

SUNBEAM FAMILY SERVICES, INC.  
CONSOLIDATED FINANCIAL REPORT  
JUNE 30, 2012

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# *Luton & Co., PLLC*

## CERTIFIED PUBLIC ACCOUNTANTS

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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, 2012 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, 2012, 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 11, 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 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 consolidated financial statements 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 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 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.



Oklahoma City, Oklahoma  
October 11, 2012

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2012

ASSETS	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Total
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,039,098	\$ 65,440	\$ 1,104,538
Investments	103,338	1,569,522	1,672,860
Receivables:			
Trade, net of allowance of \$10,923	62,695	-	62,695
Grants and contracts	472,136	-	472,136
Pledges	1,402,500	-	1,402,500
Prepaid expenses and other	133,673	-	133,673
Total current assets	<u>3,213,440</u>	<u>1,634,962</u>	<u>4,848,402</u>
<b>PROPERTY AND EQUIPMENT, at cost</b>			
Office equipment	259,294	-	259,294
Vehicles	28,000	-	28,000
Buildings and improvements	1,108,244	-	1,108,244
Land	118,664	-	118,664
Construction in progress	656,813	-	656,813
	<u>2,171,015</u>	<u>-</u>	<u>2,171,015</u>
Accumulated depreciation	<u>1,234,757</u>	<u>-</u>	<u>1,234,757</u>
	936,258	-	936,258
<b>NONCURRENT ASSETS</b>			
Pledges receivable	3,345,412	-	3,345,412
Restricted cash - capital campaign	1,189,258	-	1,189,258
Investments	46,925	-	46,925
	<u>4,581,595</u>	<u>-</u>	<u>4,581,595</u>
	<u>\$ 8,731,293</u>	<u>\$ 1,634,962</u>	<u>\$ 10,366,255</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 139,522	\$ -	139,522
Accrued salaries and related payables	326,849	-	326,849
Due to grantors	26,091	-	26,091
Total current liabilities	<u>492,462</u>	<u>-</u>	<u>492,462</u>
<b>LONG TERM LIABILITIES</b>			
Note Payable	350,000	-	350,000
<b>NET ASSETS</b>			
Unrestricted	2,239,328	-	2,239,328
Unrestricted - designated for endowment	-	1,634,962	1,634,962
	<u>2,239,328</u>	<u>1,634,962</u>	<u>3,874,290</u>
Temporarily restricted	5,649,503	-	5,649,503
	<u>7,888,831</u>	<u>1,634,962</u>	<u>9,523,793</u>
	<u>\$ 8,731,293</u>	<u>\$ 1,634,962</u>	<u>10,366,255</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, 2012

	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	\$ 5,394,863	\$ 120,631	\$ -	\$ 5,515,494
Client fees	108,106	-	-	108,106
United Way	786,737	352	-	787,089
Miscellaneous	8,110	-	-	8,110
Rental income	23,550	-	-	23,550
Interest and dividends	3,870	-	50,723	54,593
Foundation income allocated to Sunbeam	78,800	-	(78,800)	-
Contributions	316,452	6,187,673	1,100	6,505,225
In-kind	268,711	-	-	268,711
Gain (loss) on investments	-	-	(32,727)	(32,727)
Net assets released from restriction-program	93,336	(93,336)	-	-
Net assets released from restriction-building	659,153	(659,153)	-	-
Total revenue and support	7,741,688	5,556,167	(59,704)	13,238,151
Expenses				
Program services	6,118,526	-	-	6,118,526
Management and general	837,576	-	16,864	854,440
Fundraising	43,154	-	-	43,154
Total expenses	6,999,256	-	16,864	7,016,120
Change in net assets	742,432	5,556,167	(76,568)	6,222,031
Net assets, beginning of year	1,496,896	93,336	1,711,530	3,301,762
Net assets, end of year	\$ 2,239,328	\$ 5,649,503	\$ 1,634,962	\$ 9,523,793

