

SUNSHINE ON A RANNEY DAY INCORPORATED

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**Year Ended December 31, 2021
(With Comparative Totals for 2020)**

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sunshine on a Ranney Day Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunshine on a Ranney Day Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Sunshine on a Ranney Day Incorporated's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Alpharetta, Georgia
April 27, 2022

Liabilities and Net Assets

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Current portion of Economic Injury Disaster Loan (EIDL)	\$ 6,527	\$ -
Paycheck Protection Program (PPP) loan	-	75,500
Accounts payable	28,407	39,961
Other payable	13,483	15,267
Sublessee prepaid rent	1,000	1,000
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Total current liabilities	49,417	131,728
Long-Term Liabilities		
Economic Injury Disaster Loan (EIDL), less current portion	43,373	-
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Total current liabilities	43,373	-
Net Assets		
Without donor restrictions	676,166	310,038
With donor restrictions	-	-
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	676,166	310,038
	<hr/>	<hr/>
Liabilities and Net Assets	\$ 768,956	\$ 441,766

SUNSHINE ON A RANNEY DAY INCORPORATED

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Revenues, Grants, and Other Support				
Contributions	\$ 324,426	\$ -	\$ 324,426	\$ 269,831
Nongovernmental grants	260,880	-	260,880	216,625
Special events revenue	396,797	-	396,797	-
Less: cost of direct benefits to donors	(60,963)	-	(60,963)	-
Net revenue from special events	335,834	-	335,834	-
Sunny & Ranney, net revenue	344,525	-	344,525	56,695
In-kind contributions	262,394	-	262,394	527,265
Merchandise sales, net	-	-	-	412
Interest income	28	-	28	5
Rental income	23,500	-	23,500	3,000
Forgiveness of PPP loans	159,233	-	159,233	129
Total revenues, grants, and other support	1,710,820	-	1,710,820	1,073,962
Expenses and Losses				
Program services	1,081,420	-	1,081,420	902,146
Management and general	130,549	-	130,549	112,011
Fundraising	132,723	-	132,723	108,812
Total expenses and losses	1,344,692	-	1,344,692	1,122,969
Change in Net Assets	366,128	-	366,128	(49,007)
Net Assets, Beginning of Year	310,038	-	310,038	359,045
Net Assets, End of Year	\$ 676,166	\$ -	\$ 676,166	\$ 310,038

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, 2021
(With Comparative Totals for 2020)

	2021			Total	2020
	Program Services	Management & General	Fundraising		
Salaries and related expenses	\$ 321,320	\$ 54,963	\$ 46,507	\$ 422,790	\$ 353,880
Payroll taxes and benefits	49,097	8,397	7,106	64,600	72,308
Makeover expenses	453,928	1,138	-	455,066	435,039
Advertising and public relations	43,656	7,468	10,603	61,727	29,422
Bad debt	-	-	-	-	4,800
Contributions	-	-	-	-	3,735
Depreciation	43,314	7,408	6,270	56,992	18,862
Donor appreciation and relations	-	-	16,836	16,836	12,640
Dues and subscriptions	6,313	1,080	914	8,307	2,492
Improvements	8,240	-	-	8,240	11,654
Insurance	9,174	1,569	1,328	12,071	6,486
Interest expense	-	1,491	-	1,491	1,076
Licenses and permits	978	146	-	1,124	851
Miscellaneous	4,646	795	672	6,113	6,384
Moving expenses	13,026	1,946	-	14,972	7,106
Occupancy	73,872	12,636	10,692	97,200	32,050
Office	16,783	2,871	2,428	22,082	14,260
Postage and delivery	1,074	184	156	1,414	1,252
Professional fees	-	22,299	24,000	46,299	64,969
Repairs and maintenance	12,763	2,183	1,847	16,793	10,609
Telecommunications	2,021	346	293	2,660	12,525
Training	-	-	-	-	5,139
Utilities	21,215	3,629	3,071	27,915	7,389
Vehicle	-	-	-	-	8,041
	<u>\$ 1,081,420</u>	<u>\$ 130,549</u>	<u>\$ 132,723</u>	<u>\$ 1,344,692</u>	<u>\$ 1,122,969</u>

