

SUNBEAM FAMILY SERVICES, INC.
CONSOLIDATED FINANCIAL REPORT
JUNE 30, 2010

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Luton & Co., PLLC

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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. as of June 30, 2010 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, 2010, 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 October 29, 2010, 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 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
October 29, 2010

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2010

ASSETS	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 547,953	\$ 142,674	\$ 690,627
Investments	340,268	1,392,625	1,732,893
Receivables:			
Trade, net of allowance of \$12,970	111,033	-	111,033
Grants and contracts	369,370	-	369,370
Accrued interest	-	2,530	2,530
Prepaid expenses and other	120,359	-	120,359
Total current assets	<u>1,488,983</u>	<u>1,537,829</u>	<u>3,026,812</u>
PROPERTY AND EQUIPMENT, at cost			
Office equipment	238,717	-	238,717
Vehicles	28,000	-	28,000
Buildings and improvements	1,107,356	-	1,107,356
Land	118,664	-	118,664
	<u>1,492,737</u>	<u>-</u>	<u>1,492,737</u>
Accumulated depreciation	<u>1,169,214</u>	<u>-</u>	<u>1,169,214</u>
	323,523		323,523
OTHER ASSETS			
Investments	<u>41,041</u>	<u>-</u>	<u>41,041</u>
	<u>\$ 1,853,547</u>	<u>\$ 1,537,829</u>	<u>\$ 3,391,376</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 137,561	\$ -	\$ 137,561
Accrued salaries and related payables	232,236	-	232,236
Due to grantors	36,183	-	36,183
Total current liabilities	<u>405,980</u>	<u>-</u>	<u>405,980</u>
NET ASSETS			
Unrestricted	1,381,243	-	1,381,243
Unrestricted - designated for endowment	-	1,537,829	1,537,829
	<u>1,381,243</u>	<u>1,537,829</u>	<u>2,919,072</u>
Temporarily restricted	66,324	-	66,324
	<u>1,447,567</u>	<u>1,537,829</u>	<u>2,985,396</u>
	<u>\$ 1,853,547</u>	<u>\$ 1,537,829</u>	<u>\$ 3,391,376</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, 2010

	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	\$ 5,721,132	\$ 62,702	\$ -	\$ 5,783,834
Client fees	165,917	-	-	165,917
United Way	737,562	-	-	737,562
Miscellaneous	29,955	-	-	29,955
Rental income	14,245	-	-	14,245
Interest and dividends	12,331	-	43,683	56,014
Foundation income allocated to Sunbeam	95,000	-	(95,000)	-
Contributions	316,381	3,622	1,118	321,121
In-kind	295,974	-	-	295,974
Gain (loss) on investments	-	-	111,126	111,126
Gain (loss) on sale of assets	7	-	-	7
Net assets released from restriction	140,247	(140,247)	-	-
Total revenue and support	<u>7,528,751</u>	<u>(73,923)</u>	<u>60,927</u>	<u>7,515,755</u>
Expenses				
Program services	6,654,063	-	-	6,654,063
Management and general	839,341	-	13,848	853,189
Fundraising	36,915	-	-	36,915
Total expenses	<u>7,530,319</u>	<u>-</u>	<u>13,848</u>	<u>7,544,167</u>
Change in net assets	(1,568)	(73,923)	47,079	(28,412)
Net assets, beginning of year	<u>1,382,811</u>	<u>140,247</u>	<u>1,490,750</u>	<u>3,013,808</u>
Net assets, end of year	<u>\$ 1,381,243</u>	<u>\$ 66,324</u>	<u>\$ 1,537,829</u>	<u>\$ 2,985,396</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, 2010

	Counseling Services	Early Head Start	Educare	Therapeutic Foster Care	Emergency Foster Care	Long-Term Foster Care	Contracted Foster Care
Salaries	\$ 318,456	\$ 477,534	\$ 1,747,896	\$ 92,428	\$ 83,931	\$ 99,354	\$ 44,192
Payroll taxes	29,817	38,674	175,497	6,695	7,438	9,793	4,723
Benefits	42,675	59,830	248,939	18,916	15,213	13,269	7,921
Professional fees	2,328	67,449	173,968	2,856	1,984	19,899	1,233
Office supplies and postage	2,626	4,461	19,650	2,242	903	436	17
Supplies	10,416	2,507	23,726	673	72	339	-
Telephone	3,301	3,787	5,224	1,857	2,258	1,146	133
Space costs	9,770	305,377	126,564	8,660	4,354	4,228	958
Printing and publications	2,764	4,514	17,088	1,038	1,478	1,246	129
Transportation	1,720	10,110	13,002	4,506	6,211	4,881	1,648
Conference and training	625	15,107	26,132	245	492	564	154
Dues and subscriptions	1,710	4,005	4,180	1,964	504	396	133
Equipment maintenance	4,739	2,070	11,265	900	55	67	55
Insurance	7,530	20,075	25,393	4,962	2,444	4,902	972
Direct services	1,485	333,690	244,046	108,144	100,764	183,162	40,884
Depreciation	5,652	6,763	-	1,243	1,074	999	-
	<u>\$ 445,614</u>	<u>\$ 1,355,953</u>	<u>\$ 2,862,570</u>	<u>\$ 257,329</u>	<u>\$ 229,175</u>	<u>\$ 344,681</u>	<u>\$ 103,152</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, 2010

