



**THE SUNLIGHT FOUNDATION**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**For the Years Ended December 31, 2017 and 2016**

**THE SUNLIGHT FOUNDATION**  
**Financial Statements**

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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, 2017 and 2016, 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 control 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)**  
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**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, 2017 and 2016, 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.

**Substantial Doubt about the Organization's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 3 to the financial statements, the Organization has suffered recurring operating losses, raising substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

*DeLeon & Stang*

**DeLeon & Stang, CPAs**  
**Gaithersburg, Maryland**  
**November 19, 2018**

**THE SUNLIGHT FOUNDATION**  
**Statements of Financial Position**  
**December 31, 2017 and 2016**

**ASSETS**

	<b>2017</b>	<b>2016</b>
<b><u>Assets:</u></b>		
Cash and equivalents	\$ 790,981	\$ 951,669
Grants and pledges receivable, net of discount	15,500	759,884
Prepaid expenses	5,537	46,253
Property and equipment, net of accumulated depreciation	7,997	44,183
Security deposit	25,000	27,155
	\$ 845,015	\$ 1,829,144
<b>Total Assets</b>		

**LIABILITIES AND NET ASSETS**

<b><u>Liabilities:</u></b>		
Accounts payable and accrued expenses	\$ 45,433	\$ 79,583
Deferred occupancy	-	5,725
	45,433	85,308
Total liabilities		
<b><u>Net Assets:</u></b>		
Unrestricted	701,525	983,952
Temporarily restricted	98,057	759,884
	799,582	1,743,836
Total net assets		
	\$ 845,015	\$ 1,829,144
<b>Total Liabilities and Net Assets</b>		

**THE SUNLIGHT FOUNDATION**  
**Statements of Activities**  
**For the Years Ended December 31, 2017 and 2016**

	<b>2017</b>			<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b><u>Revenue and Support:</u></b>						
Contributions and grants	\$ 343,953	\$ 150,000	\$ 493,953	\$ 358,856	\$ -	\$ 358,856
Interest income	1,619	-	1,619	2,086	-	2,086
Other income	30,018	5,500	35,518	16,704	-	16,704
Loss on disposal of property and equipment	(23,985)	-	(23,985)	-	-	-
Loss on disposal of intangible asset	-	-	-	(50,000)	-	(50,000)
Net assets released from restrictions	817,327	(817,327)	-	2,388,689	(2,388,689)	-
Total revenue and support	1,168,932	(661,827)	507,105	2,716,335	(2,388,689)	327,646
<b><u>Expenses:</u></b>						
Program Services	1,020,647	-	1,020,647	3,054,164	-	3,054,164
Supporting Services	430,712	-	430,712	720,737	-	720,737
Total expenses	1,451,359	-	1,451,359	3,774,901	-	3,774,901
<b>Change in net assets</b>	(282,427)	(661,827)	(944,254)	(1,058,566)	(2,388,689)	(3,447,255)
<b>Net assets, beginning of year</b>	983,952	759,884	1,743,836	2,042,518	3,148,573	5,191,091
<b>Net assets, end of year</b>	\$ 701,525	\$ 98,057	\$ 799,582	\$ 983,952	\$ 759,884	\$ 1,743,836

See Accompanying Notes to Financial Statements

**THE SUNLIGHT FOUNDATION**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2017 and 2016**

	2017				
	Supporting Services				
	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	\$ 568,491	\$ 167,446	\$ 58,188	\$ 225,634	\$ 794,125
Occupancy	142,313	41,847	14,542	56,389	198,702
Payroll taxes and benefits	103,353	30,389	10,561	40,950	144,303
Consultants	61,505	27,404	-	27,404	88,909
Travel	68,718	6,289	-	6,289	75,007
Accounting and audit	-	39,275	-	39,275	39,275
Information technology	32,635	-	-	-	32,635
Dues and subscriptions	16,507	6,540	-	6,540	23,047
Depreciation and amortization	-	16,815	-	16,815	16,815
Insurance	7,472	2,197	764	2,961	10,433
Meetings	7,953	2,198	-	2,198	10,151
Telephone and internet	4,970	1,461	508	1,969	6,939
Web development	3,136	922	320	1,242	4,378
Miscellaneous	2,000	-	-	-	2,000
Office supplies	1,233	362	126	488	1,721
Bank fees	-	1,187	-	1,187	1,187
Licenses and Permits	-	1,138	-	1,138	1,138
Small equipment purchases	281	82	29	111	392
Printing	66	20	7	27	93
Advertising	-	90	-	90	90
Maintenance and repairs	14	4	1	5	19
<b>Total</b>	<b>\$ 1,020,647</b>	<b>\$ 345,666</b>	<b>\$ 85,046</b>	<b>\$ 430,712</b>	<b>\$ 1,451,359</b>

