

THE SUNLIGHT FOUNDATION

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

For the Years Ended December 31, 2015 and 2014

THE SUNLIGHT FOUNDATION
Financial Statements

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Basic Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	7
Notes to Financial Statements	8-14



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INDEPENDENT AUDITORS' REPORT

**Board of Directors
The Sunlight Foundation
Washington, DC**

We have audited the accompanying financial statements of The Sunlight Foundation, a nonprofit organization, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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.

THE SUNLIGHT FOUNDATION
Independent Auditors' Report (Continued)
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sunlight Foundation as of December 31, 2015 and 2014, 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.

DeLeon & Stang

DeLeon & Stang, CPAs
Gaithersburg, Maryland
October 12, 2016

THE SUNLIGHT FOUNDATION
Statements of Financial Position
December 31, 2015 and 2014

ASSETS

	2015	2014
<u>Assets:</u>		
Cash and equivalents	\$ 2,692,461	\$ 2,460,990
Grants and pledges receivable, net of discount	2,414,542	1,984,561
Prepaid expenses	52,289	66,988
Property and equipment, net of accumulated depreciation	85,937	136,711
Other intangibles, net of accumulated amortization	50,000	200,000
Security deposit	27,155	27,155
	\$ 5,322,384	\$ 4,876,405

LIABILITIES AND NET ASSETS

<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 99,068	\$ 100,030
Deferred revenues	-	11,865
Deferred occupancy	32,225	45,550
	131,293	157,445
<u>Net Assets:</u>		
Unrestricted	2,042,518	2,380,258
Temporarily restricted	3,148,573	2,338,702
	5,191,091	4,718,960
	\$ 5,322,384	\$ 4,876,405

THE SUNLIGHT FOUNDATION
Statements of Activities
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenue and Support:</u>						
Contributions and grants	\$ 918,489	\$ 4,022,370	\$ 4,940,859	\$ 3,317,075	\$ 813,685	\$ 4,130,760
Interest income	1,925	-	1,925	1,902	-	1,902
Other income	39,018	-	39,018	24,099	-	24,099
Net assets released from restrictions	3,212,499	(3,212,499)	-	4,168,126	(4,168,126)	-
Total revenue and support	4,171,931	809,871	4,981,802	7,511,202	(3,354,441)	4,156,761
<u>Expenses:</u>						
Program Services	3,479,898	-	3,479,898	5,400,316	-	5,400,316
Supporting Services	1,029,773	-	1,029,773	1,179,876	-	1,179,876
Total expenses	4,509,671	-	4,509,671	6,580,192	-	6,580,192
Change in net assets	(337,740)	809,871	472,131	931,010	(3,354,441)	(2,423,431)
Net assets, beginning of year	2,380,258	2,338,702	4,718,960	1,449,248	5,693,143	7,142,391
Net assets, end of year	<u>\$ 2,042,518</u>	<u>\$ 3,148,573</u>	<u>\$ 5,191,091</u>	<u>\$ 2,380,258</u>	<u>\$ 2,338,702</u>	<u>\$ 4,718,960</u>

See Accompanying Notes to Financial Statements

THE SUNLIGHT FOUNDATION
Statements of Functional Expenses
For the Years Ended December 31, 2015 and 2014

