

SUNBEAM FAMILY SERVICES, INC.  
CONSOLIDATED FINANCIAL REPORT  
JUNE 30, 2011

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Consolidated statement of financial position	2
Consolidated statement of activities and changes in net assets	3
Consolidated statement of functional expenses	4 - 5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7-12
ADDITIONAL INFORMATION	
Schedule of expenditures of federal awards	13
Notes to schedule of expenditures of federal awards	14
Statement of activities – Sunbeam Family Services, Inc. - Unrestricted	15-16
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards	17-18
Independent auditor's report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133	19-20
Schedule of findings and questioned costs	21
Schedule of prior audit findings	22

# *Luton & Co., PLLC*

CERTIFIED PUBLIC ACCOUNTANTS

One Broadway Executive Park  
201 NW 63<sup>rd</sup> Street, Suite 100  
P.O. Box 13120  
Oklahoma City, OK 73113  
(405)848-7313 FAX (405)848-7316

Bruce L. Van Huisen  
David R. Brady

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Sunbeam Family Services, Inc.

We have audited the accompanying consolidated statement of financial position of Sunbeam Family Services, Inc. (a nonprofit organization) as of June 30, 2011 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Sunbeam Family Services, Inc. management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sunbeam Family Services, Inc. at June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2012, on our consideration of Sunbeam Family Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of Sunbeam Family Services, Inc. as a whole. The accompanying statement of activities – Sunbeam Family Services, Inc. - Unrestricted and the schedule of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Luton & Co., PLLC*

Oklahoma City, Oklahoma  
January 9, 2012

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2011

ASSETS	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Total
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 859,609	\$ 181,360	\$ 1,040,969
Investments	342,345	1,530,170	1,872,515
Receivables:			
Trade, net of allowance of \$14,194	73,554	-	73,554
Grants and contracts	358,300	-	358,300
Prepaid expenses and other	118,373	-	118,373
Total current assets	<u>1,752,181</u>	<u>1,711,530</u>	<u>3,463,711</u>
<b>PROPERTY AND EQUIPMENT, at cost</b>			
Office equipment	260,185	-	260,185
Vehicles	28,000	-	28,000
Buildings and improvements	1,108,244	-	1,108,244
Land	118,664	-	118,664
	<u>1,515,093</u>	<u>-</u>	<u>1,515,093</u>
Accumulated depreciation	1,203,831	-	1,203,831
	<u>311,262</u>	<u>-</u>	<u>311,262</u>
<b>OTHER ASSETS</b>			
Investments	<u>47,767</u>	<u>-</u>	<u>47,767</u>
	<u><u>\$ 2,111,210</u></u>	<u><u>\$ 1,711,530</u></u>	<u><u>\$ 3,822,740</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 187,272	\$ -	\$ 187,272
Accrued salaries and related payables	296,065	-	296,065
Due to grantors	37,641	-	37,641
Total current liabilities	<u>520,978</u>	<u>-</u>	<u>520,978</u>
<b>NET ASSETS</b>			
Unrestricted	1,496,896	-	1,496,896
Unrestricted - designated for endowment	-	1,711,530	1,711,530
	<u>1,496,896</u>	<u>1,711,530</u>	<u>3,208,426</u>
Temporarily restricted	93,336	-	93,336
	<u>1,590,232</u>	<u>1,711,530</u>	<u>3,301,762</u>
	<u><u>\$ 2,111,210</u></u>	<u><u>\$ 1,711,530</u></u>	<u><u>\$ 3,822,740</u></u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2011

