



THE SUNLIGHT FOUNDATION

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

THE SUNLIGHT FOUNDATION

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, as of December 31, 2018, The Sunlight Foundation adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

DeLeon & Stang

DeLeon & Stang, CPAs
Gaithersburg, Maryland
November 5, 2019

THE SUNLIGHT FOUNDATION
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and equivalents	\$ 1,065,404	\$ 790,981
Grants and pledges receivable, net of discount	550,300	15,500
Prepaid expenses	5,689	5,537
Property and equipment, net of accumulated depreciation	6,517	7,997
Security deposit	25,000	25,000
	Total Assets	Total Assets
	\$ 1,652,910	\$ 845,015
LIABILITIES AND NET ASSETS		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 63,429	\$ 45,433
	Total liabilities	Total liabilities
	63,429	45,433
<u>Net Assets:</u>		
Without donor restrictions	433,650	701,525
With donor restrictions	1,155,831	98,057
	Total net assets	Total net assets
	1,589,481	799,582
	Total Liabilities and Net Assets	Total Liabilities and Net Assets
	\$ 1,652,910	\$ 845,015

THE SUNLIGHT FOUNDATION
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue and Support:</u>						
Contributions and grants	\$ 325,450	\$ 1,786,043	\$ 2,111,493	\$ 343,953	\$ 150,000	\$ 493,953
Interest income	1,760	-	1,760	1,619	-	1,619
Other income	54,769	300	55,069	30,018	5,500	35,518
Loss on disposal of property and equipment	(433)	-	(433)	(23,985)	-	(23,985)
Net assets released from restrictions	728,569	(728,569)	-	817,327	(817,327)	-
Total revenue and support	1,110,115	1,057,774	2,167,889	1,168,932	(661,827)	507,105
<u>Expenses:</u>						
Program Services	1,018,923	-	1,018,923	1,020,647	-	1,020,647
Supporting Services	359,067	-	359,067	430,712	-	430,712
Total expenses	1,377,990	-	1,377,990	1,451,359	-	1,451,359
Change in net assets	(267,875)	1,057,774	789,899	(282,427)	(661,827)	(944,254)
Net assets, beginning of year	701,525	98,057	799,582	983,952	759,884	1,743,836
Net assets, end of year	\$ 433,650	\$ 1,155,831	\$ 1,589,481	\$ 701,525	\$ 98,057	\$ 799,582

See Accompanying Notes to Financial Statements

THE SUNLIGHT FOUNDATION
Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	2018				
	Supporting Services				Total
	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Salaries	\$ 587,494	\$ 119,929	\$ 60,935	\$ 180,864	\$ 768,358
Occupancy	74,988	15,362	7,791	23,153	98,141
Payroll taxes and benefits	111,560	22,774	11,571	34,345	145,905
Consultants	131,254	-	-	-	131,254
Travel	45,251	14,245	6,105	20,350	65,601
Accounting and audit	-	34,500	-	34,500	34,500
Information technology	-	9,936	-	9,936	9,936
Dues and subscriptions	38,770	7,914	4,021	11,935	50,705
Depreciation	-	6,490	-	6,490	6,490
Insurance	-	13,557	-	13,557	13,557
Meetings	10,231	3,218	1,379	4,597	14,828
Telephone and internet	5,168	1,055	536	1,591	6,759
Web development	2,757	563	286	849	3,606
Miscellaneous	92	19	10	29	121
Office supplies	844	172	88	260	1,104
Bank fees	-	2,969	-	2,969	2,969
Licenses and Permits	-	5,509	-	5,509	5,509
Small equipment purchases	418	85	43	128	546
Advertising	768	-	-	-	768
Gifts and donations	9,328	1,904	968	2,872	12,200
Legal counsel	-	4,950	-	4,950	4,950
Postage and delivery	-	183	-	183	183
Total	\$ 1,018,923	\$ 265,334	\$ 93,733	\$ 359,067	\$ 1,377,990

(Continued)

See Accompanying Notes to Financial Statements

THE SUNLIGHT FOUNDATION
Statements of Functional Expenses (Continued)
For the Years Ended December 31, 2018 and 2017

	2017				
	Total Program Services	Supporting Services			Total
		General and Administrative	Fundraising	Total Supporting Services	
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	-	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
Total	\$ 1,020,647	\$ 345,666	\$ 85,046	\$ 430,712	\$ 1,451,359

