SUNSHINE DIVISION, INC.

FINANCIAL STATEMENTS

June 30, 2017

With

Independent Auditor’s Report

SUNSHINE DIVISION, INC.
JUNE 30, 2017
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sunshine Division, Inc.
Portland, Oregon

Report on Financial Statements

We have audited the accompanying financial statements of Sunshine Division, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 of 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 Division, Inc. as of June 30, 2017, 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.

Report on Summarized Comparative Information

Sunshine Division, Inc.'s 2016 financial statements were previously audited by other auditors, and they expressed an unmodified audit opinion on those financial statements in their report dated January 4, 2017. The summarized comparative information presented herein as of and for the year ended June 30, 2016 has been derived from those audited financial statements.

James E Richman, CPA, PC

Portland, Oregon
January 8, 2018

SUNSHINE DIVISION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017
(with comparative amounts for 2016)

	2017	2016
ASSETS		
Current assets:		
Cash and equivalents	$ 656,193	$ 389,742
Prepaid expenses	31,225	19,331
Inventory (Note 2)	576,682	913,181
Grant receivable	-	78,000
Accrued trust distributions receivable (Note 3)	60,285	60,500
Total current assets	1,324,385	1,460,754
Investments (Note 3)	4,594,236	3,950,516
Property and equipment, net (Note 4)	458,267	418,246
Intangible assets, net (Note 5)	190,750	193,750
Total assets	$ 6,567,638	$ 6,023,266
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 19,170	$ 21,180
Accrued payroll and tax liabilities	51,977	46,953
Deferred revenue	63,290	24,062
Current portion of long-term debt (Note 6)	49,000	58,904
Total current liabilities	183,437	151,099
Long-term debt - net of current portion (Note 6)	39,096	88,096
Total liabilities	222,533	239,195
Commitments (Note 7)		
Net assets:		
Unrestricted:		
Available for general operations	936,298	1,252,716
Net property and equipment and intangible assets	560,921	464,996
Board-designated funds (Note 8)	2,939,880	2,730,796
Total unrestricted	4,437,099	4,448,508
Temporarily restricted (Note 9)	215,611	112,777
Permanently restricted (Note 10)	1,692,395	1,222,786
Total net assets	6,345,105	5,784,071
Total liabilities and net assets	$ 6,567,638	$ 6,023,266

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017
(With comparative totals for 2016)

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016
Operating support and revenues:					
Grants and donations	$ 545,542	$ 364,003	$ 359,421	$ 1,268,966	$ 961,900
Donations - grocery	3,216,846	-	-	3,216,846	2,934,310
Donations - clothing	961,979	-	-	961,979	809,690
Donations - other in-kind	88,303	-	-	88,303	84,640
Winter Wonderland:					
Donations	92,414	-	-	92,414	72,325
Donations - in-kind	43,648	-	-	43,648	25,195
Ticket sales - net of direct expenses of				-	
$519,502 for 2017 and $406,655 for 2016	(45,164)	-	-	(45,164)	35,373
Winter Wonderland, net	90,898	-	-	90,898	132,893
Special event revenue - net of direct expenses of $24,031 for 2017 and $6,309 for 2016	172,076	-	-	172,076	172,100
Investment income- net of investment fees of $23,782 for 2017 and $19,149 for 2016	68,869	-	-	68,869	107,968
Other	2,365	-	-	2,365	8,780
Net assets released from restrictions	261,169	(261,169)	-	-	-
Total operating support and revenues	5,408,047	102,834	359,421	5,870,302	5,212,281
Operating expenses:					
Program services	5,247,567	-	-	5,247,567	4,475,871
Management and general	123,824	-	-	123,824	68,344
Fund-raising	272,483	-	-	272,483	228,392
Total operating expenses	5,643,874	-	-	5,643,874	4,772,607
Change in net assets from operations	(235,827)	102,834	359,421	226,428	439,674
Non-operating activities:					
Gain (loss) on investments	224,418	-	-	224,418	(136,113)
Change in value of beneficial interest in perpetual trusts and pooled investments	-	-	110,188	110,188	(112,018)
Total non-operating activities	224,418	-	110,188	334,606	(248,131)
Change in net assets	(11,409)	102,834	469,609	561,034	191,543
Net assets, beginning of year	4,448,508	112,777	1,222,786	5,784,071	5,592,528
Net assets, end of year	$ 4,437,099	$ 215,611	$ 1,692,395	$ 6,345,105	$ 5,784,071