(Continued)

See Accompanying Notes to Financial Statements

**THE SUNLIGHT FOUNDATION**  
**Statements of Functional Expenses (Continued)**  
**For the Years Ended December 31, 2017 and 2016**

	<b>2016</b>				
	<b>Supporting Services</b>				<b>Total</b>
	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	
Salaries	\$ 1,298,314	\$ 215,616	\$ 172,532	\$ 388,148	\$ 1,686,462
Bad debt expense	747,103	-	-	-	747,103
Occupancy	279,376	46,397	37,126	83,523	362,899
Payroll taxes and benefits	262,223	43,548	34,847	78,395	340,618
Travel	126,371	5,489	1,368	6,858	133,229
Information technology	110,088	-	-	-	110,088
Consultants	90,982	2,775	-	2,775	93,757
Advertising	53,034	8,807	7,048	15,855	68,889
Depreciation and amortization	-	52,543	-	52,543	52,543
Accounting and audit	-	37,600	-	37,600	37,600
Meetings	23,618	10,408	2,070	12,478	36,096
Telephone and internet	20,712	3,439	2,752	6,191	26,903
Dues and subscriptions	19,927	3,309	2,648	5,958	25,885
Gifts and donations	11,548	1,918	1,535	3,452	15,000
Insurance	-	13,536	-	13,536	13,536
Web development	4,639	770	617	1,387	6,026
Legal counsel	-	5,351	-	5,351	5,351
Office supplies	2,682	445	356	801	3,483
Licenses and Permits	-	3,301	-	3,301	3,301
Small equipment purchases	2,105	349	280	629	2,734
Bank fees	-	1,191	-	1,191	1,191
Miscellaneous	1,158	-	-	-	1,158
Postage and delivery	-	726	-	726	726
Maintenance and repairs	283	22	18	40	323
<b>Total</b>	<b>\$ 3,054,164</b>	<b>\$ 457,541</b>	<b>\$ 263,197</b>	<b>\$ 720,737</b>	<b>\$ 3,774,901</b>

See Accompanying Notes to Financial Statements



**THE SUNLIGHT FOUNDATION**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ (944,254)	\$ (3,447,255)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense	-	747,103
Loss on disposal of property and equipment	23,985	-
Loss on disposal of intangible asset	-	50,000
Depreciation and amortization	16,815	52,543
Decrease in operating assets:		
Grants and pledges receivable	744,384	907,555
Prepaid expenses	40,716	6,036
Security deposits	2,155	-
Decrease in operating liabilities:		
Accounts payable and accrued expenses	(34,150)	(19,485)
Deferred occupancy	(5,725)	(26,500)
Net cash used in operating activities	(156,074)	(1,730,003)
 <b><u>Cash Flows From Investing Activities:</u></b>		
Purchases of property and equipment	(4,614)	(10,789)
Net cash used in investing activities	(4,614)	(10,789)
 <b>Net decrease in cash and cash equivalents</b>	 (160,688)	 (1,740,792)
<b>Cash and equivalents at beginning of year</b>	<b>951,669</b>	<b>2,692,461</b>
<b>Cash and equivalents at end of year</b>	<b>\$ 790,981</b>	<b>\$ 951,669</b>

**THE SUNLIGHT FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

**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, 2017 and 2016**

**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, 2017 and 2016.

**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, 2017 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. During 2016, the Organization wrote off \$747,103 as bad debt expense. No allowance for doubtful accounts was required at December 31, 2017 and 2016.

**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. During 2017, the Organization disposed of several items, resulting in a \$23,985 loss, which is included in the accompanying statements of activities.

