

SUNBEAM FAMILY SERVICES, INC.
CONSOLIDATED FINANCIAL REPORTS
JUNE 30, 2013 and 2012

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Consolidated statements of financial position	3-4
Consolidated statements of activities and changes in net assets	5
Consolidated statements of functional expenses	6-9
Consolidated statements of cash flows	10
Notes to consolidated financial statements	11-18
SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	19
Notes to schedule of expenditures of federal awards	20
Statements of activities – Sunbeam Family Services, Inc. - Unrestricted	21-24
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	25-26
Independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133	27-28
Schedule of findings and questioned costs	29
Schedule of prior audit findings	30

Luton & Co., PLLC

CERTIFIED PUBLIC ACCOUNTANTS

One Broadway Executive Park
201 NW 63rd 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.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Sunbeam Family Services, Inc. (a nonprofit organization) which comprise the consolidated statements of financial position as of June 30, 2013 and 2012 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 consolidated financial statements or to the consolidated 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013, 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* in considering Sunbeam Family Service, Inc.'s internal control over financial reporting and compliance.

Luton & Co., PLLC

Oklahoma City, Oklahoma
November 11, 2013

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	2013		2012	
	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.
ASSETS		Total		Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,635,454	\$ 96,994	\$ 1,039,098	\$ 65,440
Investments	104,322	1,609,629	103,338	1,569,522
Receivables:				
Trade	68,058	-	62,695	-
Grants and contracts	258,736	-	472,136	-
Pledges	1,559,526	-	1,402,500	-
Prepaid expenses and other	148,287	-	133,673	-
Total current assets	<u>3,774,383</u>	<u>1,706,623</u>	<u>3,213,440</u>	<u>1,634,962</u>
		5,481,006		4,848,402
PROPERTY AND EQUIPMENT, at cost				
Office equipment	259,294	-	259,294	-
Vehicles	28,000	-	28,000	-
Buildings and improvements	1,110,804	-	1,108,244	-
Land	118,664	-	118,664	-
Construction in progress	946,055	-	656,813	-
	<u>2,462,817</u>	<u>2,462,817</u>	<u>2,171,015</u>	<u>2,171,015</u>
Accumulated depreciation	<u>(1,267,133)</u>	<u>-</u>	<u>(1,234,757)</u>	<u>-</u>
	1,195,684	1,195,684	936,258	936,258
NONCURRENT ASSETS				
Pledges receivable	4,569,560	-	3,345,412	-
Restricted cash - capital campaign	2,792,101	-	1,189,258	-
Investments	50,600	-	46,925	-
	<u>7,412,261</u>	<u>7,412,261</u>	<u>4,581,595</u>	<u>4,581,595</u>
	\$ 12,382,328	\$ 1,706,623	\$ 8,731,293	\$ 1,634,962
	<u><u>\$ 12,382,328</u></u>	<u><u>\$ 14,088,951</u></u>	<u><u>\$ 8,731,293</u></u>	<u><u>\$ 10,366,255</u></u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, continued
June 30, 2013 and 2012

	2013		2012	
	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.
		Total		Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 135,243	\$ -	\$ 139,522	\$ -
Accrued salaries and related payables	260,034	-	326,849	-
Due to grantors	14,425	-	26,091	-
Total current liabilities	409,702	409,702	492,462	492,462
LONG TERM LIABILITIES				
Note payable	-	-	350,000	-
NET ASSETS				
Unrestricted	2,718,719	2,718,719	2,239,328	2,239,328
Unrestricted - designated for endowment	-	1,706,623	-	1,634,962
Temporarily restricted	2,718,719	1,706,623	2,239,328	1,634,962
	9,253,907	-	5,649,503	-
	11,972,626	1,706,623	7,888,831	1,634,962
	\$ 12,382,328	\$ 1,706,623	\$ 8,731,293	\$ 1,634,962
		\$ 14,088,951		\$ 10,366,255

The Notes to Consolidated Financial Statements are an integral part of these statements.