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017
(With comparative totals for 2016)

	2017					
	Program Services	**Management and General**	**Fund-Raising**	**Shared Cost Pool**	**Total**	**2016**
Distributions to outside agencies - bulk food and clothing	$ 2,509,921	$ -	$ -	$ -	$ 2,509,921	$ 1,699,162
Distributions to precinct boxes	35,938	-	-	-	35,938	19,324
Distributions for holiday food boxes	567,847	-	-	-	567,847	548,994
Emergency client assistance-grocery	1,104,836	-	-	-	1,104,836	1,088,669
Emergency client assistance - clothing	429,029	-	-	-	429,029	494,540
Emergency client assistance - other	12,500	-	-	-	12,500	1,675
Salaries and wages	253,308	56,410	130,164	-	439,882	427,301
Employee benefits	26,008	5,217	12,580	17,492	61,297	64,849
Payroll taxes	22,714	5,070	11,610	10,887	50,281	39,469
Izzy's gift cards issued	50,525	-	-	-	50,525	58,036
Events:						
Paid	3,472	-	2,472	1,823	7,767	2,672
In-kind	-	-	7,295	80	7,375	17,832
Printing	342	-	16,940	2,285	19,567	19,996
Advertising and promotion	-	-	96	2,127	2,223	4,648
Rent, equipment, building supplies and repairs:						
Paid	20,579	-	1,757	6,870	29,206	21,801
In-kind	20,709	-	-	-	20,709	23,432
Insurance	-	1,515	-	18,075	19,590	11,089
Office supplies, postage, and fees	11,280	4,018	6,750	46,885	68,933	57,639
Professional fees:						
Paid	3,428	29,864	19,200	29,243	81,735	59,988
In-kind	-	-	13,430	-	13,430	6,126
Utilities	200	-	-	36,718	36,918	35,295
Depreciation and amortization	-	-	-	23,047	23,047	22,931
Vehicles:						
Paid	4,458	-	-	339	4,797	3,192
In-kind	25,000	-	-	-	25,000	25,000
Meals and travel	981	105	986	4,356	6,428	7,291
Other	689	5,740	6,361	2,303	15,093	11,656
Shared cost allocation	143,803	15,885	42,842	(202,530)	-	-
Total operating expenses	$ 5,247,567	$ 123,824	$ 272,483	$ -	$ 5,643,874	$ 4,772,607

See accompanying notes to financial statements.

SUNSHINE DIVISION, INC.
STATEMENT OF CASH FLOWS
For the Year ended June 30, 2017
(With comparative totals for 2016)

	2017	2016
Cash flows from operating activities:		
Change in net asset	$ 561,034	$ 191,543
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	71,440	48,365
(Gain) loss on investments	(334,606)	248,131
Contributions restricted by donors or designated by Board for investments	(459,865)	(3,000)
Contributions restricted for acquisition of equipment	-	(200,000)
(Gain) loss disposition of property and equipment	44	-
(Increase) decrease in:		
Prepaid expenses	(11,894)	(6,655)
Inventory	336,499	40,124
Grant receivable	78,000	(78,000)
Accrued trust distribution receivable	215	(1,698)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,010)	5,075
Accrued payroll and tax liabilities	5,024	7,130
Deferred revenue	39,228	20,662
Net cash provided by operating activities	283,109	271,677
Cash flows from investing activities:		
Proceeds from redemption of time certificates of deposit	-	33,834
Purchases of time certificates of deposits and reinvested interest	-	(24)
Purchases of investments	(468,402)	(99,608)
Proceeds from sales of investments	159,288	81,542
Purchases of property and equipment	(108,505)	(282,689)
Distributions from perpetual trust	-	27
Net cash used in investing activities	(417,619)	(266,918)
Cash flows from financing activities:		
Proceeds from donations restricted by donors to acquisition of investments	359,451	-
Proceeds from contributions designated by Board to endowment	100,414	-
Proceeds from contributions restricted to Winter Wonderland equipment purchases	-	200,000
Principal payments on long-term debt	(58,904)	(49,000)
Net cash provided by investing activities	400,961	151,000
Net increase in cash and equivalents	266,451	155,759
Cash and equivalents, beginning of year	389,742	233,983
Cash and equivalents, end of year	$ 656,193	$ 389,742
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 2,543	$ 960
Supplemental disclosure of noncash investing and financing activities:		
Intangible assets financed via long term debt	$ -	$ 196,000