**THE SUNLIGHT FOUNDATION**  
**Notes to Financial Statements (Continued)**  
**December 31, 2017 and 2016**

**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 and repairs are 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). During 2016, management disposed of the website, resulting in a \$50,000 loss, which is included in the accompanying statements of activities.

**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, 2017 and 2016**

**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 November 19, 2018, 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 2014 and onward are open to examination.

**NOTE 3- GOING CONCERN**

The Sunlight Foundation's financial statements have been prepared on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

During 2017 and 2016, the Organization experienced a net deficiency of revenues over expenses of \$944,254 and \$3,447,255, respectively. This resulted in a reduction in net assets from \$5,191,091 at December 31, 2015 to \$799,582 at December 31, 2017. Despite this, management is committed to maintaining the viability of the Organization. Management and staff have discussed the financial issues facing the Organization and are taking the following actions:

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**THE SUNLIGHT FOUNDATION**  
**Notes to Financial Statements (Continued)**  
**December 31, 2017 and 2016**

**NOTE 3- GOING CONCERN** (Continued)

- During 2017, total payroll was \$794,125 with 16 employees. The following select expense accounts for 2017 totaled: retirement, \$21,852, rent and utilities, \$198,702, and health care, \$48,210. As of October 2, 2018, the Organization has significantly reduced these expenses. By reducing the total full-time staff to 8, payroll has reduced to \$585,914, retirement to \$17,131, and health care to \$34,467, and rent and utilities to \$83,949.
- The Organization has reduced their budget in 2018 to \$1,300,000 from \$1,400,000 in 2017.
- The Organization has also recently secured new funding from donors totaling \$450,000, and a 3 year grant for \$1,000,000.

The ability of the Organization to continue as a going concern is dependent upon the success of these actions. There can be no assurance that the Organization will be successful in accomplishing these objectives. The financial statements do not include any adjustments that might be necessary should the Organization be unable to continue as a going concern.

**NOTE 4- PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Cost:		
Leasehold improvements	\$ -	\$ 164,987
Computer equipment and software	21,822	156,755
Furniture and fixtures	29,144	52,158
	<u>50,966</u>	<u>373,900</u>
Less:		
Accumulated depreciation and amortization	(42,969)	(329,717)
	<u>\$ 7,997</u>	<u>\$ 44,183</u>

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2017 and 2016 was \$16,815 and \$52,543, respectively.

**THE SUNLIGHT FOUNDATION**  
**Notes to Financial Statements (Continued)**  
**December 31, 2017 and 2016**

**NOTE 5- TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2017</u>	<u>2016</u>
<u>Temporarily restricted net assets:</u>		
Time restricted	\$ 5,500	\$ 6,000
Purpose and time restricted	<u>92,557</u>	<u>753,884</u>
Total temporarily restricted net assets	<u>\$ 98,057</u>	<u>\$ 759,884</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 Organization is responsible for its pro-rata share of real estate taxes and operating expenses. The lease expired in February 2017. In February 2017, the Organization entered into a lease agreement for office space at a new location in Washington D.C. The lease is a month-to-month lease, requiring monthly installments of \$10,500. Total occupancy expense for the years ended December 31, 2017 and 2016 was \$198,702 and \$362,899, respectively. There was no remaining deferred occupancy balance at December 31, 2017. Deferred occupancy at December 31, 2016 was \$5,725.

**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, 2017 and 2016, the Organization made contributions to the plan of \$21,852 and \$54,669, respectively.

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**THE SUNLIGHT FOUNDATION**  
**Notes to Financial Statements (Continued)**  
**December 31, 2017 and 2016**

**NOTE 8- CONCENTRATIONS OF RISK AND RELATED PARTY TRANSACTIONS**

The Organization maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017 and 2016, the Organization's uninsured cash balance was \$5,730 and \$2,372, respectively.

For the year ended December 31, 2017, annual contributions from seven (7) donors in the aggregate amount of \$428,862 represented approximately 81% of total revenue and support. For the year ended December 31, 2016, annual contributions from five (5) donors in the aggregate amount of \$277,096 represented approximately 75% of total revenue and support.

At December 31, 2016, \$753,884, approximately 99% of grants and pledges receivable, were due from one donor.

For the both years ended December 31, 2017 and 2016, annual contributions from a single board member totaled \$50,000, which represents approximately 9% and 13% of total revenue and support, respectively.