	Senior Shelter	Caregiver Fundamentals	Senior Companion	Total Program Services	Management and General	Fundraising	Foundation Management and General	Total
Salaries	\$ 127,497	\$ 112,003	\$ 166,733	\$ 3,270,024	\$ 508,936	\$ 25,872	\$ -	\$ 3,804,832
Payroll taxes	12,632	10,934	16,550	312,753	46,278	2,608	-	361,639
Benefits	22,527	17,282	23,689	470,261	93,470	2,352	-	566,083
Professional fees	1,028	9,305	6,961	287,011	51,103	750	13,848	352,712
Office supplies and postage	1,041	3,768	4,162	39,306	22,374	3,348	-	65,028
Supplies	1,618	1,091	1,167	41,609	17,842	-	-	59,451
Telephone	1,158	1,781	2,041	22,686	4,441	-	-	27,127
Space costs	13,441	2,169	10,433	485,954	24,300	-	-	510,254
Printing and publications	-	391	3,969	32,617	4,361	1,942	-	38,920
Transportation	268	10,605	4,728	57,679	1,383	43	-	59,105
Conference and training	1,021	1,423	1,706	47,469	3,554	-	-	51,023
Dues and subscriptions	748	455	855	14,950	17,514	-	-	32,464
Equipment maintenance	781	1,020	-	20,952	11,137	-	-	32,089
Insurance	3,600	2,098	4,271	76,247	13,365	-	-	89,612
Direct services	10,805	11,976	416,660	1,451,616	9,076	-	-	1,460,692
Depreciation	6,086	-	1,112	22,929	10,207	-	-	33,136
	<u>\$ 204,251</u>	<u>\$ 186,301</u>	<u>\$ 665,037</u>	<u>\$ 6,654,063</u>	<u>\$ 839,341</u>	<u>\$ 36,915</u>	<u>\$ 13,848</u>	<u>\$ 7,544,167</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, 2010

	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Total
Cash flows from operating activities:			
Change in net assets	\$ (75,491)	\$ 47,079	\$ (28,412)
Adjustments -			
Depreciation expense	33,136	-	33,136
(Gain) loss on investments	-	(111,126)	(111,126)
(Gain) loss on sale of assets	(7)	-	(7)
(Increase) decrease in accounts receivable	54,706	-	54,706
(Increase) decrease in accrued interest	-	2,969	2,969
(Increase) decrease in prepaid expenses	(32,629)	-	(32,629)
Increase (decrease) in accounts payable and accrued expenses	55,693	-	55,693
Increase (decrease) in accrued salaries and related payables	46,531	-	46,531
Net cash provided (used) by operating activities	<u>81,939</u>	<u>(61,078)</u>	<u>20,861</u>
Cash flows from investing activities:			
Proceeds from investments	-	538,223	538,223
Purchase of property and equipment	(40,243)	-	(40,243)
Purchase of investments	(4,265)	(385,800)	(390,065)
Net cash provided (used) by investing activities	<u>(44,508)</u>	<u>152,423</u>	<u>107,915</u>
Cash flows from financing activities:			
Conditional transfer (to) from grantor	(3,857)	-	(3,857)
Net cash provided (used) by financing activities	<u>(3,857)</u>	<u>-</u>	<u>(3,857)</u>
Net increase (decrease) in cash and cash equivalents	33,574	91,345	124,919
Cash and cash equivalents, beginning of year	<u>514,379</u>	<u>51,329</u>	<u>565,708</u>
Cash and cash equivalents, end of year	<u>\$ 547,953</u>	<u>\$ 142,674</u>	<u>\$ 690,627</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, 2010

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 current 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 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 back 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. Upon recognition of the Corporation's status as a tax-exempt supporting organization, the current Foundation will terminate and transfer 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

The Organization 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.

Revenue recognition

Revenues, gains, and other support are reported as increases in unrestricted net assets. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted support that increases the temporarily restricted net asset class. When a temporary 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.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

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

Revenue recognition, continued

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

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.