	Sunbeam Family Services, Inc. Unrestricted	Sunbeam Family Services, Inc. Temporarily Restricted	Foundation for Sunbeam Family Services, Inc. Unrestricted	Total
Revenue and support				
Grants and contracts	\$ 5,691,259	\$ 84,977	\$ -	\$ 5,776,236
Client fees	144,310	-	-	144,310
United Way	763,562	1,500	-	765,062
Miscellaneous	39,711	-	-	39,711
Rental income	24,387	-	-	24,387
Interest and dividends	12,184	-	53,726	65,910
Foundation income allocated to Sunbeam	81,590	-	(81,590)	-
Contributions	250,732	6,859	50	257,641
In-kind	295,975	-	-	295,975
Gain (loss) on investments	-	-	217,485	217,485
Net assets released from restriction	66,324	(66,324)	-	-
Total revenue and support	7,370,034	27,012	189,671	7,586,717
Expenses				
Program services	6,353,219	-	-	6,353,219
Management and general	856,532	-	15,970	872,502
Fundraising	44,630	-	-	44,630
Total expenses	7,254,381	-	15,970	7,270,351
Change in net assets	115,653	27,012	173,701	316,366
Net assets, beginning of year	1,381,243	66,324	1,537,829	2,985,396
Net assets, end of year	<u>\$ 1,496,896</u>	<u>\$ 93,336</u>	<u>\$ 1,711,530</u>	<u>\$ 3,301,762</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2011

	Counseling Services	Early Head Start	Educare	Emergency Foster Care	Long-Term Foster Care	Contracted Foster Care
Salaries	\$ 343,574	\$ 367,776	\$ 1,918,916	\$ 56,178	\$ 103,036	\$ 37,950
Payroll taxes	39,215	35,656	185,170	5,606	11,633	4,298
Benefits	38,420	63,951	325,686	9,432	12,541	7,913
Professional fees	10,223	62,474	175,274	3,425	3,999	2,302
Office supplies and postage	2,140	2,889	11,618	594	1,659	72
Supplies	451	520	6,779	59	984	7
Telephone	3,270	1,544	3,839	2,180	1,064	314
Space costs	14,934	7,247	126,404	1,909	4,876	1,916
Printing and publications	2,873	3,973	11,758	367	2,473	349
Transportation	448	4,294	9,087	4,450	6,256	2,799
Conference and training	4,424	6,397	37,678	238	655	257
Dues and subscriptions	500	950	710	-	-	-
Equipment maintenance	5,380	6,219	8,604	-	-	-
Insurance	9,082	8,565	23,035	1,260	2,946	1,252
Direct services	1,952	470,602	353,981	85,776	181,876	51,284
Depreciation	5,952	6,011	-	2,318	999	-
Bad debts	8,725	-	6,037	-	-	-
	<u>\$ 491,563</u>	<u>\$ 1,049,068</u>	<u>\$ 3,204,576</u>	<u>\$ 173,792</u>	<u>\$ 334,997</u>	<u>\$ 110,713</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES, continued  
Year ended June 30, 2011

	Senior Shelter	Caregiver Fundamentals	Senior Companion	Total Program Services	Management and General	Fundraising	Foundation Management and General	Total
Salaries	\$ 127,922	\$ 106,839	\$ 137,917	\$ 3,200,108	\$ 522,652	\$ 27,763	\$ -	\$ 3,750,523
Payroll taxes	14,773	12,243	15,977	324,571	36,539	2,524	-	363,634
Benefits	20,045	21,565	24,001	523,554	89,547	4,247	-	617,348
Professional fees	1,217	6,393	11,110	276,417	75,998	1,017	15,970	369,402
Office supplies and postage	1,256	2,257	2,823	25,308	18,197	5,432	-	48,937
Supplies	172	215	287	9,474	11,664	-	-	21,138
Telephone	1,248	1,989	1,323	16,771	4,822	-	-	21,593
Space costs	17,770	3,115	7,488	185,659	33,795	-	-	219,454
Printing and publications	452	5,543	2,112	29,900	3,213	3,647	-	36,760
Transportation	714	8,894	3,431	40,373	1,448	-	-	41,821
Conference and training	546	3,458	105	53,758	2,010	-	-	55,768
Dues and subscriptions	-	-	602	2,762	12,974	-	-	15,736
Equipment maintenance	1,228	480	-	21,911	12,837	-	-	34,748
Insurance	3,131	2,558	2,796	54,625	16,908	-	-	71,533
Direct services	13,447	19,177	372,802	1,550,897	-	-	-	1,550,897
Depreciation	6,086	44	959	22,369	13,928	-	-	36,297
Bad debts	-	-	-	14,762	-	-	-	14,762
	<u>\$ 210,007</u>	<u>\$ 194,770</u>	<u>\$ 583,733</u>	<u>\$ 6,353,219</u>	<u>\$ 856,532</u>	<u>\$ 44,630</u>	<u>\$ 15,970</u>	<u>\$ 7,270,351</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2011

