SUNSHINE ON A RANNEY DAY INCORPORATED

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Year Ended December 31, 2019

Table of Contents

Santi & Associates, PC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Sunshine on a Ranney Day Incorporated
Roswell, Georgia

We have audited the accompanying financial statements of Sunshine on a Ranney Day Incorporated (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Santi & Associates, PC

Alpharetta, Georgia
November 10, 2020

SUNSHINE ON A RANNEY DAY INCORPORATED

STATEMENT OF FINANCIAL POSITION

December 31, 2019

Assets

Current Assets		
Cash and cash equivalents	$	301,114
Note receivable		4,800
Contributions receivable		18,180
Nongovernmental grants receivable		35,000
Total current assets		359,094
Property and Equipment		
Property and equipment, net		14,629
Other Assets		
Deposits		2,490
Assets	**$**	**376,213**

The accompanying notes are an integral part of these financial statements.

Liabilities and Net Assets

Current Liabilities	
Accounts payable	$ 17,168
Total current liabilities	17,168
Net Assets	
Without donor restrictions	359,045
With donor restrictions	-
	359,045
Liabilities and Net Assets	**$ 376,213**

SUNSHINE ON A RANNEY DAY INCORPORATED

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Grants, and Other Support			
Contributions	$ 275,579	$ -	$ 275,579
Nongovernmental grants	251,950	-	251,950
Special events revenue	557,675	-	557,675
Less: cost of direct benefits to donors	(113,234)	-	(113,234)
Net revenue from special events	444,441	-	444,441
In-kind contributions	487,903	-	487,903
Merchandise sales, net	(2,797)	-	(2,797)
Interest income	10	-	10
Total revenues, grants, and other support	1,457,086	-	1,457,086
Expenses and Losses			
Program services	1,200,330	-	1,200,330
Management and general	88,506	-	88,506
Fundraising	104,035	-	104,035
Total expenses and losses	1,392,871	-	1,392,871
Change in Net Assets	64,215	-	64,215
Net Assets, Beginning of Year	294,830	-	294,830
Net Assets, End of Year	$ 359,045	$ -	$ 359,045

The accompanying notes are an integral part of these financial statements.

SUNSHINE ON A RANNEY DAY INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services	Management & General	Fundraising	Total
Salaries and related expenses	$ 257,426	$ 44,033	$ 37,260	$ 338,719
Payroll taxes and benefits	39,711	6,793	5,747	52,251
Makeover expenses	787,021	1,972	-	788,993
Advertising and public relations	9,240	1,581	1,337	12,158
Depreciation	10,683	1,827	1,547	14,057
Donor appreciation and relations	-	-	11,627	11,627
Dues and subscriptions	7,396	1,265	1,071	9,732
Insurance	3,127	535	453	4,115
Licenses and permits	1,307	195	-	1,502
Miscellaneous	3,211	549	465	4,225
Occupancy	15,960	2,730	2,310	21,000
Office	8,281	1,417	1,198	10,896
Postage and delivery	318	55	46	419
Professional fees	-	17,609	34,252	51,861
Repairs and maintenance	14,187	2,427	2,053	18,667
Telecommunications	12,028	2,057	1,741	15,826
Training	14,152	2,421	2,048	18,621
Utilities	3,104	531	449	4,084
Vehicle	13,178	509	431	14,118
	$ 1,200,330	$ 88,506	$ 104,035	$ 1,392,871

SUNSHINE ON A RANNEY DAY INCORPORATED

STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

Cash Flow from Operating Activities	
Change in net assets	$ 64,215
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	14,057
(Increase) Decrease in:	
Note receivable	(4,800)
Contributions receivable	(18,180)
Nongovernmental grants receivable	(35,000)
Increase (Decrease) in:	
Accounts payable	12,537
Net cash provided by operating activities	32,829
Net Increase in Cash and Cash Equivalents	32,829
Cash and Cash Equivalents at Beginning of Year	268,285
Cash and Cash Equivalents at End of Year	$ 301,114

The accompanying notes are an integral part of these financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Sunshine on a Ranney Day Incorporated (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity.

1. **Nature of Organization**
The Organization was incorporated under the laws of the State of Georgia on February 20, 2012. It is a non-profit organization and tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization provides residential ADA modifications, therapy rooms, and room design for children with long-term illnesses in the greater Atlanta, Georgia area.

2. **Basis of Presentation**
The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities.* FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two classes of net assets. A description of the two classes of net assets follows:

Net Assets Without Donor Restrictions
Net assets that are not subject to or are no longer subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions
Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are recorded as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions when those donor restrictions are met in the year the contributions were received.

3. **Cash and Cash Equivalents**
The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

4. **Receivables**
Management closely monitors outstanding receivables and charges off to expense any balances that are determined to be uncollectible. At December 31, 2019, the Organization considered all remaining receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally using the straight-line method.

The estimated useful lives in determining depreciation are:

	Years
Leasehold improvements	Lesser of the lease or 7 years
Vehicles	5 - 7
Office equipment and furniture	5 - 7
Tools	7
Software	3

Expenditures for property and equipment and for improvements, which extend the original estimated economic life of the asset, exceeding $2,500, are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. When an asset is sold or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense for the year ended December 31, 2019 was $14,057.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

6. Contributions and Other Revenues

Unconditional contributions and special grants, those that do not include a measurable performance-related or other barrier or are those in which the Organization has limited discretion over how the contribution should be spent, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Contributions that include a measurable barrier or those for which the Organization has limited discretion over how the contribution should be spent and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

7. **Functional Allocation of Expenses**
The costs of providing the program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services, based on their nature and purpose, while other costs are directly charged to the functions they benefit. Expenses have been classified based on actual direct expenditures and cost allocations based on estimates made by the Organization.