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, 2012

	Counseling Services	Early Head Start Other Sites	Educare	Emergency Foster Care	Long-Term Foster Care	Contracted Foster Care
Salaries	\$ 317,405	\$ 261,223	\$ 1,886,557	\$ 50,467	\$ 70,647	\$ 47,666
Payroll taxes	38,290	26,487	193,349	5,419	9,541	5,613
Benefits	37,854	46,389	282,887	10,091	11,930	9,107
Professional fees	6,574	65,912	195,613	1,570	3,383	3,407
Office supplies and postage	1,705	6,547	14,817	395	830	141
Nutrition program	163	1,374	169,170	4	74	40
Communications	8,721	4,732	8,057	2,011	642	170
Occupancy	13,095	7,338	132,282	2,103	2,792	2,099
Printing and publications	2,000	458	8,717	589	104	145
Transportation	721	2,864	7,382	5,167	5,596	3,496
Conference and training	3,822	1,187	49,747	1,389	1,221	342
Partner services	20	322,031	503	86,342	18,461	62,811
Program supplies	-	36,195	51,480	-	25	-
In kind	-	8,012	254,659	-	-	-
Insurance	9,603	10,337	22,355	888	4,066	684
Specific assistance	786	9,870	12,833	986	109,083	588
Depreciation	5,239	5,366	160	1,956	938	263
Bad debts	3,750	-	2,101	-	-	-
	<u>\$ 449,748</u>	<u>\$ 816,322</u>	<u>\$ 3,292,669</u>	<u>\$ 169,377</u>	<u>\$ 239,333</u>	<u>\$ 136,572</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, 2012

	Senior Shelter	Caregiver Fundamentals	Senior Companion	Total Program Services	Management and General	Fundraising	Foundation Management and General	Total
Salaries	\$ 139,977	\$ 110,558	\$ 151,380	\$ 3,035,880	\$ 544,669	\$ 24,699	\$ -	\$ 3,605,248
Payroll taxes	17,943	13,644	17,163	327,449	39,841	2,155	-	369,445
Benefits	21,633	16,322	22,241	458,454	73,209	3,729	-	535,392
Professional fees	1,749	2,673	9,167	290,048	54,540	1,198	16,864	362,650
Office supplies and postage	250	3,332	2,719	30,736	29,927	3,762	-	64,425
Nutrition program	9,373	1,534	224	181,956	118	78	-	182,152
Communications	1,986	1,638	6,925	34,882	10,836	921	-	46,639
Occupancy	14,293	2,831	5,972	182,805	37,415	-	-	220,220
Printing and publications	411	550	1,554	14,528	5,647	5,275	-	25,450
Transportation	82	10,484	4,408	40,200	1,288	104	-	41,592
Conference and training	663	1,060	2,799	62,230	6,127	404	-	68,761
Partner services	10	115	367,670	857,963	39	-	-	858,002
Program supplies	409	10,650	8	98,767	166	-	-	98,933
In kind	-	-	6,040	268,711	-	-	-	268,711
Insurance	3,633	3,885	2,866	58,317	16,592	455	-	75,364
Specific assistance	4,651	10,317	2,842	151,956	746	374	-	153,076
Depreciation	3,496	93	157	17,668	16,416	-	-	34,084
Bad debts	-	125	-	5,976	-	-	-	5,976
	<u>\$ 220,559</u>	<u>\$ 189,811</u>	<u>\$ 604,135</u>	<u>\$ 6,118,526</u>	<u>\$ 837,576</u>	<u>\$ 43,154</u>	<u>\$ 16,864</u>	<u>\$ 7,016,120</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, 2012