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30, 2013 and 2012

	2013				2012			
	Sunbeam Family Services, Inc. Unrestricted	Sunbeam Family Services, Inc. Temporarily Restricted	Foundation for Sunbeam Family Services, Inc. Unrestricted	Total	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	\$ 5,172,887	\$ 368,000	\$ -	\$ 5,540,887	\$ 5,394,863	\$ 120,631	\$ -	\$ 5,515,494
Client fees	138,274	-	-	138,274	108,106	-	-	108,106
United Way	813,589	-	-	813,589	786,737	352	-	787,089
Miscellaneous	774	-	-	774	8,110	-	-	8,110
Rental income	23,550	-	-	23,550	23,550	-	-	23,550
Interest and dividends	9,545	-	66,525	76,070	3,870	-	50,723	54,593
Foundation income allocated								
to Sunbeam	78,800	-	(78,800)	-	78,800	-	(78,800)	-
Contributions	315,794	3,773,495	-	4,089,289	316,452	6,187,673	1,100	6,505,225
In-kind	255,379	-	-	255,379	268,711	-	-	268,711
Gain (loss) on investments	-	-	105,907	105,907	-	-	(32,727)	(32,727)
Net assets released from restriction-program	233,906	(233,906)	-	-	93,336	(93,336)	-	-
Net assets released from restriction-building	303,185	(303,185)	-	-	659,153	(659,153)	-	-
Total revenue and support	7,345,683	3,604,404	93,632	\$ 11,043,719	7,741,688	5,556,167	(59,704)	13,238,151
Expenses								
Program services	5,939,141	-	-	5,939,141	6,118,526	-	-	6,118,526
Management and general	856,231	-	21,971	878,202	837,576	-	16,864	854,440
Fundraising	70,920	-	-	70,920	43,154	-	-	43,154
Total expenses	6,866,292	-	21,971	6,888,263	6,999,256	-	16,864	7,016,120
Change in net assets	479,391	3,604,404	71,661	4,155,456	742,432	5,556,167	(76,568)	6,222,031
Net assets, beginning of year	2,239,328	5,649,503	1,634,962	9,523,793	1,496,896	93,336	1,711,530	3,301,762
Net assets, end of year	\$ 2,718,719	\$ 9,253,907	\$ 1,706,623	\$ 13,679,249	\$ 2,239,328	\$ 5,649,503	\$ 1,634,962	\$ 9,523,793

The Notes to Consolidated Financial Statements are an integral part of these statements.

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2013

	Counseling Services	Early Head Start Other Sites	Educare	Emergency Foster Care	Long-Term Foster Care	Contracted Foster Care
Salaries	\$ 284,754	\$ 241,221	\$ 1,939,299	\$ 42,908	\$ 41,887	\$ 43,896
Payroll taxes	35,989	25,101	202,402	6,183	5,206	5,898
Benefits	33,030	29,694	277,812	4,889	4,051	4,769
Professional fees	15,279	111,179	155,278	4,046	2,021	5,373
Office supplies and postage	2,253	783	20,179	517	257	502
Nutrition program	4	412	177,693	12	-	12
Communications	10,240	1,635	10,804	1,267	603	803
Occupancy	10,612	6,619	129,943	2,672	2,669	2,645
Printing and publications	3,147	2,504	7,176	868	991	541
Transportation	1,370	1,506	7,937	4,460	948	3,256
Conference and training	1,904	6,163	52,219	606	983	587
Partner services	-	323,245	1,053	94,989	7,684	93,903
Program supplies	678	24,868	20,232	-	-	21
In-kind	-	-	254,659	-	-	-
Interest expense	-	-	-	-	-	-
Insurance	6,791	5,210	33,031	1,170	3,469	1,070
Specific assistance	1,238	2,035	12,314	405	75,766	342
Depreciation	6,819	4,675	40	1,318	1,047	1,474
Bad debts	8,537	-	7,989	-	-	-
	<u>\$ 422,645</u>	<u>\$ 786,850</u>	<u>\$ 3,310,060</u>	<u>\$ 166,310</u>	<u>\$ 147,582</u>	<u>\$ 165,092</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES, continued
Year ended June 30, 2013