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.

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 includes management judgment and estimation which may be significant.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

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

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.

The Organization 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.

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. These volunteer services for the year ended June 30, 2010 were valued at \$515,272.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

Note 2. Investments

Investments consisted of the following at June 30, 2010:

	Cost Foundation	Market
Certificates of deposit (Level II)	\$ 204,000	\$ 209,366
Mutual funds (Level I)	1,221,675	1,102,173
Equity securities (Level I)	<u>59,924</u>	<u>81,086</u>
	<u>\$1,485,599</u>	<u>\$1,392,625</u>
Sunbeam Family Services, Inc.		
Certificates of deposit	<u>\$ 340,268</u>	<u>\$ 340,268</u>

Unrealized gains arising during the year totaling \$244,430 have been included in the accompanying statement of activities and changes in net assets. Realized losses of \$133,304 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, 2010, Sunbeam had outstanding requests for reimbursement and accruals due from grantors of \$369,370. Accounts receivable of \$111,033, net of allowance for doubtful accounts of \$12,970, 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.

Note 4. Accrued Compensated Absences

During the first ten years of full-time service, employees earn annual leave 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 not exceed 17 days. Unused compensated absences are paid to an employee upon separation of employment.

At June 30, 2010, \$80,735 had been accrued to recognize Sunbeam's financial obligation for accrued compensated absences.

Note 5. Temporarily Restricted Net Assets

At June 30, 2010, temporarily restricted net assets were comprised of the following:

Counseling Services	\$ 7,500
Educare	1,577
Senior Shelter	29,292
Caregivers Fundamentals	27,755
Senior Companion	<u>200</u>
	<u>\$66,324</u>

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

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, 2010 was \$107,749.

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

The Organization 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 the Organization 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 the Organization will receive in the next fiscal year.

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 five previous years. The balance of the funds at June 30, 2010 was as follows:

	OCCF	CFO, Inc.
Sunbeam transfers	\$ 28,555	\$12,486
Other contributions	\$237,421	\$ 3,756

The distribution for the year ended June 30, 2010 was \$13,207.

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, 2010 was \$36,183.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

Note 11. Discontinued Program

During the year, the Organization terminated the Therapeutic Foster Care Program. Management determined the direction of the program was not in accordance with the mission of Sunbeam.

Note 12. Subsequent Events

Management has evaluated subsequent events through the report date of October 29, 2010, and has determined there were none that required disclosure.

ADDITIONAL INFORMATION

SUNBEAM FAMILY SERVICES, INC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2010

	Federal CFDA	Expenditures
Federal Grantor/Pass-Through Grantor		
Corporation for National and Community Services		
Direct Program:		
Senior Companion Program	94.016	<u>\$ 477,579</u>
U.S. Department of Health and Human Services		
Direct Program:		
*Early Head Start	93.600	\$1,459,216
*ARRA- Early Head Start	93.709	<u>68,400</u>
		<u>\$1,527,616</u>
U.S. Department of Agriculture		
Pass-Through Oklahoma State Department of Education:		
Child and Adult Care Food Program	10.558	<u>\$ 171,156</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, 2010

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, 2010

	Counseling Services	Early Head Start	Educare	Therapeutic Foster Care	Emergency Foster Care	Long-Term Foster Care	Contracted Foster Care
Revenue and Support							
Grants and contracts	\$ 218,367	\$ 1,144,473	\$ 2,552,626	\$ 234,503	\$ 220,014	\$ 456,105	\$ 122,482
Client fees	84,816	672	80,429	-	-	-	-
United Way	171,873	-	280,338	15,162	10,830	-	-
Miscellaneous	-	100	-	-	-	-	-
Rental income	-	6,563	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-	-
Foundation income	-	-	-	-	-	-	-
allocated to Sunbeam	-	-	-	-	-	-	-
Contributions	10,042	2,438	163,604	475	2,971	-	395
In-kind	-	276,274	-	1,131	-	-	-
Gain (loss) on assets	-	-	7	-	-	-	-
	485,098	1,430,520	3,077,004	251,271	233,815	456,105	122,877
Expenses							
Salaries	318,456	477,534	1,747,896	92,428	83,931	99,354	44,192
Payroll taxes	29,817	38,674	175,497	6,695	7,438	9,793	4,723
Benefits	42,675	59,830	248,939	18,916	15,213	13,269	7,921
Professional fees	2,328	67,449	173,968	2,856	1,984	19,899	1,233
Office supplies and postage	2,626	4,461	19,650	2,242	903	436	17
Supplies	10,416	2,507	23,726	673	72	339	-
Telephone	3,301	3,787	5,224	1,857	2,258	1,146	133
Space costs	9,770	305,377	126,564	8,660	4,354	4,228	958
Printing and publications	2,764	4,514	17,088	1,038	1,478	1,246	129
Transportation	1,720	10,110	13,002	4,506	6,211	4,881	1,648
Conference and training	625	15,107	26,132	245	492	564	154
Dues and subscriptions	1,710	4,005	4,180	1,964	504	396	133
Equipment maintenance	4,739	2,070	11,265	900	55	67	55
Insurance	7,530	20,075	25,393	4,962	2,444	4,902	972
Direct services	1,485	333,690	244,046	108,144	100,764	183,162	40,884
Depreciation	5,652	6,763	-	1,243	1,074	999	-
Management and general	71,197	55,788	254,367	22,058	20,766	24,528	12,868
	516,811	1,411,741	3,116,937	279,387	249,941	369,209	116,020
	\$ (31,713)	\$ 18,779	\$ (39,933)	\$ (28,116)	\$ (16,126)	\$ 86,896	\$ 6,857