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities - Since 1923, the Sunshine Division, Inc. (the Division) has been providing food, essential household items, and clothing relief to Portland area families and individuals in need. Whether due to the loss of a job, domestic crime, illness, or victims of fire or disaster, the Sunshine Division has built a legacy of mobilizing quickly and efficiently to assist distressed Portlanders. The Sunshine Division offers food assistance six days a week at their warehouse food pantries as well as 24 hours a day through their partnership with the Portland Police Bureau who store food boxes at each police precinct that can be dispatched to those in need at any time. For over 90 years the Sunshine Division has both built and, with the help of volunteers and police officers, distributed thousands of holiday food boxes directly to the homes of those in need.

In December 2016, 3,500 hearty holiday food boxes were built and stored in the Sunshine Division Warehouse. 2,300 holiday boxes were personally delivered to Portland homes (who signed up via Sunshine in November) by volunteers, and 1,200 holiday boxes were distributed to local schools, churches, and social service organizations to help families in the metro area during the holiday season. The Sunshine Division also built and distributed 600 Thanksgiving food boxes from their warehouse to local families the Tuesday prior to Thanksgiving. In June of 2017, 1,000 summer food boxes for families with school-aged children were distributed throughout the metro area. The Division also provides no-cost bulk food, food boxes, toiletries, essential items, and clothing to over 25 local hunger relief non-profits serving Clark, Clackamas, Washington, and Multnomah counties. In addition to food relief, the Division also offers new and gently used clothing at their facilities to those in need, and funds school clothes shopping for nearly 460 low-income children throughout the year via the Issy’s Kids program that pairs a Portland police officer with a child for a one-of-a-kind shopping experience. In the fall 2017, the Sunshine Division has opened a second food pantry facility and clothing room in southeast Portland.

More than 100 volunteer workers supplement the small civilian staff, which is supported solely by public donations and contributions. The Portland Police Bureau provides an officer to act as an internal and external representative of the Division, and to assist in implementing the Division’s programs. The officer also serves the nearly 1,000 officers of the Bureau to facilitate year round access to resources from the Sunshine Division when an officer encounters a crisis, poverty, or is advocating for a victim. A representative of the Portland Police Bureau serves on the Division’s Board of Directors.

Program and Supporting Services- Program services of the Division include providing relief to the citizens of Portland in the form of gifts of food, essential household items, clothing, grants, and other activities in furtherance of its charitable purpose.

Management and general activities include business management, record keeping, budgeting, financing, and related administrative activities. These services provide the necessary developmental, organizational, and managerial support for effective operation of the Division and its programs.

Fundraising activities include conducting fundraising campaigns, preparing and distributing fundraising materials, and conducting other activities involving soliciting contributions from individuals, corporations, foundations, government agencies, and others.

Basis of Accounting- The Division uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - Net assets and all balances and revenues are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Division and changes therein are classified and reported as unrestricted, temporarily restricted, or permanently restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Division and/or the passage of time. Permanently restricted net assets are subject to donor-imposed stipulations that the resources be maintained permanently, but permit the Division to use the income.

Cash and Equivalents- The Division considers all cash and other highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of June 30, 2017, deposits in excess of FDIC insurance limits amounted to $424,415. The Division has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and equivalents.

Investments- Investments are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the gain (loss) on investments in the accompanying statements of activities.

