

THE SUNSHINE KIDS FOUNDATION
(a Texas Non-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019
(With Independent Auditor's Report Thereon)

Insight. Oversight. Foresight.SM

 **DoerenMayhew**
CPAs AND ADVISORS

THE SUNSHINE KIDS FOUNDATION
(a Texas Non-Profit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
of **The Sunshine Kids Foundation**

Report on the Financial Statements

We have audited the accompanying financial statements of The Sunshine Kids Foundation (the Foundation) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Doeren Mayhew".

Houston, Texas
June 28, 2021

THE SUNSHINE KIDS FOUNDATION
(a Texas Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents (Note 3)	\$ 1,806,258	\$ 1,669,365
Contributions receivable	204,653	110,982
Note receivable (Notes 4 and 14)	54,649	72,243
Inventory	20,200	23,159
Prepaid expenses and other assets	3,867	61,873
Investments (Note 5)	3,493,584	3,059,881
Property and equipment, net (Note 7)	404,218	446,756
 Total assets	 <u>\$ 5,987,429</u>	 <u>\$ 5,444,259</u>
 <u>Liabilities and Net Assets</u>		
 Liabilities - accounts payable and accrued liabilities	 <u>\$ 836</u>	 <u>\$ 12,977</u>
Net assets:		
Without donor restrictions	5,931,944	5,359,039
With donor restrictions (Note 8)	54,649	72,243
 Total net assets	 <u>5,986,593</u>	 <u>5,431,282</u>
 Total liabilities and net assets	 <u>\$ 5,987,429</u>	 <u>\$ 5,444,259</u>

See accompanying notes to financial statements.

THE SUNSHINE KIDS FOUNDATION
(a Texas Non-Profit Corporation)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>			<u>2019</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and other:						
Contributions (Notes 3 and 10)	\$ 2,748,446	\$ -	\$ 2,748,446	\$ 4,143,284	\$ -	\$ 4,143,284
Investment income, net (Note 6)	44,603	-	44,603	181,834	-	181,834
Other income	5,206	-	5,206	5,774	-	5,774
Net assets released from restrictions (Note 8)	17,594	(17,594)	-	11,876	(11,876)	-
Total public support, revenue and other	<u>2,815,849</u>	<u>(17,594)</u>	<u>2,798,255</u>	<u>4,342,768</u>	<u>(11,876)</u>	<u>4,330,892</u>
Expenses (Note 13):						
Program services	1,835,566	-	1,835,566	4,281,390	-	4,281,390
Management and general	174,264	-	174,264	191,194	-	191,194
Fundraising	233,114	-	233,114	359,442	-	359,442
Total expenses	<u>2,242,944</u>	<u>-</u>	<u>2,242,944</u>	<u>4,832,026</u>	<u>-</u>	<u>4,832,026</u>
Change in net assets	572,905	(17,594)	555,311	(489,258)	(11,876)	(501,134)
Net assets, beginning of year	<u>5,359,039</u>	<u>72,243</u>	<u>5,431,282</u>	<u>5,848,297</u>	<u>84,119</u>	<u>5,932,416</u>
Net assets, end of year	<u>\$ 5,931,944</u>	<u>\$ 54,649</u>	<u>\$ 5,986,593</u>	<u>\$ 5,359,039</u>	<u>\$ 72,243</u>	<u>\$ 5,431,282</u>

See accompanying notes to financial statements.

THE SUNSHINE KIDS FOUNDATION
(a Texas Non-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accommodations/meals	\$ 141,801	\$ 9,577	\$ 43,947	\$ 195,325
Activity supplies and support	414,843	2,750	15,410	433,003
Contract labor	-	41	-	41
Consulting fees	20,437	2,530	-	22,967
Depreciation and amortization	36,158	3,190	3,190	42,538
Dues and fees	30,263	3,612	14,710	48,585
Equipment rental	18,459	4,653	5,403	28,515
Insurance	128,747	25,914	25,914	180,575
Legal and professional	9,873	8,258	6,781	24,912
Office supplies and expenses	68,820	31,056	18,325	118,201
Payroll taxes	73,692	5,732	5,344	84,768
Photography and video production	200	-	5,717	5,917
Printing and duplicating	5,234	1,214	10,398	16,846
Rent	56,234	10,749	-	66,983
Repairs and maintenance	15,720	2,116	544	18,380
Salaries	743,869	53,003	53,003	849,875
Telephone	20,504	5,252	6,248	32,004
Travel	41,478	1,846	15,287	58,611
Utilities	8,635	2,761	2,893	14,289
Miscellaneous	599	10	-	609
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,835,566</u>	<u>\$ 174,264</u>	<u>\$ 233,114</u>	<u>\$ 2,242,944</u>

See accompanying notes to financial statements.