	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Total
Cash flows from operating activities:			
Change in net assets	\$ 142,665	\$ 173,701	\$ 316,366
Adjustments -			
Depreciation expense	36,297	-	36,297
(Gain) loss on investments	-	(217,485)	(217,485)
(Increase) decrease in accounts receivable	48,549	-	48,549
(Increase) decrease in accrued interest	-	2,530	2,530
(Increase) decrease in prepaid expenses	1,986	-	1,986
Increase (decrease) in accounts payable and accrued expenses	49,711	-	49,711
Increase (decrease) in accrued salaries and related payables	<u>63,829</u>	<u>-</u>	<u>63,829</u>
Net cash provided (used) by operating activities	<u>343,037</u>	<u>(41,254)</u>	<u>301,783</u>
Cash flows from investing activities:			
Proceeds from investments	-	619,590	619,590
Purchase of property and equipment	(24,036)	-	(24,036)
Purchase of investments	<u>(8,803)</u>	<u>(539,650)</u>	<u>(548,453)</u>
Net cash provided (used) by investing activities	<u>(32,839)</u>	<u>79,940</u>	<u>47,101</u>
Cash flows from financing activities:			
Conditional transfer (to) from grantor	<u>1,458</u>	<u>-</u>	<u>1,458</u>
Net cash provided (used) by financing activities	<u>1,458</u>	<u>-</u>	<u>1,458</u>
Net increase (decrease) in cash and cash equivalents	311,656	38,686	350,342
Cash and cash equivalents, beginning of year	<u>547,953</u>	<u>142,674</u>	<u>690,627</u>
Cash and cash equivalents, end of year	<u>\$ 859,609</u>	<u>\$ 181,360</u>	<u>\$ 1,040,969</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.



SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Sunbeam Family Services, Inc. (Sunbeam) was organized as a nonprofit corporation in 1907 to provide services within the Oklahoma City metropolitan area. These services include fostering and strengthening family life and developing the capacities of individual adults, children, and family groups toward a satisfying and socially useful life. It is an independent agency operated by a twenty-five member board of directors. Sunbeam is funded primarily by allocations from the United Way and by contracts with the Corporation for National and Community Service, the Oklahoma Department of Human Services and the U.S. Department of Health and Human Services Early Head Start program. Additionally, Sunbeam receives contributions and grants from individuals, businesses, and other non-profit organizations.

During the prior fiscal year, Sunbeam established SFS, LLC (LLC). SFS, LLC is a wholly owned, single member LLC. Several management and administrative employees became employees of the LLC. The LLC was established to allow Sunbeam to meet the requirement for coverage under their current healthcare plan. Employees of SFS, LLC are subject to the same employee policies and receive the same benefits as the Sunbeam employees. The board of Sunbeam serves as the board of the LLC.

The Foundation for Sunbeam Family Services, Inc. (the Foundation) is a related organization of Sunbeam Family Services, Inc. Sunbeam appoints the Foundation's trustees, and is the sole beneficiary of the Foundation's distributions. Upon termination, all assets of the Foundation revert to Sunbeam. The board of trustees for the Foundation is independent of Sunbeam, and Sunbeam's board of directors do not exercise any oversight authority over the Foundation. However, due to Sunbeam's control of the appointment of board members and its direct economic interest, the Foundation is consolidated in these financial statements.

On January 13, 2010, the Foundation established a new nonprofit corporation (the Corporation). The Corporation was organized to be a supporting organization of Sunbeam, and Sunbeam appoints the board of directors of the Corporation, a majority of which must be a present or former member of the Sunbeam board of directors. The Corporation has received acknowledgement from the Internal Revenue Service as a tax-exempt supporting organization. The current Foundation is in the process of terminating and transferring all of its remaining assets to the Corporation. Management does not anticipate any significant changes in the operations of the new Corporation.

Basis of presentation

Sunbeam reports 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. Sunbeam has no permanently restricted net assets.