Property and Equipment - Property and equipment are capitalized at original cost if purchased or at fair value if contributed. Depreciation is provided using the straight-line method over the estimated economic useful lives of 3 to 30 years for the related assets. Maintenance and repairs are charged to expense as incurred; expenditures for additions, improvements, and replacements in excess of $1,000 are generally capitalized.

Intangible Assets- Intangible assets with a determinable life are amortized over the life of the asset. Intangible assets with an indeterminable life, such as goodwill, are not amortized. All intangible assets are assessed annually for impairment. If necessary, an impairment loss is recognized to write down the asset to its estimated fair value.

Deferred Revenue- Deferred revenue consists of payments received in advance for events.

Restricted and Unrestricted Support- Contributions received are recorded as either unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor imposed restrictions. All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor and are recorded as support when received.

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. When a stipulated time restriction expires or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Division reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Division reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-Kind Contributions- The Division recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Division recognized various donated goods and services as reported in the statement of functional expenses and as included in direct expenses of the Winter Wonderland on the statement of activities.

The Division also receives services from a substantial number of volunteers who have donated significant amounts of time to assist in a range of program and fund-raising activities. These hours of general volunteer support are not reflected in the financial statements as they do not meet the criteria for recording donated services.

In-kind contributions of equipment and other materials are recorded when there is an objective basis upon which to value the contribution and where the contribution is an essential part of the Division's activities. Substantial donations of food, essential household items, and clothing are received by the Division, and are distributed to outside agencies and various beneficiaries of the Division's emergency assistance program. These donations are recorded by the Division as inventory and as unrestricted support (absent specific donor stipulations) when received, and as direct program expense when provided to outside agencies and individuals.

The Division uses certain vehicles owned by the City of Portland free of charge. The estimated fair value of this contribution for the year ended June 30, 2017, was $25,000.

Income Taxes- The Division is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. In addition, The Division is not classified as a private foundation.

Net income from Winter Wonderland ticket sales is considered unrelated business income, as it is a trade or business activity which is not substantially related to the exercise or performance of the Division's exempt purpose. Since related expenses exceeded ticket sales income, no provision for income taxes has been recorded for the year ended June 30, 2017.

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes,* an organization must also evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. Management does not believe the Division has any significant tax positions that under examination would not be sustained and, accordingly, has not recorded an estimated tax liability.

The Division files Form 990 in the U.S. federal jurisdiction and is subject to examination by U.S. federal tax authorities generally for three years from the filing of a tax return.

Advertising Expense- Advertising costs are charged to expense as they are incurred. The Division incurred $46,741 in advertising costs for the year ended June 30, 2017.

Rent- As of June 30, 2017, the Division had no lease commitments that extend beyond one year, but does, on occasion, incur rent charges. Rent expense for the year ended June 30, 2017 amounted to $16,150, which included $14,000 of donated warehouse space. Also see Note 13.

Functional Allocation of Expenses- The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Instruments with Concentrations of Risk- Financial instruments that potentially subject the Division to concentrations of risk consist principally of investments as described in Note 3.

The Division's investments, including those held at OCF, are exposed to various risks, such as interest rate, market, and credit risk. The value, liquidity, and related income of these investments are sensitive to changes in economic conditions and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Estimates- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Financial Information for 2016- The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Division's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassifications- Certain reclassifications have been made to the 2016 information to conform to the 2017 presentation.

Subsequent Events- Subsequent events were evaluated through January 8, 2018, which is the date the financial statements were available to be issued.

NOTE 2 – INVENTORY

Donated food and essential household items inventory valuations at June 30, 2017 and 2016, are determined on poundage and an average price per pound of $1.73 and $1.39, respectively. Management has estimated the approximate average wholesale value of one pound of donated food product using a national study performed by Feeding America as a guideline. Donated clothing inventory valuations at June 30, 2017 and 2016, are determined on poundage and an average price per pound of $10.04. Donated clothing inventory valuations are estimated by management based on an analysis of the types of donations received and the estimated fair market values associated with each. Purchased food is valued at cost on a first-in-first-out basis.

