

Camp Sunshine, Inc. and Subsidiary

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

For the years ended December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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, flowing style.

Chattanooga, Tennessee
July 1, 2019

Camp Sunshine, Inc. and Subsidiary

Consolidated Statements of Assets and Net Assets – Modified Cash Basis

As of December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 1,978,452	\$ 2,068,672
Investment securities	6,719,498	6,614,626
Property and equipment, net	2,668,551	2,686,788
Interest in net assets of Camp Sunshine Supporting Fund, Inc.	1,577,211	1,721,337
Total assets	<u>\$ 12,943,712</u>	<u>\$ 13,091,423</u>
Net assets		
Without donor restrictions	\$ 9,386,983	\$ 9,326,674
With donor restrictions	3,556,729	3,764,749
Total net assets	<u>\$ 12,943,712</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, 2018

	Without donor restrictions	With donor restrictions	Total
Operating revenues			
Contributions	\$ 1,971,714	\$ -	\$ 1,971,714
Fundraising revenue - less direct expenses of \$72,688	674,809	-	674,809
Rental income	2,550	-	2,550
	2,649,073	-	2,649,073
Net assets released from restrictions	23,935	(23,935)	-
Total operating revenues	2,673,008	(23,935)	2,649,073
Operating expenses			
Program services	1,792,947	-	1,792,947
Supporting services:			
Management and general	233,037	-	233,037
Fundraising	150,322	-	150,322
Total supporting services	383,359	-	383,359
Total operating expenses	2,176,306	-	2,176,306
Operating income (loss)	496,702	(23,935)	472,767
Nonoperating activities			
Interest income	2,528	261	2,789
Dividend income	113,419	19,489	132,908
Net loss on investments	(552,340)	(83,644)	(635,984)
Change in interest in net assets of Camp Sunshine Supporting Fund, Inc.	-	(120,191)	(120,191)
Total nonoperating activities	(436,393)	(184,085)	(620,478)
Change in net assets	60,309	(208,020)	(147,711)
Net assets, beginning of year	9,326,674	3,764,749	13,091,423
Net assets, end of year	\$ 9,386,983	\$ 3,556,729	\$ 12,943,712

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

	Without donor restrictions	With donor restrictions	Total
Operating revenues			
Contributions	\$ 2,046,829	\$ -	\$ 2,046,829
Fundraising revenue - less direct expenses of \$64,198	834,663	-	834,663
Rental income	2,850	-	2,850
Camp tuition	4,410	-	4,410
	<u>2,888,752</u>	<u>-</u>	<u>2,888,752</u>
Net assets released from restrictions	26,938	(26,938)	-
Total operating revenues	<u>2,915,690</u>	<u>(26,938)</u>	<u>2,888,752</u>
Operating expenses			
Program services	<u>1,607,599</u>	<u>-</u>	<u>1,607,599</u>
Supporting services:			
Management and general	208,652	-	208,652
Fundraising	<u>157,211</u>	<u>-</u>	<u>157,211</u>
Total supporting services	<u>365,863</u>	<u>-</u>	<u>365,863</u>
Total operating expenses	<u>1,973,462</u>	<u>-</u>	<u>1,973,462</u>
Operating income (loss)	<u>942,228</u>	<u>(26,938)</u>	<u>915,290</u>
Nonoperating activities			
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 Sunshine Supporting Fund, Inc.	-	266,446	266,446
Total nonoperating activities	<u>796,907</u>	<u>416,873</u>	<u>1,213,780</u>
Change in net assets	<u>1,739,135</u>	<u>389,935</u>	<u>2,129,070</u>
Net assets, beginning of year	<u>7,587,539</u>	<u>3,374,814</u>	<u>10,962,353</u>
Net assets, end of year	<u>\$ 9,326,674</u>	<u>\$ 3,764,749</u>	<u>\$ 13,091,423</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, 2018