See Accompanying Notes to Financial Statements

THE SUNLIGHT FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 789,899	\$ (944,254)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on disposal of property and equipment	433	23,985
Depreciation	6,490	16,815
(Increase) decrease in operating assets:		
Grants and pledges receivable	(534,800)	744,384
Prepaid expenses	(152)	40,716
Security deposits	-	2,155
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	17,996	(34,150)
Deferred occupancy	-	(5,725)
Total adjustments	(510,033)	788,180
Net cash provided by (used in) operating activities	279,866	(156,074)
 <u>Cash Flows From Investing Activities:</u>		
Purchases of property and equipment	(5,443)	(4,614)
Net cash used in investing activities	(5,443)	(4,614)
 Net increase (decrease) in cash and cash equivalents	274,423	(160,688)
Cash and equivalents at beginning of year	790,981	951,669
Cash and equivalents at end of year	\$ 1,065,404	\$ 790,981

THE SUNLIGHT FOUNDATION
Notes to Financial Statements
December 31, 2018 and 2017

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

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.

New Accounting Pronouncement

During 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

THE SUNLIGHT FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Imposed Restrictions* – Net assets that are currently available for operating purposes under the direction of management and the board of directors or designated by the board for specific use.
- *Net Assets With Donor Imposed Restrictions* – Net assets that are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets to be held in perpetuity or for a specific term with investment return specified for a specific purpose. Net assets with donor restrictions at December 31, 2018 and 2017 were \$1,155,831 and \$98,057, respectively.

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, 2018 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, 2018 and 2017.

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 2018 and 2017, the Organization disposed of several items, resulting in a \$433 and \$23,985 loss, respectively, which is included in the accompanying statements of activities.

THE SUNLIGHT FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

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>
Computer equipment and software	3-5
Furniture and fixtures	5-7

The cost of maintenance and repairs are expensed as incurred.

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 with or without donor restrictions, depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase net asset with donor restrictions. Amounts are reclassified for general operations 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. Shared costs are allocated based on various identifiable bases (i.e. allowable occupancy costs are allocated based on the percentage of space occupied).

Advertising

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

THE SUNLIGHT FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015 and onward are open to examination.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements' presentation to correspond to the current year's format.

Subsequent Events

The financial statements have been evaluated by management for subsequent events requiring disclosure through November 5, 2019 the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Cost:		
Computer equipment and software	\$ 26,356	\$ 21,822
Furniture and fixtures	29,144	29,144
	<u>55,500</u>	<u>50,966</u>
Less:		
Accumulated depreciation	(48,983)	(42,969)
	<u>\$ 6,517</u>	<u>\$ 7,997</u>

Depreciation expense related to property and equipment for the years ended December 31, 2018 and 2017 was \$6,490 and \$16,815, respectively.

THE SUNLIGHT FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
<u>Net assets with donor restrictions</u>		
Time restricted	\$ 550,300	\$ 5,500
Purpose and time restricted	<u>605,531</u>	<u>92,557</u>
Total net assets with donor restrictions	<u>\$ 1,155,831</u>	<u>\$ 98,057</u>

NOTE 5 - 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. 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. In June 2018, the Organization reduced their office size, requiring minimum monthly installments of \$4,450. Total occupancy expense for the years ended December 31, 2018 and 2017 was \$98,141 and \$198,702, respectively.

NOTE 6 - 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, 2018 and 2017, the Organization made contributions to the plan of \$22,610 and \$21,852, respectively.

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THE SUNLIGHT FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 7 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization’s financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets available to meet cash needs for general expenditures within one year as of December 31:

	<u>2018</u>	<u>2017</u>
Financial assets		
Cash	\$ 1,065,404	\$ 790,981
Grants and pledges receivable	<u>275,300</u>	<u>15,500</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,340,704</u>	<u>\$ 806,481</u>

The Sunlight Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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, 2018 and 2017, the Organization’s uninsured cash balance was \$573,621 and \$5,730, respectively.

For the year ended December 31, 2018, annual contributions from three (3) donors in the aggregate amount of \$1,851,397 represented approximately 85% of total revenue and support. 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.

At December 31, 2018, \$550,000, approximately 99% of grants and pledges receivable, were due from one donor.

For the both years ended December 31, 2018 and 2017, contributions from board members totaled \$450,000 and \$50,000, which represented approximately 21% and 9% of total revenue and support, respectively.