Inventory consists of the following as of June 30:

	2017	2016
Food and essential household items	$ 362,438	$ 454,861
Clothing	214,244	458,320
	$ 576,682	$ 913,181

NOTE 3 – INVESTMENTS

Investments are reported at fair value (also see Note 11) and consist of the following as of June 30:

	2017	2016
Held with Morgan Stanley:		
Money market funds	$ 27,644	$ 88,191
Equity mutual funds	898,004	667,289
Fixed income mutual funds	408,228	607,220
	1,333,876	1,362,700
Investments held at Oregon Community Foundation (OCF)	1,570,393	1,367,458
Beneficial interest in perpetual trusts maintained by OCF	1,308,222	1,220,358
Beneficial interest in pooled investments held by OCF	381,745	-
	$ 4,594,236	$ 3,950,516

Investments held at OCF (Sunshine Division Endowment Fund and Eddie Wilson Fund) - In March 1998, the Division entered into an agreement with the Oregon Community Foundation (OCF) to transfer certain investments to OCF in order to achieve improved performance results and enhanced long-term planned giving goals. The agreement stipulates that OCF will distribute annually, a percentage of the fair market value of the funds to the Division based on the expected total return on the investments of the permanent funds of OCF and other factors. The agreement specifies that such percentage shall not be less than a reasonable rate of return. Additional distributions may be made on a resolution of both the Division and OCF's Boards of Directors. The Division received from OCF a total of $64,344 in distributions for the year ended June 30, 2017.

Beneficial interest in perpetual trusts held by OCF (Sunshine Division Inc. Fund and Brownfield Fund) - The Division has been named beneficiary of two perpetual trusts maintained by OCF. The beneficial interest in these trusts has been recorded using the fair value of the underlying assets in each trust. The Division receives annual distributions from these trusts based on the provisions of each trust agreement. These distributions, which are reported as investment income in the Division's statement of activities, increase unrestricted net assets. The fair market value of these perpetual trusts as of the date of initial donation and all subsequent fluctuations in the value of these perpetual trusts have been recorded as permanently restricted activity in the statement of activities. Investment income reported from these trusts for the year ended June 30, 2017, totaled $60,285.

Beneficial interest in pooled investments held by OCF (Isabell Hoyt Kids Fund) - The beneficial interest in assets held by other as of June 30, 2017, amounted to $381,745, and consists of the Division's interest in a group of pooled investments held by the Oregon Community Foundation (OCF). In 2017, the Division entered into an agreement to transfer funds to OCF to establish a permanent fund as part of the stipulations of a donor. The Fund was established through an initial transfer of assets to OCF in return for the contractual promise of a perpetual stream of future distributions back to the Division, based on OCF's investment, spending and related policies. Although OCF accepted the transferred assets subject to its own variance power, the Division has retained a future economic beneficial interest in the transferred assets, having named itself as the beneficiary of the transferred funds and related future investment return. As of June 30, 2017, management believes that future distributions from OCF are capable of fulfillment and consistent with OCF's mission. The beneficial interest in assets held by others has been valued, as a practical expedient, at the fair value of the Division's share of the OCF's investment pool as of June 30, 2017.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of June 30:

	2017	2016
Land	$ 40,000	$ 40,000
Building	120,000	120,000
Building improvements	205,120	188,137
Equipment	452,462	377,541
Vehicles	37,937	37,937
Artwork	4,000	4,000
Construction in progress	-	16,728
	859,519	784,343
Less accumulated depreciation	(401,252)	(366,097)
	$ 458,267	$ 418,246

Depreciation and amortization expense on property and equipment totaled $68,440 for the year ended June 30, 2017, including $45,393 reported as a direct expense of the Winter Wonderland event in the statement of activities.

NOTE 5– INTANGIBLE ASSETS, NET

Intangible assets, net consist of the following at June 30:

	2017	2016
Goodwill	$ 181,000	$ 181,000
Covenant not to compete	15,000	15,000
Less accumulated amortization	(5,250)	(2,250)
Covenant not to compete, net	9,750	12,750
	$ 190,750	$193,750

The intangible assets are related to the 2016 acquisition of the business assets and concept rights of the Winter Wonderland. Management has assessed goodwill and concluded that no impairment exists at June 30, 2017. Amortization expense related to the covenant not to compete totaled $3,000 for the year ended June 30, 2017.