Cash and cash equivalents

For purposes of the statement of cash flows, Sunbeam considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents unless designated for investment purposes.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2011

Note 1. Organization and Summary of Significant Accounting Policies, continued

Revenue recognition

Revenues, gains, and other support are reported as increases in unrestricted net assets. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending in the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets only. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of unrestricted net assets.

Property and equipment

Maintenance and repairs which do not improve or extend the useful lives of the assets are expensed as incurred. Additions and betterments greater than \$1,500 are capitalized. Upon retirement or replacement, the costs and accumulated depreciation are removed from the respective accounts and the differences are included in changes in net assets.

Fixed assets are recorded at cost, or fair value if donated, and depreciated using the straight-line method over an estimated useful life as follows:

Office equipment	2-10 years
Vehicles	3 years
Buildings and improvements	5-25 years

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Investments

Investments are measured at fair value in the statement of financial position. Unrealized gains and losses are reported in the statement of activities. Generally accepted accounting principles establish a three level hierarchy for the valuation of financial instruments:

Level I – Valuations are based on quoted prices in active markets for identical assets or liabilities.

Level II – Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuations for which all significant assumptions are observable or can be corroborated by observable market data.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

Note 1. Organization and Summary of Significant Accounting Policies, continued

Investments, continued

Level III – Valuations are based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Values are determined using pricing models and discounted cash flow models and include management's judgment and estimation which may be significant.

The Organization holds various investment securities and are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying financial statements.

Compensated absences

Employee rights to receive compensation for future absences are recognized in the period such rights are earned.

Distribution of Foundation earnings

The Board of Trustees of the Foundation annually determines the amount of the Foundation's earnings to be allocated for distribution to support Sunbeam operations. These amounts are eliminated in the consolidated financial statements.

Sunbeam adopted the standard "Endowments of Not-for-Profit Organizations" which among other things enhances disclosures for endowment funds maintained by not-for-profit organizations.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The endowment assets are to be sufficiently diversified so as to minimize the risk of material loss. High risk or speculative investments are to be avoided. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Functional expenses

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

Income tax status

Sunbeam and the Foundation qualify as organizations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organizations do not believe they have engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. Tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to federal and state examination. Currently, the Organizations have no open examination with either the Internal Revenue Service or state taxing authorities.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

Note 1. Organization and Summary of Significant Accounting Policies, continued

Donated services

In-kind donations of goods and services are recorded in the consolidated financial statements at the estimated value of such goods or services.

Sunbeam also receives significant volunteer services in conjunction with the Head Start and Early Head Start Programs. These services qualify for in-kind matching based on the guidelines of the Department of Health and Human Services programs, but do not meet the requirements for recognition in the financial statements.

Note 2. Investments

Investments consisted of the following at June 30, 2011:

	Cost Foundation	Market
Cash (Level I)	\$ 181,360	\$ 181,360
Mutual funds (Level I)	1,161,010	1,240,966
Equity securities (Level I)	<u>290,672</u>	<u>289,204</u>
	<u>\$1,633,042</u>	<u>\$1,711,530</u>
	Sunbeam Family Services, Inc.	
Certificates of deposit (Level II)	<u>\$ 342,345</u>	<u>\$ 342,345</u>

Unrealized gains arising during the year totaling \$249,043 have been included in the accompanying statement of activities and changes in net assets. Realized losses of \$31,558 are also included in the statement of activities and changes in net assets. The realized gain or losses were determined using the specific identification method.

Note 3. Receivables

Sunbeam periodically submits requests for advances and/or reimbursement to grantor and pass-through agencies for grant funds. As of June 30, 2011, Sunbeam had outstanding requests for reimbursement and accruals due from grantors of \$358,300. Accounts receivable of \$73,554, net of allowance for doubtful accounts of \$14,194, are related to services provided and billed to various government agencies and individuals. The allowance for doubtful accounts is adjusted annually based on historical collections. Doubtful accounts are evaluated on an individual basis and written off when deemed uncollectible.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

Note 4. Accrued Compensated Absences

During the first ten years of full-time service, employees earn paid time off at a rate of 17 days per year. After ten years of service, employees earn 22 days per year. Compensated absences are accrued each pay period; however, the employee's accrued balance may never exceed one year's accrual. Unused compensated absences are paid to an employee upon separation of employment.