	Program services									
	Summer camp	Teen programs	Family and sibling programs	Yearbook newsletter brochure	House and regional programs	Other programs	Total	Management and general	Fund- raising	Total expenses
Salaries	\$ 201,318	\$ 64,260	\$ 92,776	\$ 51,872	\$ 70,500	\$ 79,711	\$ 560,437	\$ 75,850	\$ 101,455	\$ 737,742
Employee benefits	40,890	13,052	18,844	10,536	16,439	16,190	115,951	15,693	20,990	152,634
Payroll taxes	14,154	4,518	6,523	3,647	5,690	5,604	40,136	5,432	7,266	52,834
	256,362	81,830	118,143	66,055	92,629	101,505	716,524	96,975	129,711	943,210
Office supplies	3,689	1,178	1,700	951	2,016	1,461	10,995	2,061	673	13,729
Telephone	3,217	1,027	1,482	829	1,758	1,274	9,587	1,797	599	11,983
Postage and shipping	3,656	1,167	1,685	942	1,998	1,448	10,896	2,043	681	13,620
Occupancy	134,097	48,347	92,824	-	-	-	275,268	-	-	275,268
Program materials and other program expenses	98,616	19,263	34,076	-	60,775	111,328	324,058	-	-	324,058
Repairs and maintenance	26,637	8,502	12,276	6,863	14,554	10,547	79,379	14,884	4,961	99,224
Travel	15,572	22,404	3,057	214	453	328	42,028	463	154	42,645
Printing and publications	8,512	1,193	1,723	73,410	2,042	1,480	88,360	2,088	696	91,144
Conferences, conventions and meetings	5,870	1,874	2,705	1,512	3,207	2,324	17,492	3,280	1,093	21,865
Insurance	13,934	4,448	6,421	3,590	7,613	5,517	41,523	7,785	2,595	51,903
Staff training	13,060	-	-	-	224	-	13,284	-	-	13,284
Compliance	-	-	-	-	-	-	-	9,405	-	9,405
Legal and accounting	-	-	-	-	-	-	-	64,777	-	64,777
Utilities	6,450	2,059	2,973	1,662	3,524	2,554	19,222	3,604	1,201	24,027
Miscellaneous	17,216	1,245	1,797	1,005	2,131	5,225	28,619	2,179	726	31,524
Total expenses before depreciation	606,888	194,537	280,862	157,033	192,924	244,991	1,677,235	211,341	143,090	2,031,666
Depreciation	38,829	12,394	17,894	10,005	21,216	15,374	115,712	21,696	7,232	144,640
	<u>\$ 645,717</u>	<u>\$ 206,931</u>	<u>\$ 298,756</u>	<u>\$ 167,038</u>	<u>\$ 214,140</u>	<u>\$ 260,365</u>	<u>\$ 1,792,947</u>	<u>\$ 233,037</u>	<u>\$ 150,322</u>	<u>\$ 2,176,306</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	Family and sibling programs	Yearbook newsletter brochure	House and regional programs	Other programs				
Salaries	\$ 184,588	\$ 61,675	\$ 87,768	\$ 45,070	\$ 67,250	\$ 67,445	\$ 513,796	\$ 73,450	\$ 108,000	\$ 695,246
Employee benefits	38,503	12,864	18,307	9,401	15,890	14,068	109,033	15,587	22,919	147,539
Payroll taxes	13,414	4,482	6,378	3,277	5,536	4,901	37,988	5,431	7,985	51,404
	<u>236,505</u>	<u>79,021</u>	<u>112,453</u>	<u>57,748</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	1,361	699	1,558	1,046	8,484	1,591	530	10,605
Telephone	2,497	834	1,187	610	1,359	912	7,399	1,387	462	9,248
Postage and shipping	3,933	1,314	1,871	960	2,141	1,437	11,656	2,186	729	14,571
Occupancy	111,159	46,882	81,192	-	-	-	239,233	-	-	239,233
Program materials and other program expenses	96,600	19,516	34,759	-	47,075	91,125	289,075	-	-	289,075
Repairs and maintenance	25,390	8,484	12,072	6,199	13,820	9,277	75,242	14,108	4,703	94,053
Travel	11,850	17,260	3,102	242	538	361	33,353	549	183	34,085
Printing and publications	9,108	1,476	2,101	61,972	2,405	1,614	78,676	2,455	818	81,949
Conferences, conventions and meetings	6,890	2,302	3,275	1,682	3,750	2,517	20,416	3,828	1,276	25,520
Insurance	13,521	4,518	6,429	3,301	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	2,903	1,490	3,323	2,230	18,089	3,392	1,131	22,612
Miscellaneous	18,511	1,506	2,144	1,101	2,455	5,106	30,823	2,506	835	34,164
Total expenses before depreciation	<u>557,015</u>	<u>186,109</u>	<u>264,849</u>	<u>136,004</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>13,186</u>	<u>6,771</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>\$ 278,035</u>	<u>\$ 142,775</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

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2018 and 2017

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:

The Organization is required to report information according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2018 and 2017

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), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. 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, 2018 and 2017

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

Contributions:

Contributions received are classified as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions.

