,337           | 1,479,679           |
| Other endowment restrictions        | <u>-</u>            | <u>2,150</u>        |
|                                     | <u>2,764,749</u>    | <u>2,374,814</u>    |
|                                     | <u>\$ 3,764,749</u> | <u>\$ 3,374,814</u> |

## Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2017 and 2016

### Note 6. Net Assets, Continued

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, 2017 and 2016, are summarized as follows:

|                             | <u>2017</u>         | <u>2016</u>         |
|-----------------------------|---------------------|---------------------|
| Cash and cash equivalents   | \$ 2,068,672        | \$ 1,598,941        |
| Investment securities       | 4,571,214           | 3,246,698           |
| Property and equipment, net | <u>2,686,788</u>    | <u>2,741,900</u>    |
|                             | <u>\$ 9,326,674</u> | <u>\$ 7,587,539</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. The 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.

#### 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.

## Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2017 and 2016

### Note 7. Endowment, Continued

#### 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 accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in temporarily restricted net assets. During 2017 and 2016, there were no funds with such deficiencies.

#### 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.

#### 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, 2017, are as follows:

|  | 2017                |                               |                               |              |
|--|---------------------|-------------------------------|-------------------------------|--------------|
|  | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
| <b>Endowment net assets, beginning of year</b> | \$ -                | \$ 895,135                    | \$ 1,000,000                  | \$ 1,895,135 |
| Investment income                              | -                   | 19,412                        | -                             | 19,412       |
| Net gain on investments                        | -                   | 131,015                       | -                             | 131,015      |
| Release from restriction                       | -                   | (2,150)                       | -                             | (2,150)      |
|  | -                   | 148,277                       | -                             | 148,277      |
| <b>Endowment net assets, end of year</b>       | \$ -                | \$ 1,043,412                  | \$ 1,000,000                  | \$ 2,043,412 |

## Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2017 and 2016

### Note 7. Endowment, Continued

Changes in endowment net assets for the year ended December 31, 2016, are as follows:

|   | 2016         |                        |                        | Total        |
|---|--------------|------------------------|------------------------|--------------|
|   | Unrestricted | Temporarily restricted | Permanently restricted |              |
| Endowment net assets, beginning of year | \$ -         | \$ 835,399             | \$ 1,000,000           | \$ 1,835,399 |
| Contributions                           | -            | 500                    | -                      | 500          |
| Investment income                       | -            | 21,163                 | -                      | 21,163       |
| Net gain on investments                 | -            | 38,073                 | -                      | 38,073       |
|   | -            | 59,736                 | -                      | 59,736       |
| Endowment net assets, end of year       | \$ -         | \$ 895,135             | \$ 1,000,000           | \$ 1,895,135 |

### Note 8. Fundraising

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

|  | 2017       | 2016       |
|--|------------|------------|
| <b>Revenues</b>  |            |            |
| Keencheefoone road race  | \$ 297,657 | \$ 302,210 |
| Special events   | 239,950    | 89,437     |
| Signature event  | 349,146    | 189,476    |
| T-Shirt sales  | 12,108     | 8,892      |
|  | 898,861    | 590,015    |
| <b>Direct expenses</b> (includes donated materials of \$6,091 for 2017 and \$4,050 for 2016) | 64,198     | 76,421     |
|  | 834,663    | 513,594    |
| <b>Allocated expenses</b>  | 157,211    | 191,867    |
|  | \$ 677,452 | \$ 321,727 |

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## Camp Sunshine, Inc. and Subsidiary

*Notes to Consolidated Financial Statements – Modified Cash Basis*

*December 31, 2017 and 2016*

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### Note 9. 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 financial statements. The Organization has recognized revenue from contributions for the following donated products and services, which were allocated to the various activities:

|                                      | <u>2017</u>      | <u>2016</u>      |
|--------------------------------------|------------------|------------------|
| Medical staff services and equipment | \$ 38,000        | \$ 38,000        |
| Accounting and legal services        | 32,173           | 28,868           |
| Graphics and printing                | 10,042           | 9,970            |
| House programs                       | 9,427            | 9,680            |
| Summer camp                          | 5,688            | 5,680            |
|                                      | <u>\$ 95,330</u> | <u>\$ 92,198</u> |

### Note 10. 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 \$40,006 for 2017 and \$31,660 for 2016, respectively.