	Senior Shelter	Caregiver Fundamentals	Senior Companion	Total Program Services	Management and General	Fundraising	Foundation Management and General	Total
Salaries	\$ 128,438	\$ 100,971	\$ 136,767	\$ 2,960,141	\$ 587,705	\$ 34,904	\$ -	\$ 3,582,750
Payroll taxes	19,378	13,771	15,696	329,625	41,650	2,934	-	374,209
Benefits	16,499	4,574	15,412	390,729	48,030	4,110	-	442,869
Professional fees	1,693	6,861	11,832	313,562	70,253	8,098	21,971	413,884
Office supplies and postage	1,229	2,500	1,980	30,202	19,706	6,003	-	55,911
Nutrition program	9,617	1,028	55	188,832	343	-	-	189,175
Communications	1,616	1,743	1,633	30,344	11,250	1,023	-	42,617
Occupancy	14,404	4,986	4,557	179,106	33,158	3,163	-	215,427
Printing and publications	1,689	2,761	1,955	21,633	5,350	6,273	-	33,256
Transportation	277	9,515	4,509	33,777	1,005	486	-	35,268
Conference and training	1,535	650	1,675	66,321	4,107	501	-	70,929
Partner services	-	-	360,053	880,927	-	-	-	880,927
Program supplies	506	10,095	-	56,400	102	-	-	56,502
In-kind	-	-	720	255,379	-	-	-	255,379
Interest expense	-	-	-	-	-	499	-	499
Insurance	3,935	3,810	2,670	61,156	15,833	1,221	-	78,210
Specific assistance	3,526	5,426	3,378	104,431	5,949	1,412	-	111,792
Depreciation	2,806	792	937	19,908	12,176	293	-	32,377
Bad debts	142	-	-	16,668	(386)	-	-	16,282
	<u>\$ 207,290</u>	<u>\$ 169,483</u>	<u>\$ 563,829</u>	<u>\$ 5,939,141</u>	<u>\$ 856,231</u>	<u>\$ 70,920</u>	<u>\$ 21,971</u>	<u>\$ 6,888,263</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS 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 these statements.

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS 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 these statements.

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2013 and 2012

	2013		2012	
	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.
	Total		Total	
Cash flows from operating activities:				
Change in net assets	\$ 4,083,795	\$ 71,661	\$ 6,298,599	\$ (76,568)
	\$ 4,155,456		\$ 6,222,031	
Adjustments -				
Depreciation expense	32,376	-	34,084	-
(Gain) loss on investments	-	(105,907)	-	32,727
Unrealized (gain) loss on funds held by community foundations	(3,675)	-	842	-
Value of stock donated	(100,986)	-	-	-
(Increase) decrease in accounts receivable	(1,173,137)	-	(4,850,889)	-
(Increase) decrease in prepaid expenses	(14,614)	-	(15,300)	-
Increase (decrease) in accounts payable and accrued expenses	(4,279)	-	(47,750)	-
Increase (decrease) in accrued salaries and related payables	(66,815)	-	30,784	-
	2,752,665	(34,246)	1,450,370	(43,841)
Net cash provided (used) by operating activities		2,718,419		1,406,529
Cash flows from investing activities:				
Proceeds from sales of investments	100,698	419,351	240,984	413,477
Restricted cash - capital campaign	(1,602,843)	-	(1,189,258)	-
Purchase of property and equipment	(2,560)	-	(2,267)	-
Purchase of investments	(696)	(353,551)	(1,977)	(485,556)
Construction in progress	(289,242)	-	(656,813)	-
	(1,794,643)	65,800	(1,609,331)	(72,079)
Net cash provided (used) by investing activities		(1,728,843)		(1,681,410)
Cash flows from financing activities:				
Conditional transfer (to) from grantor	(11,666)	-	(11,550)	-
Payment of note payable	(350,000)	-	350,000	-
	(361,666)	-	338,450	-
Net cash provided (used) by financing activities		(361,666)		338,450
Net increase (decrease) in cash and cash equivalents	596,356	31,554	179,489	(115,920)
Cash and cash equivalents, beginning of year	1,039,098	65,440	859,609	181,360
Cash and cash equivalents, end of year	\$ 1,635,454	\$ 96,994	\$ 1,039,098	\$ 65,440
Total interest paid	\$ 499	\$ -	\$ -	\$ -