At June 30, 2011, \$96,029 had been accrued to recognize Sunbeam's financial obligation for accrued compensated absences.

Note 5. Temporarily Restricted Net Assets

At June 30, 2011, temporarily restricted net assets were comprised of the following:

Counseling Services	\$15,000
Educare	1,836
Senior Shelter	47,941
Caregivers Fundamentals	28,359
Senior Companion	<u>200</u>
	<u>\$93,336</u>

Note 6. Employee Retirement Plan

Sunbeam provides a defined contribution retirement plan for their full-time employees and other part-time employees over 21 years of age who work more than 1,000 hours in one year's time with one year of uninterrupted service. Sunbeam contributes 3.0% to 7.0% of the employee's gross salary to the plan on behalf of individual employees. In addition, an employee may contribute up to the maximum excludable allowance. Employer contributions on behalf of individuals are fully vested when the employee completes three years of service. Sunbeam's contribution to the plan for the year ended June 30, 2011 was \$139,552.

Note 7. Commitments and Contingencies

In the normal course of operations, Sunbeam receives contract funds from various federal and state grantor agencies. The programs are subject to audit by the granting authority, the purpose of which is to ensure compliance with conditions imposed by the granting agency. Any reimbursement, which may arise as the result of the audit of contract funds, is not believed to be material.

Note 8. Economic Dependency

Sunbeam receives a significant portion of its revenue from funds provided through multiple federal and state grants. The grant amounts are appropriated each year at the federal and/or state level. If significant budget cuts are made at the federal and/or state level, the amount of the funds Sunbeam receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds Sunbeam will receive in the next fiscal year.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

Note 9. Community Foundation Funds

Sunbeam is the designated beneficiary of donor advised funds at two Oklahoma area community foundations. These funds were contributed to the foundations by Sunbeam and other third party contributors. The foundations have variance power over all contributions. Sunbeam follows the standard, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others" to account for these funds. Assets transferred by Sunbeam remain on the Consolidated Statement of Financial Position. Contributions from third parties are disclosed below, but not recognized as assets of Sunbeam. Sunbeam receives a distribution from the funds each year based on a percentage of the average fair market value of the funds over the previous eight quarters. The balance of the funds at June 30, 2011 was as follows:

	OCCF	CFO, Inc.	Total
Beginning of year	\$ 28,555	\$ 12,486	\$ 41,041
Contributions	-	749	749
Investment income	6,079	2,226	8,305
Distributions	(1,417)	(578)	(1,995)
Management fees	<u>(194)</u>	<u>(139)</u>	<u>(333)</u>
End of year	<u>\$ 33,023</u>	<u>\$ 14,744</u>	<u>\$ 47,767</u>
Other contributions	<u>\$ 275,117</u>	<u>\$ 4,699</u>	<u>\$ 279,816</u>

The distribution for the year ended June 30, 2011 was \$13,976.

Note 10. Due to Grantors

Sunbeam received an advance on funding of \$115,500 from the Casey Family Programs in 2005 when the Long-Term Foster Care program was transitioned to Sunbeam. The advance was intended to ensure that Sunbeam had the liquidity needed to run the program. The advance is not part of the program funding and will be repaid to the Casey Family Programs, without interest, upon demand. The balance at June 30, 2011 was \$37,641.

Note 11. Subsequent Events

In August of 2011, Sunbeam submitted a sealed bid to purchase a building located at 1411 N. Classen Blvd. A deposit of \$35,650 was submitted with the bid of \$356,501, and Sunbeam was awarded the bid. The purchase closed January 6, 2012. The purchase was financed with a short-term loan from Inasmuch Foundation until permanent financing is arranged. Sunbeam intends to build a new facility on this property.

Management has evaluated other subsequent events through the report date of January 9, 2012, the date the report was available to be issued, and has determined that no additional disclosures were required.