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

SUNSHINE ON A RANNEY DAY INCORPORATED

STATEMENT OF CASH FLOWS

**Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
Cash Flow from Operating Activities		
Change in net assets	\$ 366,128	\$ (49,007)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	56,992	18,862
Noncash contributions of property and equipment	-	(230,465)
Forgiveness of PPP loans	(159,233)	-
(Increase) Decrease in:		
Note receivable	-	4,800
Contributions receivable	-	18,180
Nongovernmental grants receivable	-	35,000
Sunny & Ranney inventory	(20,420)	(19,950)
Prepaid expenses	-	(1,800)
Increase (Decrease) in:		
Accounts payable	(11,554)	22,793
Other payable	(1,784)	15,267
Sublease prepaid rent	-	1,000
Net cash provided by (used in) operating activities	<u>230,129</u>	<u>(185,320)</u>
Cash Flow from Investing Activities		
Purchase of property and equipment	<u>(55,488)</u>	<u>(8,675)</u>
Net cash used in investing activities	<u>(55,488)</u>	<u>(8,675)</u>
Cash Flow from Financing Activities		
Proceeds from PPP loans	83,733	75,500
Net proceeds from EIDL loan	<u>49,900</u>	<u>-</u>
Net cash provided by financing activities	<u>133,633</u>	<u>75,500</u>
Net Increase (Decrease) in Cash and Cash Equivalents	308,274	(118,495)
Cash and Cash Equivalents at Beginning of Year	<u>182,619</u>	<u>301,114</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 490,893</u></u>	<u><u>\$ 182,619</u></u>

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

SUNSHINE ON A RANNEY DAY INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

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

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. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

SUNSHINE ON A RANNEY DAY INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. 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.

5. Cash and Cash Equivalents

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

6. Inventory

Inventory for Sunny & Ranney is stated at net realizable value at December 31, 2021.

7. Receivables

Management closely monitors outstanding receivables and charges off to expense any balances that are determined to be uncollectible. There were no outstanding receivables at December 31, 2021. Accordingly, there was no allowance for doubtful accounts.

There were no bad debt expense for the year ended December 31, 2021.

8. 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:

	<u>Years</u>
Leasehold improvements	Lesser of the lease or 7 years
Vehicles	5 - 7
Office equipment and furniture	5 - 7
Tools	7
Software	3
Website	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, 2021 was \$56,992.

SUNSHINE ON A RANNEY DAY INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

8. **Property and Equipment, continued**

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.

9. **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.

10. **Advertising**

Advertising costs are expensed as incurred. Advertising expense, for the year ended December 31, 2021, was \$61,727.

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, 2021, 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, 2018.

12. **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.

SUNSHINE ON A RANNEY DAY INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

13. 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.

14. Prior Year Information

The financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized totals were derived.

15. Subsequent Events

Subsequent events have been evaluated through April 27, 2022, which is the date the financial statements were available to be issued.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment, as of December 31, 2021, is summarized as follows:

Leasehold improvements	\$	323,717
Vehicles		17,471
Office equipment and furniture		20,030
Tools		9,763
Software		2,690
Website		21,630
		<hr/>
		395,301
Less accumulated depreciation		(161,898)
		<hr/>
	\$	<u>233,403</u>

NOTE C – 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.

SUNSHINE ON A RANNEY DAY INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE C – FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK, continued

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, 2021, the Organization had uninsured cash deposits totaling \$168,155. 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 D – PAYCHECK PROTECTION PROGRAM LOANS

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, 2021 and the Paycheck Protection Program (PPP) and Health Care Enhancement Act (the Enhancement Act) on April 24, 2021. 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. On May 12, 2020, the Organization received a PPP loan for \$75,500. This loan was formally forgiven on July 16, 2021. On March 5, 2021, the Organization received an additional PPP loan for \$83,733. This loan was formally forgiven on October 22, 2021.