The estimated future amortization expense for the covenant not to compete is as follows at June 30:

2018	$ 3,000
2019	3,000
2020	3,000
2021	750
	$ 9,750

NOTE 6 –LONG-TERM DEBT

As of June 30, 2017, the Division was obligated under a note agreement to Thunder Media, Inc., payable in four equal installments of a minimum of $49,000 including interest at 1.77 percent per anum. The note contains a payment acceleration clause that can increase the minimum payment if certain profitability conditions are met. The note is secured by certain Winter Wonderland equipment with a carrying value of $246,040.

Future minimum principal payments on this obligation are as follows:

Year ending June 30,	
2018	$ 49,000
2019	39,096
	$ 88,096

NOTE 7 - PENSION PLAN

The Division has a defined contribution plan covering all employees who have completed one year of employment of at least 1,000 hours. The Division’s contribution is 3 percent of each eligible participant’s compensation. In addition, the Division makes a matching contribution equal to 50 percent of employee salary deferrals, not to exceed 2 percent of eligible compensation. Pension expense is included in employee benefits expense for the year ended June 30, 2017, and totaled $14,687.

NOTE 8 – BOARD-DESIGNATED NET ASSETS

Board-designated net assets consists of the following as of June 30:

	2017	2016
Endowment:		
Advantis Credit Union	$ -	$ 639
Morgan Stanley Investments	1,333,868	1,328,672
Sunshine Division Endowment Fund at OCF	1,305,106	1,120,667
	2,638,974	2,449,978
Eddie Wilson Fund	265,287	246,790
Capital improvements	35,619	34,028
	$ 2,939,880	$ 2,730,796

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of the following as of June 30:

	2017	2016
Issy's Kids	$ 11,253	$ 21,917
Personnel and food purchases	117,661	43,486
Food	57,612	39,838
Veterans food boxes	-	3,561
Warehouse and small equipment	6,000	559
SE Expansion	5,000	-
Capital campaign	3,085	3,085
Capacity Building	15,000	-
Safety upgrade	-	331
	$ 215,611	$ 112,777

During the year ended June 30, 2017, $261,169 of temporarily restricted net assets were released from restriction by incurring expenses satisfying donor stipulations or by the expiration of time-related restrictions.

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consists of the following as of June 30:

	2017	2016
Beneficial interest in perpetual trusts:		
Sunshine Division Inc. Fund at OCF	$ 102,566	$ 95,670
Brownfield Fund at OCF	1,205,656	1,124,688
	1,308,222	1,220,358
Beneficial interest in pooled investments:		
Isabell Hoyt Kids Fund at OCF	381,745	-
Jorgensen Trust	2,428	2,428
	$ 1,692,395	$ 1,222,786

NOTE 11 – FAIR VALUE MEASUREMENTS

Assets recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. In order to increase consistency and comparability in fair measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1- Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2- Observable inputs other than Level 1 inputs such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with market data.

Level 3- Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

The following sets forth, by level within the fair value hierarchy, the Division's assets measured at fair value on a recurring basis as of June 30, 2017:

		Fair Value Measurements Using:		
Description	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Investments held at Morgan Stanley:				
Money market funds	$ 27,644	$ 27,644	$ -	$ -
Equity mutual funds	898,004	898,004	-	-
Fixed income funds	408,228	408,228	-	-
	1,333,876	1,333,876	-	-
Investments held at OCF	1,570,393	-	-	1,570,393
Beneficial interest in perpetual trusts maintained by OCF	1,308,222	-	-	1,308,222
Beneficial interest in pooled investments held by OCF	381,745	-	-	381,745
	$ 4,594,236	$ 1,333,876	$ -	$ 3,260,360

The Division uses the following methods to estimate fair values for assets measured at fair value on a recurring basis:

Investments - Investments are valued by reference to quoted market prices and other relevant information generated by market transactions.

Investments held at OCF – Investments held at OCF represent the Division's share of a pooled investment portfolio managed by OCF. The Division's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. OCF investments in pooled funds are valued at the net asset per unit provided by OCF trustees. Net asset value is based on fair value of the underlying assets of the funds using a market approach, using quoted market prices when available.