THE SUNSHINE KIDS FOUNDATION
(a Texas Non-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accommodations/meals	\$ 1,130,294	\$ 16,721	\$ 105,376	\$ 1,252,391
Activity supplies and support	1,228,647	687	32,485	1,261,819
Contract labor	9,232	-	-	9,232
Consulting fees	52,470	-	-	52,470
Depreciation and amortization	41,493	3,661	3,661	48,815
Dues and fees	36,183	5,268	12,652	54,103
Equipment rental	51,288	4,240	6,573	62,101
Insurance	157,810	28,400	28,400	214,610
Legal and professional	8,417	8,638	6,167	23,222
Office supplies and expenses	100,383	21,650	18,235	140,268
Payroll taxes	66,012	5,755	5,755	77,522
Photography and video production	49,312	85	2,512	51,909
Printing and duplicating	7,233	4,359	6,077	17,669
Rent	71,293	-	-	71,293
Repairs and maintenance	40,632	2,198	1,625	44,455
Salaries	795,384	69,605	69,603	934,592
Telephone	25,384	6,155	6,549	38,088
Travel	404,110	11,719	51,435	467,264
Utilities	5,598	2,053	2,337	9,988
Miscellaneous	215	-	-	215
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 4,281,390</u>	<u>\$ 191,194</u>	<u>\$ 359,442</u>	<u>\$ 4,832,026</u>

See accompanying notes to financial statements.

THE SUNSHINE KIDS FOUNDATION
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STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 555,311	\$ (501,134)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	42,538	48,815
Unrealized and realized gain on investments	(15,287)	(108,618)
Loss on sale of property	-	1,435
(Increase) decrease in operating assets:		
Contributions receivable	(93,671)	357,819
Note receivable	17,594	11,876
Inventory	2,959	(3,189)
Prepaid expenses and other assets	58,006	5,142
(Decrease) increase in operating liabilities:		
Accounts payable and accrued liabilities	(12,141)	4,579
Net cash provided (used) by operating activities	555,309	(183,275)
Cash flows from investing activities:		
Purchases of investments	(3,693,416)	(1,000,000)
Sales of investments	3,275,000	1,100,000
Purchases of property and equipment	-	(52,717)
Proceeds from sale of property and equipment	-	3,565
Net cash (used) provided by investing activities	(418,416)	50,848
Net increase (decrease) in cash and cash equivalents	136,893	(132,427)
Cash and cash equivalents, beginning of year	1,669,365	1,801,792
Cash and cash equivalents, end of year	\$ 1,806,258	\$ 1,669,365
Non-cash investing activity -		
Donation of property and equipment	\$ -	\$ 5,200

See accompanying notes to financial statements.

THE SUNSHINE KIDS FOUNDATION
(a Texas Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1 - Organization

The Sunshine Kids Foundation (the Foundation) was incorporated on March 1, 1982 under the provisions of the Texas Nonprofit Corporation Act. The Foundation provides group activity programs for children confronted with cancer, from hospitals across the country. The Foundation is funded by contributions from individuals, corporations and foundations. All of the Foundation's activities are completely free of charge to the children's families and hospitals.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

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 Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors or grantors. Donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

If donor-imposed restrictions are met in the same reporting period as the contribution was recognized as revenue, the Foundation reports such contributions as an increase in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions and when the restriction expires or is satisfied, these net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents. Cash equivalents held for investment purposes are classified as investments in the statements of financial position and are not considered cash equivalents for the purposes of the statements of cash flows.

THE SUNSHINE KIDS FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are discounted to estimate the present value of future cash flows if material. Conditional promises to give are not included as support until the conditions are met. At December 31, 2020 and 2019, the Foundation had no long-term contributions receivable. Management of the Foundation considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded as of December 31, 2020 or 2019. If amounts become uncollectible, they will be charged to operations when the determination is made.

Note receivable

Note receivable represents a promissory note received by the Foundation in connection with a bequest.

Inventory

Inventory consists of T-shirts, hats, bandanas, visors and other supplies for the program participants. Inventory is valued using the first-in first-out method and is stated at the lower of cost or net realizable value.

Investments and Investment Income

Investments are stated at fair value as described in Note 5. Marketable securities donated to the Foundation are recorded at fair value on the date of donation. Investment income, including unrealized gains and losses, is included as a change to net assets without donor restrictions unless otherwise specified by donor restrictions. If donor-imposed restrictions are met in the same reporting period as the investment income was recognized as revenue, the Foundation reports such income as an increase in net assets without donor restrictions. Investment income is reported net of investment related expenses.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at fair value at the date of the gift. Expenditures greater than \$1,000 that materially increase values or extend useful lives are capitalized. Routine maintenance and replacement costs are charged against operations in the year incurred. Depreciation is computed using the straight-line method over the estimated useful lives of 15 to 30 years for building and building improvements and 3 to 10 years for equipment and vehicles.