## ADDITIONAL INFORMATION

SUNBEAM FAMILY SERVICES, INC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2011

	Federal CFDA	Expenditures
Federal Grantor/Pass-Through Grantor		
Corporation for National and Community Services		
Direct Program:		
Senior Companion Program	94.016	<u>\$ 393,571</u>
U.S. Department of Health and Human Services		
Direct Program:		
*Early Head Start	93.600	\$1,390,307
*ARRA- Early Head Start	93.709	<u>20,981</u>
		<u>\$1,411,288</u>
U.S. Department of Agriculture		
Pass-Through Oklahoma State Department of Education:		
Child and Adult Care Food Program	10.558	<u>\$ 196,407</u>

\* Considered cluster of programs

See accompanying Notes to Schedule of Expenditures of Federal Awards.



SUNBEAM FAMILY SERVICES, INC

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2011

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sunbeam Family Services, Inc. and is presented on the accrual basis of accounting.

Note 2. Contingent Liabilities

The Organization participates in a number of federal and state assisted programs. These programs are audited in accordance with *Government Auditing Standards* and the *Single Audit Act Amendments of 1996*, if applicable, in accordance with the required levels of federal financial assistance. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may require further examinations. Based on prior experience, management believes that further examinations would not result in any significant disallowed costs.

SUNBEAM FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES -  
SUNBEAM FAMILY SERVICES, INC. - UNRESTRICTED  
Year ended June 30, 2011

	Counseling Services	Early Head Start	Educare	Emergency Foster Care	Long-Term Foster Care	Contracted Foster Care
Revenue and Support						
Grants and contracts	\$ 221,145	\$ 1,056,910	\$ 2,936,805	\$ 178,267	\$ 434,095	\$ 152,989
Client fees	77,172	-	67,138	-	-	-
United Way	172,873	-	300,338	12,421	-	13,571
Miscellaneous	719	-	-	-	14,614	-
Rental income	-	-	-	-	-	-
Interest and dividends	1,091	-	-	-	-	-
Foundation income	-	-	-	-	-	-
allocated to Sunbeam	-	-	-	-	-	-
Contributions	35,395	7,811	34,887	2,125	-	-
In-kind	-	128,358	163,137	-	-	-
	508,395	1,193,079	3,502,305	192,813	448,709	166,560
Expenses						
Salaries	343,574	367,776	1,918,916	56,178	103,036	37,950
Payroll taxes	39,215	35,656	185,170	5,606	11,633	4,298
Benefits	38,420	63,951	325,686	9,432	12,541	7,913
Professional fees	10,223	62,474	175,274	3,425	3,999	2,302
Office supplies and postage	2,140	2,889	11,618	594	1,659	72
Supplies	451	520	6,779	59	984	7
Telephone	3,270	1,544	3,839	2,180	1,064	314
Space costs	14,934	7,247	126,404	1,909	4,876	1,916
Printing and publications	2,873	3,973	11,758	367	2,473	349
Transportation	448	4,294	9,087	4,450	6,256	2,799
Conference and training	4,424	6,397	37,678	238	655	257
Dues and subscriptions	500	950	710	-	-	-
Equipment maintenance	5,380	6,219	8,604	-	-	-
Insurance	9,082	8,565	23,035	1,260	2,946	1,252
Direct services	1,952	470,602	353,981	85,776	181,876	51,284
Depreciation	5,952	6,011	-	2,318	999	-
Management and general	80,989	69,894	292,942	15,699	24,508	9,817
Bad debts	8,725	-	6,037	-	-	-
	572,552	1,118,962	3,497,518	189,491	359,505	120,530
	\$ (64,157)	\$ 74,117	\$ 4,787	\$ 3,322	\$ 89,204	\$ 46,030

SUNBEAM FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES -  
SUNBEAM FAMILY SERVICES, INC. - UNRESTRICTED  
Year ended June 30, 2011