Beneficial interest in perpetual trusts maintained by OCF and in pooled investments held by OCF– The Division's beneficial interests are not actively traded. The underlying assets are invested in OCF's pooled investment portfolio described above.

A summary of the fair value measurements using unobservable inputs (Level 3) for the year ended June 30, 2017, is as follows:

	Investments Held at OCF	Beneficial Interest in Perpetual Trusts Maintained by OCF	Beneficial Interest in Pooled Investments held by OCF
Balance, July 1, 2016	$ 1,367,458	$ 1,220,358	$ -
Contributions to beneficial interests	-	-	359,421
Change in value of beneficial interests	-	87,864	22,324
Interest and dividends	12,130	-	-
Contributions to OCF	100,414	-	-
Realized and unrealized gains	165,341	-	-
Fees paid to OCF	(10,606)	-	-
Distributions from OCF	(64,344)	-	-
	$ 1,570,393	$1,308,222	$381,745

NOTE 12- ENDOWMENT FUNDS

The Division's endowment consists of Board-designated investments and certain funds held at OCF as well as its beneficial interest in perpetual trusts maintained by OCF and its beneficial interest in pooled investments held by OCF. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Division's Board of Directors 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 Division classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Division in a manner consistent with the standard of prudence prescribed by UPMIFA.

Investment Strategy and Endowment Spending Policies

For Board-designated endowment funds not held by OCF, the Board of Directors of the Division has adopted investment and spending policies for Board-designated endowment assets that attempt to provide a consistent stream of income necessary to further the charitable objectives of the Division and then to secure sufficient growth in the invested assets to offset the impact of inflation and administrative expense.

For Board-designated endowment funds held by OCF, the Division has an agreement with OCF to distribute annually 4.5 percent of the fair market value of the fund based on the preceding 12 quarter average balance to the Division.

OCF follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the investment portfolio, combining market-value changes (realized and unrealized), and current yield (interest and dividends). Funds held with OCF are invested in a mixture of equities, fixed-income instruments, and alternative investment classes, such as hedge funds, distressed debt, private investments, and cash. The Division believes the investment and spending policy is consistent with the Division's objective to maintain purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

The investment of the Division's beneficial interest in perpetual trusts is determined by trustees of the trusts rather than the Division. The Division has the right to receive distributions but does not have access to the underlying assets of the trusts.

Endowment net asset composition as of June 30, 2017 is as follows:

	Unrestricted Board-Designated				
	Held by OCF	Other	Total	Permanently Restricted	Total
Board-designated funds	$ 1,305,106	$ 1,333,868	$ 2,638,974	$ -	$ 2,638,974
Beneficial interest in perpetual trusts	-	-	-	1,308,221	1,308,221
Beneficial interest in assets held by others	-	-	-	381,745	381,745
Cash and cash equivalents	-	-	-	2,429	2,429
Total all endowment funds	$ 1,305,106	$ 1,333,868	$ 2,638,974	$ 1,692,395	$ 4,331,369

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets at June 30, 2016	$ 2,449,978	$ 1,222,786	$ 3,672,764
Contributions	100,414	359,421	459,835
Investment income	201,280	110,188	311,468
Amounts appropriated for expenditure	(112,698)	-	(112,698)
Endowment net assets at June 30, 2017	$ 2,638,974	$ 1,692,395	$ 4,331,369

NOTE 13 – SUBSEUQENT EVENTS

In July 2017, subsequent to year end, the Division entered into an operating lease for facilities for its Southeast expansion location with a term of 3 years commencing 8/1/17 and expiring 10/31/2020. Base rent is $3,997 per month for the first year with inflationary adjustments each year thereafter. In addition to food purchases of $52,500 funded by the proceeds of a grant already acquired by the Division, management projects $184,500 in operating expenses attributable to the expansion location for the year ending June 30, 2018. Strategies for additional funding include grant proposals and solicitations, targeted fund-raising appeals, and utilization of unrestricted funds acquired through Winter Wonderland.