THE SUNSHINE KIDS FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Paycheck Protection Program Loan Accounting

The Paycheck Protection Program (PPP) Loan has been accounted for under the grant accounting model, which is based on the premise that it is an in-substance conditional grant delivered in the form of a forgivable loan. The Foundation recognized the PPP loan proceeds as a reduction of the related expenses at the time the qualifying expenses were incurred.

Revenue Recognition

Contributions are recorded as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as donor-restricted revenue. Contributions whose restrictions are met in the same reporting period as they are received are reported as unrestricted revenue. Conditional contributions are those that contain a measurable performance obligation or other barrier, as well as right of return, and are not recognized as revenue until the conditions on which they depend have been met. There were no conditional contributions as of December 31, 2020 or 2019.

Contributed property and equipment are reflected at estimated fair value at the date of receipt. Contributed property and equipment are recognized as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support and absent explicit donor stipulations about how long those long-lived assets must be maintained, are released from donor restrictions when the assets are placed in service.

Contributed services that meet the revenue recognition requirements of GAAP are recorded at estimated fair value when received. To be recognized as revenue, the donated services must either (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events revenue is recognized when the event is held.

Functional Allocation of Expenses

The costs of providing program and supporting service activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon estimated use or time and effort, or other reasonable methods for allocating multiple program expenditures. The statements of functional expenses present the natural classification detail of expenses by function.

THE SUNSHINE KIDS FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Foundation is exempt from Federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi) and §509(a)(1) and §509(a)(1). The Foundation files annual Federal information returns and its filings are still open to examination by taxing authorities for fiscal years 2017 and later, though there are no known years under examination. The Foundation follows the provisions of the Financial Accounting Standards Board (FASB) ASC Topic 740-10, *Accounting for Income Taxes*, and management believes it has no material uncertain tax positions or any related penalties and interest to accrue or disclose for the years ended December 31, 2020 and 2019.

Use of Estimates

Management must make estimates and assumptions to prepare financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various functions. Accordingly, actual results could vary from the estimates that were used.

Note 3 - Concentrations

Credit Risk

The Foundation is subject to concentration of credit risk relating primarily to cash and investments. The Foundation's cash deposits are maintained in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the FDIC up to \$250,000 per depositor. At December 31, 2020 and 2019, amounts in excess of the insured limits were \$1,557,201 and \$1,037,401, respectively. Management believes the Foundation's credit risk has been mitigated by the financial strength of the financial institution in which the funds are held.

Source of Revenue

The Foundation is subject to concentration of revenue through its relationship with Berkshire Hathaway HomeServices, which adopted the Foundation as their network-wide charity in 1991. For the years ended December 31, 2020 and 2019, contributions from Berkshire Hathaway HomeServices represented approximately 60% and 38%, respectively, of total contributions.

THE SUNSHINE KIDS FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 4 - Note Receivable

In connection with a bequest, the Foundation received a promissory note in the original amount of \$123,750 and bearing interest at 6.00%. Under the terms of the note, the first installment of \$5,000 was due in March 2016 and payments of \$1,250 are due monthly until March 2021, whereupon the remaining principal balance is due. Prepayments are allowed. At December 31, 2020 and 2019, the principal balance due on the promissory note is \$54,649 and \$72,243, respectively.

Note 5 - Fair Value Measurements

GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. Fair value is 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 reporting date. The Foundation's investments are measured at fair value on a recurring basis. The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices in active markets for identical securities as of the reporting date.

Level 2 - Pricing inputs other than quoted priced included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.

Level 3 - Pricing inputs include those that are significant to the fair value and are generally unobservable.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Financial instruments measured at fair value on a recurring basis at December 31, 2020 and 2019 are as follows:

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Bank Deposit				
Program Accounts	\$ -	\$ 3,493,584	\$ -	\$ 3,493,584
 <u>December 31, 2019</u>				
Fixed income securities - Government Sponsored Enterprise Securities	\$ 3,059,881	\$ -	\$ -	\$ 3,059,881

THE SUNSHINE KIDS FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 5 - Fair Value Measurements (Continued)

Fixed income securities are valued at the closing price reported in the active market in which the individual securities are traded. The bank deposit program accounts are valued at cost, which approximates fair value. The valuation methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values and the inputs or methodology used to measure investments are not necessarily indicative of the risk of investing in a particular security. Furthermore, although management of the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 6 - Investment Income