NOTE E – ECONOMIC INJURY DISASTER LOAN

On January 5, 2021, the Organization was issued an Economic Injury Disaster Loan (EIDL) for \$149,900 through the U.S. Small Business Administration (SBA). The EIDL requires monthly payments of principal and interest totaling \$641 beginning twelve months from the date of the promissory note and will accrue interest at the rate of 2.75% per annum. This loan is collateralized by a security interest in all tangible property owned by the Organization. At December 31, 2021, the Organization has reflected the outstanding EIDL balance of \$49,900 as a current liability of \$6,527 and long-term liability of \$43,373 in the statement of financial position,

Maturities of the EIDL are as follows:

Year Ended December 31,	
2022	\$ 6,527
2023	6,593
2024	6,777
2025	6,965
2026	7,159
Thereafter	15,879
	<u>\$ 49,900</u>

SUNSHINE ON A RANNEY DAY INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – COVID-19 PAYROLL TAX DEFERRAL

In response to the COVID-19 pandemic, Congress created various payroll tax relief programs, including the payroll tax deferral, for employers via the CARES and the Families First Coronavirus Response Act (FFCRA) in the spring of 2020 and later expanded those in the Consolidated Appropriations Act (CAA) passed in late December 2020. The payroll tax deferral allows all employers to defer the deposit and payment of their share of the social security tax on employee wages for up to two years. In April 2020, the Organization started deferring the employer portion of the payroll taxes on employee wages. The COVID-19 payroll tax deferral payable at December 31, 2021 was \$13,482, and is included as other payable on the statement of financial position.

NOTE G – COMMITMENTS

The Organization has entered into an operating lease agreement for its office space. The monthly rental obligation was \$1,800 on December 31, 2021, and the lease agreement expires August 2024.

The Organization has entered into an operating lease agreement for its store space. The monthly rental obligation was \$6,300 on December 31, 2021, and the lease agreement expires April 2025.

Occupancy expense associated with these leases was \$97,200 for the year ended December 31, 2021.

Future minimum lease payments are as follows:

Year Ended	
<u>December 31,</u>	
2022	\$ 97,952
2023	99,096
2024	93,056
2025	26,348
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	\$ 316,452
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The Organization subleases a portion of its store space to a lessee. The lease provides for monthly rental receipts of \$1,000 in arrears. The lease agreement is effective through October, 2022.

The Organization subleased a portion of its store space to a lessee. The lease provided for monthly rental receipts of \$125 in arrears. The lease ended in January 2022.

The Organization subleases a portion of its store space to a related party on a month-to-month basis. The lease provides for monthly rental receipts of \$875 in arrears.

SUNSHINE ON A RANNEY DAY INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – COMMITMENTS, continued

Rental income was \$23,500 for the year ended December 31, 2021.

Future minimum rental receipts are as follows:

Year Ended <u>December 31,</u> 2022	<u>\$ 10,000</u>
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NOTE H – RELATED PARTY TRANSACTIONS

The Organization incurred leasehold improvements of \$8,338 and donated design services of \$3,500 associated with work performed by a related party.

The Organization subleases a portion of its store space to a related party on a month-to-month basis. The lease provides for monthly rental receipts of \$875 in arrears. For the year ended December 31, 2021, the organization collected \$10,500 of rental income from this related party.

The Organization received a contribution of \$5,000 from a related party.

NOTE I – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year ended December 31, 2021:

Interest	<u>\$ 1,491</u>
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All interest incurred was expensed.

Noncash investing and financing transactions:

In-kind contributions:	
Furniture and furnishings	\$ 439,741
Makeover expenses	<u>262,394</u>
	<u>\$ 702,135</u>
 Forgiveness of PPP loans	 <u>\$ 159,233</u>

SUNSHINE ON A RANNEY DAY INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE J – 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. 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	\$ 490,893
Sunny & Ranney inventory	<u>40,370</u>
Total financial assets	<u>\$ 531,263</u>

NOTE K – SUBSEQUENT EVENTS

Subsequently, in April 2022, the Organization entered into an operating lease agreement for its warehouse space. The lease agreement expires May 2027.

Subsequently, in February 2022, the Organization entered into a lease agreement for the use of a truck. The lease agreement expires January 2025.

As a result of the 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.