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.

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. Such allocations are determined by management on an equitable basis.

The Organization classifies expenses as program services or support expenses. Program services are the activities that fulfill the Organization's mission and include its summer camp, teen, sibling and family programs, yearbook, newsletter and brochure, and house and regional program expenses.

Support expenses are all activities other than program services and include management and general and fundraising expenses.

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2018 and 2017

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

Functional allocation of expenses, continued:

Salaries, employee benefits and payroll taxes are allocated based on time and effort. The following expenses are allocated based on an estimate of proportional cost.

Expense

Office supplies
Telephone
Postage and shipping
Repairs and maintenance
Travel
Printing and publications
Conferences, conventions and meetings
Insurance
Utilities
Miscellaneous
Depreciation

Measure of operations:

The consolidated statements of revenues, expenses and net assets – modified cash basis report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing programmatic services. Nonoperating activities are limited to resources that generate return from investments, interest in Camp Sunshine Supporting Fund, Inc., and other activities considered to be of a more unusual or nonrecurring nature.

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 1, 2019, the date the consolidated financial statements were available to be issued.

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2018 and 2017

Note 2. Availability and Liquidity

The following represents the Organization's financial assets as of December 31, 2018, reduced by amounts not available within one year:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,978,452
Investment securities	<u>6,719,498</u>
Total financial assets	8,697,950
Less amounts not available to be used within one year:	
Endowment net assets with donor restrictions	<u>1,979,518</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,718,432</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization seeks to maintain liquid reserves targeted as one year's annual budgeted expenditures. In addition, the Organization invests cash in excess of such requirements in short-term investments. Income from donor restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditures.

Note 3. Investment Securities

Investment securities as of December 31, 2018 and 2017, consist of the following:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Mutual funds, at fair value				
Vanguard STAR Fund	\$ -	\$ -	\$ 5,002	\$ 6,885
BNY Charitable Equity Fund	2,023,000	1,928,222	1,634,476	1,930,465
BNY Fixed Income Fund Charitable Fund	1,367,661	1,331,626	978,880	974,929
BNY Endowment Equity Fund	603,582	618,622	603,784	758,162
BNY Endowment Fixed Income Fund	730,164	708,366	631,667	630,704
BNY Endowment Sub Fixed Income Fund	<u>191,930</u>	<u>184,721</u>	<u>216,510</u>	<u>214,499</u>
	<u>4,916,337</u>	<u>4,771,557</u>	<u>4,070,319</u>	<u>4,515,644</u>
Equity securities, at fair value				
BNY Charitable Equity Fund	1,193,663	1,447,600	1,019,840	1,498,531
BNY Endowment Equity Fund	<u>386,276</u>	<u>500,341</u>	<u>385,184</u>	<u>600,451</u>
	<u>1,579,939</u>	<u>1,947,941</u>	<u>1,405,024</u>	<u>2,098,982</u>
	<u>\$ 6,496,276</u>	<u>\$ 6,719,498</u>	<u>\$ 5,475,343</u>	<u>\$ 6,614,626</u>

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis December 31, 2018 and 2017

Note 3. Investment Securities, Continued

Net gain (loss) on investments in the consolidated statements of revenues, expenses and net assets – modified cash basis is reported net of investment fees paid to a third party investment advisor. There was no allocation of internal costs to investment expenses for the years ended December 31, 2018 and 2017. Proceeds from sales of securities totaled \$1,239,140 and \$615,075 for the years ended December 31, 2018 and 2017, respectively. The sales of securities resulted in realized gain of \$313,667 and \$127,484 for the years ended December 31, 2018 and 2017, respectively, reported in net gain (loss) on investments.

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 4. 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, 2018 and 2017, are as follows:

Fair value measurements at December 31, 2018				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 4,771,557	\$ -	\$ -	\$ 4,771,557
Equity securities	1,947,941	-	-	1,947,941
	<u>\$ 6,719,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,719,498</u>

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>

Note 5. Property and Equipment

Property and equipment consist of the following major classifications:

	2018	2017
Land	\$ 812,211	\$ 812,211
Land improvements	973,035	973,035
Buildings	2,693,873	2,668,873
Furniture and equipment	413,777	355,967
Software	58,474	50,910
Automobiles	99,934	65,628
	<u>5,051,304</u>	<u>4,926,624</u>
Accumulated depreciation	<u>(2,382,753)</u>	<u>(2,239,836)</u>
	<u>\$ 2,668,551</u>	<u>\$ 2,686,788</u>

Depreciation expense for 2018 and 2017 totaled \$144,640 and \$102,728, respectively.