8. **Use of Estimates**
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

9. **Donated Services**
Many volunteers have made significant contributions of their time to develop and promote the programs of the Organization. The value of these donated services is not included in the accompanying financial statements, as such services do not create or enhance non-financial assets or require specialized skills.

10. **Advertising**
Advertising costs are expensed as incurred. Advertising expense, for the year ended December 31, 2019, was $12,158.

11. **Income Taxes**
The Organization, a nonprofit organization, operating under Section 501(c)(3) of the IRC is exempt from federal, state, and local income taxes; and accordingly, no provision for income taxes is included in the accompanying financial statements for the Organization.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service and Georgia Department of Revenue. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to December 31, 2016.

12. **Subsequent Events**
Subsequent events have been evaluated through November 10, 2020, which is the date the financial statements were available to be issued.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

13. New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive revenue recognition model for all contracts with customers. Under this new guidance, an entity will recognize revenue to depict the transfer of promised goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. ASU No. 2014-09 may be adopted either retrospectively or on a modified retrospective basis. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Topic 606: Deferral of Effective Date*, which delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization has adopted ASU No. 2014-09 on a modified retrospective basis as of January 1, 2019, and the adoption of the ASU did not have a material effect on the Organization's financial condition, results of operations, or cash flows.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires entities to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Additionally, ASU No. 2018-08 modifies the simultaneous release option by allowing a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. ASU No. 2018-08 should be applied on a modified prospective basis and is effective for fiscal years beginning after December 31, 2018 for resource recipients. The Organization has adopted ASU No. 2018-08 as of January 1, 2019.

NOTE B – FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents.

The Organization maintains its cash deposits with highly rated financial institutions. At times, such deposits may be in excess of federally insured limits. At December 31, 2019, the Organization have uninsured cash deposits of $52,305. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss.

The Organization depends heavily on contributions and grants for its public support. Accordingly, the Organization's ability to fund its programs and services will be affected by national and local economic conditions.

NOTE C – NOTE RECEIVABLE

The Organization advanced funds to an officer with no set repayment terms. The outstanding balance on this note was $4,800 at December 31, 2019.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment, as of December 31, 2019, is summarized as follows:

Leasehold improvements	$	53,607
Vehicles		17,472
Office equipment and furniture		20,030
Tools		6,876
Software		2,690
		100,675
Less accumulated depreciation		(86,046)
	$	14,629

NOTE E – COMMITMENTS

The Organization has entered into an operating lease agreement for its office space. The monthly rental obligation was $1,750 on December 31, 2019, and the lease agreement expires August 2021. Occupancy expense associated with this lease was $21,000 for the year ended December 31, 2019.

Subsequently, the Organization has entered into an operating lease agreement for its new store, Sunny & Ranney, which opened in November 2020. The monthly rental obligation is $6,300 for the first two years, with an increase of 1.5% annually until its expiration in April 2025.

Future minimum lease payments are as follows:

Year Ended December 31,		
2020	$	33,800
2021		90,000
2022		76,352
2023		77,496
2024		78,656
2025		26,348
	$	382,652

NOTE F – RELATED PARTY TRANSACTIONS

The Organization advanced funds to an officer with no set repayment terms. The outstanding balance on this note was $4,800 at December 31, 2019.

The Organization rented a vehicle from an officer. For the year ended December 31, 2019, vehicle rental expenses totaled $10,200, which is included in vehicle expenses in the statement of functional expenses.

NOTE G – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Noncash investing and financing transactions:

In-kind contributions:	
Makeover expenses	$ 481,403
Advertising	6,500
	$ 487,903

NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a policy to manage its liquidity by structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization has maintained reserves that are invested in money market accounts and can curtail and modify its expenditures based upon anticipated revenue received from contributions and special grants. To help manage unanticipated liquidity needs, the Organization could open a committed line of credit, which it could draw upon.

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	$ 301,114
Note receivable	4,800
Contributions receivable	18,180
Nongovernmental grants receivable	35,000
Total financial assets	$ 359,094

NOTE I – SUBSEQUENT EVENTS

In November 2020, the Organization opened a new store, Sunny & Ranney. Sunny & Ranney sells designer home goods and furniture donated by retailers, wholesalers, and designers, and profits from the store will directly support the Organization's mission.

In response to the coronavirus (COVID-19) pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020 and the Paycheck Protection Program (PPP) and Health Care Enhancement Act (the Enhancement Act) on April 24, 2020. Under the PPP, as part of the CARES Act and Enhancement Act, the U.S. government has authorized forgivable loans to small businesses and nonprofit entities to pay their employees during the COVID-19 pandemic. Subsequently, on May 12, 2020, the Organization received a PPP loan for $75,500 and will be formally applying for loan forgiveness once all terms have been satisfied.

As a result of the coronavirus (COVID-19) pandemic, economic uncertainties have arisen which could potentially have a negative impact on the future performance of the Organization, though the potential impact is currently unknown.