2015

	Program Services			Supporting Services			Total
	Sunlight Labs	Other Programs	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries	\$ 1,034,309	\$ 1,213,817	\$ 2,248,126	\$ 200,959	\$ 318,115	\$ 519,074	\$ 2,767,200
Payroll taxes and benefits	202,841	238,044	440,885	39,411	62,386	101,797	542,682
Occupancy	138,552	162,598	301,150	25,920	43,614	69,534	370,684
Depreciation and amortization	-	-	-	203,563	-	203,563	203,563
Travel	6,747	121,562	128,309	5,489	1,368	6,857	135,166
Information technology	130,670	-	130,670	-	-	-	130,670
Consultants	17,445	104,440	121,885	2,775	-	2,775	124,660
Meetings	590	45,992	46,582	10,408	2,070	12,478	59,060
Accounting and audit	-	-	-	54,612	-	54,612	54,612
Dues and subscriptions	10,842	12,724	23,566	2,106	3,335	5,441	29,007
Telephone and internet	10,490	12,310	22,800	2,038	3,226	5,264	28,064
Insurance	-	-	-	26,328	-	26,328	26,328
Legal counsel	-	-	-	10,724	-	10,724	10,724
Office supplies	2,798	3,284	6,082	544	861	1,405	7,487
Web development	2,754	3,233	5,987	535	847	1,382	7,369
Bank fees	-	-	-	2,960	-	2,960	2,960
Licenses and Permits	-	-	-	2,007	-	2,007	2,007
Advertising	-	-	-	1,795	-	1,795	1,795
Printing	606	712	1,318	118	186	304	1,622
Gifts and donations	421	493	914	82	129	211	1,125
Small equipment purchases	409	480	889	80	126	206	1,095
Maintenance and repairs	338	397	735	66	104	170	905
Postage and delivery	-	-	-	886	-	886	886
Total	\$ 1,559,812	\$ 1,920,086	\$ 3,479,898	\$ 593,406	\$ 436,367	\$ 1,029,773	\$ 4,509,671

See Accompanying Notes to Financial Statements

THE SUNLIGHT FOUNDATION
Statements of Functional Expenses (Continued)
For the Years Ended December 31, 2015 and 2014

	2014							
	Program Services				Supporting Services			
	Grants	Sunlight Labs	Other Programs	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	\$ 18,004	\$ 1,561,741	\$ 1,461,225	\$ 3,040,970	\$ 242,869	\$ 374,792	\$ 617,661	\$ 3,658,631
Payroll taxes and benefits	3,490	302,719	283,234	589,443	48,063	72,648	120,711	710,154
Consultants	58	17,483	530,765	548,306	809	3,716	4,525	552,831
Occupancy	1,855	160,900	150,545	313,300	25,557	38,613	64,170	377,470
Grants	274,445	-	-	274,445	-	-	-	274,445
Travel	-	34,472	175,250	209,722	3,045	19,496	22,541	232,263
Depreciation and amortization	-	-	-	-	209,545	-	209,545	209,545
Information technology	-	147,578	-	147,578	-	-	-	147,578
Meetings	-	12,110	123,061	135,171	4,768	3,045	7,813	142,984
Professional fees	28	2,489	2,329	4,846	77,691	597	78,288	83,134
Dues and subscriptions	346	29,992	28,063	58,401	4,762	7,197	11,959	70,360
Telephone and internet	146	12,682	11,866	24,694	2,023	3,043	5,066	29,760
Insurance	-	-	-	-	25,147	-	25,147	25,147
Advertising	-	453	22,509	22,962	660	-	660	23,622
Office supplies	84	7,318	6,847	14,249	1,168	1,756	2,924	17,173
Maintenance and repairs	61	5,248	4,910	10,219	836	1,259	2,095	12,314
Miscellaneous	14	1,211	1,133	2,358	4,433	291	4,724	7,082
Printing	22	1,875	1,755	3,652	299	450	749	4,401
Postage and delivery	-	-	-	-	1,298	-	1,298	1,298
Total	\$ 298,553	\$ 2,298,271	\$ 2,803,492	\$ 5,400,316	\$ 652,973	\$ 526,903	\$ 1,179,876	\$ 6,580,192