Investment income is net of related investment fees and is as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Interest	\$ 29,316	\$ 77,366
Net realized and unrealized gain, net of fees	15,287	104,468
Total investment income, net	\$ 44,603	\$ 181,834

Note 7 - Property and Equipment

Following is a summary of property and equipment at December 31:

	2020	2019
Land	\$ 100,000	\$ 100,000
Building and improvements	961,183	961,183
Office equipment	228,270	228,270
Computer equipment	245,007	245,007
Vehicles	110,241	110,241
Total property and equipment	1,644,701	1,644,701
Less: accumulated depreciation	(1,240,483)	(1,197,945)
Property and equipment, net	\$ 404,218	\$ 446,756

Depreciation expense for the years ended December 31, 2020 and 2019 is \$42,538 and \$48,815, respectively.

THE SUNSHINE KIDS FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 8 - Net Assets With Donor Restrictions

At December 31, 2020 and 2019, there was \$54,649 and \$72,243, respectively, of net assets with donor restrictions related to timing. Net assets with donor restrictions of \$17,594 and \$11,876 were released from donor restrictions during the years ended December 31, 2020 and 2019, respectively, through the passage of time.

Note 9 - Liquidity and Availability of Resources

The following table reflects the Foundation's financial assets at December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or they are not convertible to cash within one year. Financial assets are available for general expenditure if they do not have donor or other restrictions limiting their use through purpose restrictions.

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,806,258	\$ 1,669,365
Contributions receivable	204,653	110,982
Note receivable	54,649	72,243
Investments	3,493,584	3,059,881
Total financial assets at year-end	5,559,144	4,912,471
Less those unavailable for general expenditure within one year:		
Note receivable collectible beyond one year	(32,127)	(62,450)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 5,527,017	\$ 4,850,021

The Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations become due.

Note 10 - Donated Materials and Services

Donated lodging, meals, materials and property are recorded at fair value as contributions when an unconditional commitment is received from the donor. Included in public support is approximately \$394,000 and \$1,349,000 of contributed goods and services in 2020 and 2019, respectively.

A substantial number of volunteers have donated significant amounts of their time to the Foundation's programs. No value for these volunteer hours has been recorded in the statements of activities because they do not meet the criteria for recognition under GAAP.

THE SUNSHINE KIDS FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 11 - Defined Contribution Plan

The Foundation employees participate in a 401(k) defined contribution plan (the Plan) into which the Foundation makes a matching contribution equal to 50% of a participant's elective deferrals provided, however, that the matching contribution shall be made only with respect to the first 6% of the participant's compensation for each payroll period. The Foundation's contribution to the Plan for the years ended December 31, 2020 and 2019 approximated \$18,600 and \$22,500, respectively.

Note 12 - Operating Leases

The Foundation has various operating leases for office space and equipment expiring through fiscal year 2024. The minimum rental commitments under the noncancelable operating leases at December 31, 2020 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 27,117
2022	23,135
2023	10,200
2024	<u>7,650</u>
Total	<u>\$ 68,102</u>

Rental expense related to noncancelable operating leases approximated \$27,500 and \$32,000 for the years ended December 31, 2020 and 2019, respectively.

Note 13 - Paycheck Protection Program Loan

On April 28, 2020, the Foundation entered into a \$221,700 loan agreement and promissory note pursuant to the Paycheck Protection Program (PPP) which was established under the CARES Act and is administered by the U.S. Small Business Administration (SBA). The PPP Loan is eligible for forgiveness upon meeting certain requirements and is being accounted for under the grant accounting model. The Foundation incurred the qualifying expenses during the defined measurement period and on November 4, 2020, notification was received that the forgiveness application was approved by the SBA. The loan proceeds of \$221,700 were used for personnel costs and as such, \$189,700 has been recognized as a reduction in salaries and \$32,000 has been recognized as a reduction in insurance on the statement of functional expenses for the year ended December 31, 2020.

THE SUNSHINE KIDS FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 14 - Subsequent Events

On February 12, 2021, the note receivable was amended such that a principal payment of \$10,000 was due in February 2021, with payments of \$1,250 due monthly thereafter until April 2024, whereupon the remaining principal balance is due. The interest rate for the note remained at 6.00%.

On February 24, 2021, the Foundation received \$248,984 of additional loan proceeds under the PPP, with such amount payable over five years at an interest rate of 1.00%, with a deferral of payments for the first ten months. This PPP loan may be forgiven, in whole or in part, if the Foundation complies with certain requirements of the CARES Act. While management believes that the use of the loan proceeds will meet the conditions for forgiveness, it cannot be assured.

Management has evaluated subsequent events through June 28, 2021, the date the financial statements were available to be issued. Management has determined that there are no other subsequent events requiring recognition or disclosure in the financial statements.

*** * * End of Notes * * ***