	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Total
Cash flows from operating activities:			
Change in net assets	\$ 6,298,599	\$ (76,568)	\$ 6,222,031
Adjustments -			
Depreciation expense	34,084	-	34,084
(Gain) loss on investments	-	32,727	32,727
(Increase) decrease in accounts receivable	(4,850,889)	-	(4,850,889)
(Increase) decrease in prepaid expenses	(15,300)	-	(15,300)
Increase (decrease) in accounts payable and accrued expenses	(47,750)	-	(47,750)
Increase (decrease) in accrued salaries and related payables	30,784	-	30,784
Net cash provided (used) by operating activities	<u>1,449,528</u>	<u>(43,841)</u>	<u>1,405,687</u>
Cash flows from investing activities:			
Proceeds from investments	240,984	413,477	654,461
Restricted cash - capital campaign	(1,189,258)	-	(1,189,258)
Purchase of property and equipment	(2,267)	-	(2,267)
Purchase of investments	(1,135)	(485,556)	(486,691)
Construction in progress	(656,813)	-	(656,813)
Net cash provided (used) by investing activities	<u>(1,608,489)</u>	<u>(72,079)</u>	<u>(1,680,568)</u>
Cash flows from financing activities:			
Conditional transfer (to) from grantor	(11,550)	-	(11,550)
Issuance of note payable	350,000	-	350,000
Net cash provided (used) by financing activities	<u>338,450</u>	<u>-</u>	<u>338,450</u>
Net increase (decrease) in cash and cash equivalents	179,489	(115,920)	63,569
Cash and cash equivalents, beginning of year	<u>859,609</u>	<u>181,360</u>	<u>1,040,969</u>
Cash and cash equivalents, end of year	<u>\$ 1,039,098</u>	<u>\$ 65,440</u>	<u>\$ 1,104,538</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, 2012

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.

Several years ago, 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, originally organized as a trust, was reorganized as a nonprofit 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. During the year, the trust terminated and transferred 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, 2012

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, 2012

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, 2012

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, 2012:

	Cost Foundation	Market
Cash (Level I)	\$ 65,440	\$ 65,440
Mutual funds (Level I)	1,269,664	1,312,046
Equity securities (Level I)	<u>220,490</u>	<u>257,476</u>
	<u>\$1,555,594</u>	<u>\$1,634,962</u>
	Sunbeam Family Services, Inc.	
Certificates of deposit (Level II)	<u>\$ 103,338</u>	<u>\$ 103,338</u>

Unrealized losses arising during the year totaling \$75,628 have been included in the accompanying statement of activities and changes in net assets. Realized gains of \$42,901 are also included in the statement of activities and changes in net assets. The realized gains 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, 2012, Sunbeam had outstanding requests for reimbursement and accruals due from grantors of \$472,136. Accounts receivable of \$62,695, net of allowance for doubtful accounts of \$10,923, 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, 2012

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, 2012, \$108,896 had been accrued to recognize Sunbeam's financial obligation for accrued compensated absences.

Note 5. Temporarily Restricted Net Assets

At June 30, 2012, temporarily restricted net assets were comprised of the following:

Counseling Services	\$ 19,368
Educare	1,464
Senior Shelter	48,625
Caregivers Fundamentals	26,757
Foster Care	2,340
Early Head Start Other Sites	6,404
Fundraising	29,167
Campaign Contributions	<u>5,515,378</u>
	<u>\$5,649,503</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% of the employee's gross salary to the plan on behalf of the eligible individual employees. In addition, Sunbeam will match up to 4% of the eligible employee's salary and the 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, 2012 was \$111,736.

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, 2012

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, 2012 was as follows:

	OCCF	CFO, Inc.	Total
Beginning of year	\$ 33,023	\$ 14,744	\$ 47,767
Contributions	-	866	866
Investment income	626	222	848
Distributions	(1,550)	(666)	(2,216)
Management fees	<u>(195)</u>	<u>(145)</u>	<u>(340)</u>
End of year	<u>\$ 31,904</u>	<u>\$ 15,021</u>	<u>\$ 46,925</u>
Other contributions	<u>\$267,130</u>	<u>\$ 4,619</u>	<u>\$271,749</u>

The distribution for the year ended June 30, 2012 was \$14,528.

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, 2012 was \$26,091.