See Accompanying Notes to Financial Statements

THE SUNLIGHT FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 472,131	\$ (2,423,431)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Accretion of discount on pledges receivable	(2,897)	(7,019)
Depreciation and amortization	203,563	209,545
(Increase) decrease in operating assets:		
Grants and pledges receivable	(427,084)	2,229,193
Prepaid expenses	14,699	(15,538)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(962)	(23,431)
Grants payable	-	(146,142)
Deferred revenues	(11,865)	11,865
Deferred occupancy	(13,325)	(12,162)
Net cash provided by (used in) operating activities	234,260	(177,120)
 <u>Cash Flows From Investing Activities:</u>		
Purchases of property and equipment	(2,789)	(18,167)
Net cash used in investing activities	(2,789)	(18,167)
 Net increase (decrease) in cash and cash equivalents	 231,471	 (195,287)
Cash and equivalents at beginning of year	 2,460,990	 2,656,277
Cash and equivalents at end of year	 \$ 2,692,461	 \$ 2,460,990

THE SUNLIGHT FOUNDATION
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1- ORGANIZATION AND OPERATIONS

The Sunlight Foundation (the Organization) is a nonprofit organization incorporated under the laws of the District of Columbia. The Organization supports, develops, and deploys new internet technologies to make information about Congress and the federal government more accessible to the American people. Through its projects and grant making, the Organization serves as a catalyst to create greater political transparency and to foster more openness and accountability in the government. The Organization has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has ruled the Organization to be a public foundation.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Basis of Presentation

The financial statements are presented in accordance with Accounting Standards Codification Statements of Financial Topic 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

THE SUNLIGHT FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- *Unrestricted*: Net assets that are not subject to donor-imposed restrictions.
- *Temporarily Restricted*: Funds subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.
- *Permanently Restricted*: Net assets subject to donor-imposed restrictions that are maintained permanently by the Organization.

There were no permanently restricted net assets at December 31, 2015 and 2014.

Cash and Cash Equivalents

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

Grants and Pledges Receivable

Grants and pledges receivable consist of contributions promised and not received as of the end of the year. Grants and pledges receivable due in one year or less are stated at the amount management expects to collect on the outstanding balance. Grants and pledges receivable that will be paid in more than one year are measured in the aggregate using present value techniques that consider the Organization's estimated interest earnings of cash deposits. All outstanding grants and pledges receivable at December 31, 2015 are due in one year or less. Management provides for probable uncollectible amounts through an increase in bad debt expense and an increase in allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a decrease in the allowance for doubtful accounts and a decrease in pledges receivable. No allowance for doubtful accounts was required at December 31, 2015 and 2014.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are recorded at fair value at the date of donation.

THE SUNLIGHT FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Depreciation is computed using the straight-line method, over useful lives of:

	<u>Years</u>
Leasehold improvements	4-7
Computer equipment and software	3-5
Furniture and fixtures	5-7

The cost of maintenance is expensed as incurred.

Other Intangibles

Other intangibles consist of website and database development. Other intangibles are amortized on a straight-line basis over their estimated useful lives (generally three to five years).

Deferred Revenue

Fees received in advance are recorded as deferred revenue and are recognized as income during the period in which the related event takes place.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, as applicable. Within temporarily restricted net assets, amounts are reclassified to unrestricted net assets when restrictions expire by passage of time or the fulfillment of the stipulated purpose.

Donated Assets and Services

Donated assets are recorded at their fair market value at the date of the gift. Donated services are recorded only when a clearly measurable basis exists.

Expense Allocation

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

THE SUNLIGHT FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization expenses the costs of advertising as they are incurred.

Subsequent Events

The financial statements have been evaluated by management for subsequent events requiring disclosure through October 12, 2016, the date the financial statements were available to be issued.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable income tax regulations of the District of Columbia. No provision for income taxes has been established, as the Organization has no unrelated business activity. The Organization has determined that there are no uncertain tax positions which require accrual or disclosure.