The Notes to Consolidated Financial Statements are an integral part of these statements.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013 and 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. 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. Due to Sunbeam's control of the appointment of board members and its direct economic interest, the Foundation is consolidated in these financial statements.

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.

Concentration of credit risk

At June 30, 2013, Sunbeam's cash balances exceeded the federally insured amounts by approximately \$1,232,000. A sweep account was set up after year end to reduce exposure. The prior year's balances were fully insured due to different regulations that were in effect at that time.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and 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 on 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, 2013 and 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. During the transition discussed in Note 1, the exempt status of the Foundation's new nonprofit corporation was revoked. The revocation occurred due to the extension being disallowed under new IRS code section 6033(j) regulations and therefore, the return was noted as untimely filed. Management has re-submitted the Foundation's application for exemption pursuant to IRS Notice 2011-44 requesting retroactive reinstatement of the Foundation's exempt status. Management does not anticipate any adverse actions related to this request, and the Foundation continues to operate as an exempt organization with its application pending.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013 and 2012

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

Income tax status, continued

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.

Note 2. Investments

Investments consisted of the following at June 30, 2013 and 2012:

	Cost	Market	Cost	Market
	Foundation			
	2013		2012	
Mutual funds (Level I)	\$1,244,637	\$1,327,454	\$ 1,269,664	\$1,312,046
Equity securities (Level I)	<u>209,626</u>	<u>282,175</u>	<u>220,490</u>	<u>257,476</u>
	<u>\$1,454,263</u>	<u>\$1,609,629</u>	<u>\$ 1,490,154</u>	<u>\$1,569,522</u>
Sunbeam Family Services, Inc.				
Certificates of deposits (Level II)	<u>\$ 104,322</u>	<u>\$ 104,322</u>	<u>\$ 103,338</u>	<u>\$ 103,338</u>

Unrealized gains (losses) arising during 2013 and 2012 totaling \$76,038 and (\$75,628), respectively, have been included in the accompanying statement of activities and changes in net assets. Realized gains of \$29,869 and \$42,901 are also included in the statement of activities and changes in net assets for the years 2013 and 2012. The realized gains or losses were determined using the specific identification method.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013 and 2012

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, 2013 and 2012, Sunbeam had outstanding requests for reimbursement and accruals due from grantors of \$258,736 and \$472,136, respectively. Accounts receivable of \$68,058 and \$62,695 for the years 2013 and 2012, net of allowance for doubtful accounts of \$11,133 and \$10,923, respectively, 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 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, 2013 a total of \$104,089 had been accrued to recognize Sunbeam's financial obligation for accrued compensated absences. The balance was \$108,896 at June 30, 2012.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets were comprised of the following of June 30:

	2013	2012
Counseling Services	\$ 88,806	\$ 19,368
Educare	103,173	1,464
Senior Shelter	48,625	48,625
Caregivers Fundamentals	83,043	26,757
Foster Care	-	2,340
Early Head Start Other Sites	8,421	6,404
Fundraising	-	29,167
Campaign Contributions	8,917,282	5,515,378
Friends of Sunbeam	<u>4,557</u>	<u>-</u>
	<u>\$ 9,253,907</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 years ended June 30, 2013 and 2012 was \$113,807 and \$111,736, respectively.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and 2012

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 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.