SUNBEAM FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES -
SUNBEAM FAMILY SERVICES, INC. - UNRESTRICTED
Year ended June 30, 2010

	Senior Shelter	Caregiver Fundamentals	Senior Companion	Total Program Services	Management and General	Fundraising	Total
Revenue and Support							
Grants and contracts	\$ 159,885	\$ 168,592	\$ 539,947	\$ 5,816,994	\$ -	\$ -	\$ 5,816,994
Client fees	-	-	-	165,917	-	-	165,917
United Way	73,760	-	165,799	717,762	19,800	-	737,562
Miscellaneous	-	2,108	-	2,208	27,747	-	29,955
Rental income	-	-	-	6,563	7,682	-	14,245
Interest and dividends	-	-	-	-	12,331	-	12,331
Foundation income	-	-	-	-	-	-	-
allocated to Sunbeam	-	-	-	-	95,000	-	95,000
Contributions	550	12,824	1,105	194,404	145,493	20,869	360,766
In-kind	50	2,213	16,306	295,974	-	-	295,974
Gain (loss) on assets	-	-	-	7	-	-	7
	<u>234,245</u>	<u>185,737</u>	<u>723,157</u>	<u>7,199,829</u>	<u>308,053</u>	<u>20,869</u>	<u>7,528,751</u>
Expenses							
Salaries	127,497	112,003	166,733	3,270,024	508,936	25,872	3,804,832
Payroll taxes	12,632	10,934	16,550	312,753	46,278	2,608	361,639
Benefits	22,527	17,282	23,689	470,261	93,470	2,352	566,083
Professional fees	1,028	9,305	6,961	287,011	51,103	750	338,864
Office supplies and postage	1,041	3,768	4,162	39,306	22,374	3,348	65,028
Supplies	1,618	1,091	1,167	41,609	17,842	-	59,451
Telephone	1,158	1,781	2,041	22,686	4,441	-	27,127
Space costs	13,441	2,169	10,433	485,954	24,300	-	510,254
Printing and publications	-	391	3,969	32,617	4,361	1,942	38,920
Transportation	268	10,605	4,728	57,679	1,383	43	59,105
Conference and training	1,021	1,423	1,706	47,469	3,554	-	51,023
Dues and subscriptions	748	455	855	14,950	17,514	-	32,464
Equipment maintenance	781	1,020	-	20,952	11,137	-	32,089
Insurance	3,600	2,098	4,271	76,247	13,365	-	89,612
Direct services	10,805	11,976	416,660	1,451,616	9,076	-	1,460,692
Depreciation	6,086	-	1,112	22,929	10,207	-	33,136
Management and general	28,746	27,370	59,950	577,638	(577,663)	25	-
	<u>232,997</u>	<u>213,671</u>	<u>724,987</u>	<u>7,231,701</u>	<u>261,678</u>	<u>36,940</u>	<u>7,530,319</u>
	<u>\$ 1,248</u>	<u>\$ (27,934)</u>	<u>\$ (1,830)</u>	<u>\$ (31,872)</u>	<u>\$ 46,375</u>	<u>\$ (16,071)</u>	<u>\$ (1,568)</u>

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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, 2010, and have issued our report thereon, dated October 29, 2010. 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
October 29, 2010

Luton & Co., PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 the compliance of Sunbeam Family Services, Inc. (the "Organization") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. 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 on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Sunbeam Family Services, Inc. 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 Sunbeam Family Services, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our 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 Sunbeam Family Services, Inc.'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, 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
October 29, 2010

SUNBEAM FAMILY SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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 Applicable to 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; and Corporation for National and Community Services, Senior Companion Program, CFDA No. 94.016.
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, 2010

None