The Organization's tax filings are subject to audit by various taxing authorities, generally for three years after filing, hence the Organization's tax returns for the years 2012 and onward are open to examination.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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THE SUNLIGHT FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

NOTE 3- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31,

	<u>2015</u>	<u>2014</u>
Cost:		
Leasehold improvements	\$ 164,987	\$ 164,987
Computer equipment and software	145,966	143,177
Furniture and fixtures	52,158	52,158
	<u>363,111</u>	<u>360,322</u>
Less:		
Accumulated depreciation and amortization	<u>(277,174)</u>	<u>(223,611)</u>
	<u>\$ 85,937</u>	<u>\$ 136,711</u>

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2015 and 2014 was \$53,563 and \$59,545, respectively.

NOTE 4- OTHER INTANGIBLES

Other intangibles consists of the following at December 31,

	<u>2015</u>	<u>2014</u>
Cost:		
Website development	\$ 488,000	\$ 488,000
Database development	96,307	96,307
	<u>584,307</u>	<u>584,307</u>
Less:		
Accumulated amortization	<u>(534,307)</u>	<u>(384,307)</u>
	<u>\$ 50,000</u>	<u>\$ 200,000</u>

Amortization expense related to other intangibles for the years ended December 31, 2015 and 2014 was \$150,000, respectively.

THE SUNLIGHT FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

NOTE 5- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31,

	<u>2015</u>	<u>2014</u>
<u>Temporarily restricted net assets:</u>		
Time restricted	\$ 154,086	\$ 105,458
Purpose and time restricted	2,260,456	1,879,103
Purpose restricted	734,031	354,141
	<u> </u>	<u> </u>
Total temporarily restricted net assets	<u>\$ 3,148,573</u>	<u>\$ 2,338,702</u>

NOTE 6- OPERATING LEASE

In July 2009, the Organization entered into a lease agreement for office space located in Washington D.C. The lease requires monthly installments \$27,155, which are subject to a 2.5% annual escalation. Occupancy expense is recognized on a straight-line basis. The lease expires February 2017. The Organization is responsible for its pro-rata share of real estate taxes and operating expenses. Total occupancy expense for the years ended December 31, 2015 and 2014 was \$370,684 and \$377,470, respectively. Total deferred occupancy for the years ended December 31, 2015 and 2014 was \$32,225 and \$45,550, respectively.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2016	\$ 379,501
2017	64,559
	<u> </u>
Total	<u>\$ 444,060</u>

NOTE 7- RETIREMENT PLAN

The Organization maintains a 403(b) retirement plan (the plan). All employees who work twenty hours or more per week are eligible to participate and are fully vested in the plan upon entry. Participation in the plan begins immediately upon hire. Employees may contribute to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization makes discretionary employer contributions to the plan equal to 3% of each participant's annual wages. For the years ended December 31, 2015 and 2014, the Organization made contributions to the plan of \$85,180 and \$103,121, respectively.

THE SUNLIGHT FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

NOTE 8- CONCENTRATIONS OF RISK AND RELATED PARTY TRANSACTIONS

The Organization maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015, the Organization's uninsured cash balance was \$1,590,924. At December 31, 2014, the Organization's uninsured cash balance was \$1,421,109.

For the year ended December 31, 2015, annual contributions from four donors in the aggregate amount of \$3,430,000 represented approximately 69% of total revenue and support. For the year ended December 31, 2014, annual contributions from three donors in the aggregate amount of \$2,500,000 represented approximately 60% of total revenue and support.

At December 31, 2015, approximately 93% of grants and pledges receivable was due from three donors. At December 31, 2014, approximately 90% of grants and pledges receivable was due from two donors.

For the year ended December 31, 2015, annual contributions from a single board member totaled \$425,000, which represents approximately 9% of total revenue and support. For the year ended December 31, 2014, annual contributions from a single board member totaled \$500,000, which represents approximately 12% of total revenue and support.

The Organization shares office space, personnel and certain board members with the Sunlight Network (the Network), a nonprofit organization exempt under section 501(c)(4). The Organization is reimbursed for certain personnel and office expenses. The Network reimbursed the Organization for expenses totaling approximately \$5,799 and \$5,799 for the years ended December 31, 2015 and 2014.