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2018 and 2017

Note 6. 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 appropriations 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>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 5,810	\$ 8,269
Investment securities	<u>1,571,401</u>	<u>1,713,068</u>
Total net assets	<u>\$ 1,577,211</u>	<u>\$ 1,721,337</u>
Revenues		
Investment income	\$ 29,624	\$ 27,012
Net gain (loss) on investments	<u>(137,725)</u>	<u>250,487</u>
	(108,101)	277,499
Expenses		
Administrative expenses	<u>12,090</u>	<u>11,053</u>
Revenues over expenses	(120,191)	266,446
Transfer to Camp Sunshine, Inc.	(23,935)	(24,788)
Net assets, beginning of year	<u>1,721,337</u>	<u>1,479,679</u>
Net assets, end of year	<u>\$ 1,577,211</u>	<u>\$ 1,721,337</u>

Note 7. 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. Net assets with donor restrictions as of December 31, 2018 and 2017, are summarized as follows:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose		
Capital repair and maintenance	\$ 979,518	\$ 1,043,412
Camp Sunshine Supporting Fund, Inc.	1,577,211	1,721,337
Subject to permanent restriction of corpus	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 3,556,729</u>	<u>\$ 3,764,749</u>

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis December 31, 2018 and 2017

Note 7. Net Assets, Continued

Net assets released from donor restrictions consist of:

	<u>2018</u>	<u>2017</u>
Spending allocation from Camp Sunshine		
Supporting Fund, Inc.	\$ 23,935	\$ 24,788
Buy A Brick Program	<u>-</u>	<u>2,150</u>
	<u>\$ 23,935</u>	<u>\$ 26,938</u>

Net assets without donor restriction 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. Net assets without donor restriction as of December 31, 2018 and 2017, are summarized as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,978,452	\$ 2,068,672
Investment securities	4,739,980	4,571,214
Property and equipment, net	<u>2,668,551</u>	<u>2,686,788</u>
	<u>\$ 9,386,983</u>	<u>\$ 9,326,674</u>

Note 8. 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 net assets with donor restrictions the original value of the gift donated to the permanent endowment. The donor-restricted endowment fund is classified as net assets with donor restrictions 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, 2018 and 2017

Note 8. 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 net assets with donor restriction. During 2018 and 2017, 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 are as follows:

	<u>2018</u>	<u>2017</u>
Endowment net assets, beginning of year	<u>\$ 2,043,412</u>	<u>\$ 1,895,135</u>
Investment income	19,750	19,412
Net gain (loss) on investments	(83,644)	131,015
Appropriated for spending	<u>-</u>	<u>(2,150)</u>
	<u>(63,894)</u>	<u>148,277</u>
Endowment net assets, end of year	<u>\$ 1,979,518</u>	<u>\$ 2,043,412</u>

Camp Sunshine, Inc. and Subsidiary

Notes to Consolidated Financial Statements – Modified Cash Basis

December 31, 2018 and 2017

Note 9. Fundraising

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

	<u>2018</u>	<u>2017</u>
Revenues		
Keencheefoone road race	\$ 344,763	\$ 297,657
Special events	158,906	239,950
Signature event	231,925	349,146
T-Shirt sales	<u>11,903</u>	<u>12,108</u>
	747,497	898,861
Direct expenses (includes donated materials of \$1,684 for 2018 and \$6,091 for 2017)	<u>72,688</u>	<u>64,198</u>
	674,809	834,663
Allocated expenses	<u>150,322</u>	<u>157,211</u>
	<u>\$ 524,487</u>	<u>\$ 677,452</u>

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

	<u>2018</u>	<u>2017</u>
Medical staff services and equipment	\$ 40,000	\$ 38,000
Accounting and legal services	33,367	32,173
Graphics and printing	11,401	10,042
House programs	11,456	9,427
Savannah Office Space	5,600	-
Summer camp	<u>5,320</u>	<u>5,688</u>
	<u>\$ 107,144</u>	<u>\$ 95,330</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 \$40,820 for 2018 and \$40,006 for 2017, respectively.