	Senior Shelter	Caregiver Fundamentals	Senior Companion	Total Program Services	Management and General	Fundraising	Total
Revenue and Support							
Grants and contracts	\$ 136,306	\$ 195,284	\$ 444,532	\$ 5,756,333	\$ 1,250	\$ -	\$ 5,757,583
Client fees	-	-	-	144,310	-	-	144,310
United Way	73,760	-	170,799	743,762	19,800	-	763,562
Miscellaneous	-	-	-	15,333	24,378	-	39,711
Rental income	-	-	-	-	24,387	-	24,387
Interest and dividends	1,091	-	-	2,182	10,002	-	12,184
Foundation income allocated to Sunbeam	-	-	-	-	81,590	-	81,590
Contributions	13,909	17,364	345	111,836	96,413	42,483	250,732
In-kind	-	-	4,480	295,975	-	-	295,975
	225,066	212,648	620,156	7,069,731	257,820	42,483	7,370,034
Expenses							
Salaries	127,922	106,839	137,917	3,200,108	522,652	27,763	3,750,523
Payroll taxes	14,773	12,243	15,977	324,571	36,539	2,524	363,634
Benefits	20,045	21,565	24,001	523,554	89,547	4,247	617,348
Professional fees	1,217	6,393	11,110	276,417	75,998	1,017	353,432
Office supplies and postage	1,256	2,257	2,823	25,308	18,197	5,432	48,937
Supplies	172	215	287	9,474	11,664	-	21,138
Telephone	1,248	1,989	1,323	16,771	4,822	-	21,593
Space costs	17,770	3,115	7,488	185,659	33,795	-	219,454
Printing and publications	452	5,543	2,112	29,900	3,213	3,647	36,760
Transportation	714	8,894	3,431	40,373	1,448	-	41,821
Conference and training	546	3,458	105	53,758	2,010	-	55,768
Dues and subscriptions	-	-	602	2,762	12,974	-	15,736
Equipment maintenance	1,228	480	-	21,911	12,837	-	34,748
Insurance	3,131	2,558	2,796	54,625	16,908	-	71,533
Direct services	13,447	19,177	372,802	1,550,897	-	-	1,550,897
Depreciation	6,086	44	959	22,369	13,928	-	36,297
Management and general	27,565	23,166	45,438	590,018	(590,018)	-	-
Bad debts	-	-	-	14,762	-	-	14,762
	237,572	217,936	629,171	6,943,237	266,514	44,630	7,254,381
	\$ (12,506)	\$ (5,288)	\$ (9,015)	\$ 126,494	\$ (8,694)	\$ (2,147)	\$ 115,653

# *Luton & Co., PLLC*

## CERTIFIED PUBLIC ACCOUNTANTS

One Broadway Executive Park  
201 NW 63<sup>rd</sup> Street, Suite 100  
P.O. Box 13120  
Oklahoma City, OK 73113  
(405)848-7313 FAX (405)848-7316

Bruce L. Van Huisen  
David R. Brady

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Sunbeam Family Services, Inc.

We have audited the consolidated financial statements of Sunbeam Family Services, Inc. (the "Organization") as of and for the year ended June 30, 2011, and have issued our report thereon, dated January 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Luton & Co., PLLC*

Oklahoma City, Oklahoma  
January 9, 2012

# *Luton & Co., PLLC*

CERTIFIED PUBLIC ACCOUNTANTS

One Broadway Executive Park  
201 NW 63<sup>rd</sup> Street, Suite 100  
P.O. Box 13120  
Oklahoma City, OK 73113  
(405)848-7313 FAX (405)848-7316

Bruce L. Van Huisen  
David R. Brady

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors  
Sunbeam Family Services, Inc.

### Compliance

We have audited Sunbeam Family Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2011. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Luton & Co., PLLC*

Oklahoma City, Oklahoma  
January 9, 2012

SUNBEAM FAMILY SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2011

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the Sunbeam Family Services, Inc. consolidated financial statements.
2. There are no items required to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the consolidated financial statements of Sunbeam Family Services, Inc. were disclosed during the audit.
4. There are no items required to be reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for major programs expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Sunbeam Family Services, Inc., if any, are reported in this Schedule.
7. The programs tested as major programs were: Department of Health and Human Services, Early Head Start Cluster, CFDA Nos. 93.600 and 93.709.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Sunbeam Family Services, Inc. was determined to be a low risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None



SUNBEAM FAMILY SERVICES, INC.  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2011

None