Note 11. Note Payable

Sunbeam purchased a building and land located at 1411 N. Classen Blvd. on January 6, 2012. The original purchase was financed primarily with a promissory note from Inasmuch Foundation which was signed January 3, 2012. The amount of the note was \$350,000. Interest is being charged at a rate of .16% per annum at a per diem charge based on a 360 day year until the note is paid. Sunbeam promised to pay this note including principal and accrued interest on or before November 1, 2013. The Organization may prepay the note in full or in part at any time. The building has been demolished in preparation for a new facility on this property, as discussed in Note 12.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

Note 12. Capital Campaign

A capital campaign was initiated to provide funding for a new facility on the property discussed in Note 11. The goal for the campaign is \$10,000,000 for building construction and an additional \$2,000,000 for an endowment. As of June 30, 2012, Sunbeam had received cash and pledges for \$6,174,531.

Outstanding pledges at June 30, 2012 were as follows:

Pledges considered current	\$1,402,500
Pledges to be received within 5 years	3,457,181
Less discount to present value at a rate of 1.5%	<u>(111,769)</u>
	<u>\$4,747,912</u>

Of the pledges receivable, \$4,731,412 are due from four donors and \$381,770 of that amount is due from a member of the board of directors.

Note 13. Subsequent Events

Management has evaluated subsequent events through the report date of October 11, 2012, the date the report was available to be issued, and has determined that there were none that required disclosure.

## SUPPLEMENTARY INFORMATION



SUNBEAM FAMILY SERVICES, INC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2012

	Federal CFDA	Expenditures
Federal Grantor/Pass-Through Grantor		
Corporation for National and Community Services		
Direct Program:		
Senior Companion Program	94.016	<u>\$ 393,181</u>
U.S. Department of Health and Human Services		
Direct Program:		
Early Head Start	93.600	<u>\$1,400,323</u>
National Family Caregiver Support	93.052	<u>\$ 156,000</u>
U.S. Department of Agriculture		
Pass-Through Oklahoma State Department of Education:		
Child and Adult Care Food Program	10.558	<u>\$ 201,824</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

SUNBEAM FAMILY SERVICES, INC

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2012

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, 2012

	Counseling Services	Early Head Start Other Sites	Educare	Emergency Foster Care	Long-Term Foster Care	Contracted Foster Care
Revenue and Support						
Grants and contracts	\$ 214,263	\$ 851,381	\$ 2,892,364	\$ 189,250	\$ 302,812	\$ 213,194
Client fees	68,044	-	40,062	-	-	-
United Way	181,400	-	310,338	-	-	25,992
Miscellaneous	1,769	-	161	-	-	-
Rental income	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Foundation income	-	-	-	-	-	-
allocated to Sunbeam	-	-	-	-	-	-
Contributions	22,107	2,969	86,360	2,935	-	-
In-kind	-	8,012	254,659	-	-	-
	<u>487,583</u>	<u>862,362</u>	<u>3,583,944</u>	<u>192,185</u>	<u>302,812</u>	<u>239,186</u>
Expenses						
Salaries	317,405	261,223	1,886,557	50,467	70,647	47,666
Payroll taxes	38,290	26,487	193,349	5,419	9,541	5,613
Benefits	37,854	46,389	282,887	10,091	11,930	9,107
Professional fees	6,574	65,912	195,613	1,570	3,383	3,407
Office supplies and postage	1,705	6,547	14,817	395	830	141
Nutrition program	163	1,374	169,170	4	74	40
Communications	8,721	4,732	8,057	2,011	642	170
Occupancy	13,095	7,338	132,282	2,103	2,792	2,099
Printing and publications	2,000	458	8,717	589	104	145
Transportation	721	2,864	7,382	5,167	5,596	3,496
Conference and training	3,822	1,187	49,747	1,389	1,221	342
Partner services	20	322,031	503	86,342	18,461	62,811
Program supplies	-	36,195	51,480	-	25	-
In kind	-	8,012	254,659	-	-	-
Insurance	9,603	10,337	22,355	888	4,066	684
Specific assistance	786	9,870	12,833	986	109,083	588
Depreciation	5,239	5,366	160	1,956	938	263
Bad debts	3,750	-	2,101	-	-	-
Management and general	43,707	78,118	297,143	16,525	23,350	13,324
	<u>493,455</u>	<u>894,440</u>	<u>3,589,812</u>	<u>185,902</u>	<u>262,683</u>	<u>149,896</u>
	\$ (5,872)	\$ (32,078)	\$ (5,868)	\$ 6,283	\$ 40,129	\$ 89,290

SUNBEAM FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES -  
SUNBEAM FAMILY SERVICES, INC. - UNRESTRICTED  
Year ended June 30, 2012

	Senior Shelter	Caregiver Fundamentals	Senior Companion	Total Program Services	Management and General	Fundraising	Total
<b>Revenue and Support</b>							
Grants and contracts	\$ 147,873	\$ 198,755	\$ 442,142	\$ 5,452,034	\$ 6,973	\$ 20,833	\$ 5,479,840
Client fees	-	-	-	108,106	-	-	108,106
United Way	78,760	1,148	170,799	768,437	19,800	-	788,237
Miscellaneous	-	-	-	1,930	6,180	-	8,110
Rental income	-	-	-	-	23,550	-	23,550
Interest and dividends	-	-	-	-	3,870	-	3,870
Foundation income	-	-	-	-	-	-	-
allocated to Sunbeam	-	-	-	-	-	-	-
Contributions	14,423	8,427	33,363	170,584	775,159	36,721	982,464
In-kind	-	-	6,040	268,711	-	-	268,711
	<u>241,056</u>	<u>208,330</u>	<u>652,344</u>	<u>6,769,802</u>	<u>914,332</u>	<u>57,554</u>	<u>7,741,688</u>
<b>Expenses</b>							
Salaries	139,977	110,558	151,380	3,035,880	544,669	24,699	3,605,248
Payroll taxes	17,943	13,644	17,163	327,449	39,841	2,155	369,445
Benefits	21,633	16,322	22,241	458,454	73,209	3,729	535,392
Professional fees	1,749	2,673	9,167	290,048	54,540	1,198	345,786
Office supplies and postage	250	3,332	2,719	30,736	29,927	3,762	64,425
Nutrition program	9,373	1,534	224	181,956	118	78	182,152
Communications	1,986	1,638	6,925	34,882	10,836	921	46,639
Occupancy	14,293	2,831	5,972	182,805	37,415	-	220,220
Printing and publications	411	550	1,554	14,528	5,647	5,275	25,450
Transportation	82	10,484	4,408	40,200	1,288	104	41,592
Conference and training	663	1,060	2,799	62,230	6,127	404	68,761
Partner services	10	115	367,670	857,963	39	-	858,002
Program supplies	409	10,650	8	98,767	166	-	98,933
In kind	-	-	6,040	268,711	-	-	268,711
Insurance	3,633	3,885	2,866	58,317	16,592	455	75,364
Specific assistance	4,651	10,317	2,842	151,956	746	374	153,076
Depreciation	3,496	93	157	17,668	16,416	-	34,084
Bad debts	-	125	-	5,976	-	-	5,976
Management and general	21,519	18,519	58,353	570,558	(574,768)	4,210	-
	<u>242,078</u>	<u>208,330</u>	<u>662,488</u>	<u>6,689,084</u>	<u>262,808</u>	<u>47,364</u>	<u>6,999,256</u>
	\$ (1,022)	\$ -	\$ (10,144)	\$ 80,718	\$ 651,524	\$ 10,190	\$ 742,432

# *Luton & Co., PLLC*

## CERTIFIED PUBLIC ACCOUNTANTS

One Broadway Executive Park  
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(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, 2012, and have issued our report thereon, dated October 11, 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.

*Linton & Co., PLLC*

Oklahoma City, Oklahoma  
October 11, 2012

# *Luton & Co., PLLC*

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2012. 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 compliance 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, 2012.

### 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  
October 11, 2012



SUNBEAM FAMILY SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2012

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 program tested as a major program was: Department of Health and Human Services, Early Head Start CFDA No. 93.600.
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, 2012

None