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, 2013 and 2012 was as follows:

	2013	OCCF	CFO, Inc.	Total
Beginning of year		\$ 31,904	\$ 15,021	\$ 46,925
Contributions		-	928	928
Investment income		3,401	2,027	5,428
Distributions		(1,606)	(710)	(2,316)
Management fees		(204)	(161)	(365)
End of year		<u>\$ 33,495</u>	<u>\$ 17,105</u>	<u>\$ 50,600</u>
Other contributions		<u>\$ 282,043</u>	<u>\$ 4,930</u>	<u>\$ 286,973</u>

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013 and 2012

Note 9. Community Foundation Funds, continued

	2012		
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 distributions for the years ended June 30, 2013 and 2012 were \$16,091 and \$15,394.

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 balances at June 30, 2013 and 2012 were \$14,425 and \$26,091, respectively.

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 was being charged at a rate of .16% per annum at a per diem charge based on a 360 day year. The note was paid in full during 2013.

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, 2013, Sunbeam had received cash and pledges of \$10,048,216.

Outstanding pledges at June 30, 2013 and 2012 were as follows:	2013	2012
Pledges considered current	\$ 1,559,526	\$ 1,402,500
Pledges to be received within 5 years	4,738,155	3,457,181
Less discount to present value at a rate of 1.5%	<u>(168,595)</u>	<u>(111,747)</u>
	<u>\$ 6,129,086</u>	<u>\$ 4,747,912</u>

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and 2012

Note 12. Capital Campaign, continued

Of the pledges receivable, \$5,669,675 are due from eight donors and \$282,704 of that amount is due from a member of the board of directors. The board member's pledge was fully paid in the subsequent fiscal year prior to the report date.

A construction loan agreement of up to \$4,620,000 was obtained for the purpose of constructing Sunbeam's headquarters building. At June 30, 2013, there had been no advances against the loan.

Note 13. Subsequent Events

Management has evaluated subsequent events through the report date of November 11, 2013, the date the report was available to be issued, and has determined that there were no additional disclosures.

SUPPLEMENTARY INFORMATION

SUNBEAM FAMILY SERVICES, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

	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>\$1,427,386</u>
National Family Caregiver Support	93.052	<u>\$ 166,000</u>
U.S. Department of Agriculture		
Pass-Through Oklahoma State Department of Education:		
Child and Adult Care Food Program	10.558	<u>\$ 208,756</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, 2013

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, 2013

	Counseling Services	Early Head Start Other Sites	Educare	Emergency Foster Care	Long-Term Foster Care	Contracted Foster Care
Revenue and Support						
Grants and contracts	\$ 114,162	\$ 844,307	\$ 2,953,521	\$ 246,905	\$ 186,478	\$ 261,909
Client fees	118,488	-	19,786	-	-	-
United Way	181,400	-	310,338	-	-	25,992
Miscellaneous	-	-	-	-	-	-
Rental income	-	-	-	-	-	-
Interest and dividends	-	-	-	-	-	-
Gain/loss sale of assets	-	-	-	-	-	-
Foundation income						
allocated to Sunbeam	19,700	19,700	32,494	-	-	-
Contributions	61,074	29,601	130,793	11,641	-	1,163
In-kind	-	-	254,659	-	-	-
	<u>494,824</u>	<u>893,608</u>	<u>3,701,591</u>	<u>258,546</u>	<u>186,478</u>	<u>289,064</u>
Expenses						
Salaries	284,754	241,221	1,939,299	42,908	41,887	43,896
Payroll taxes	35,989	25,101	202,402	6,183	5,206	5,898
Benefits	33,030	29,694	277,812	4,889	4,051	4,769
Professional fees	15,279	111,179	155,278	4,046	2,021	5,373
Office supplies and postage	2,253	783	20,179	517	257	502
Nutrition program	4	412	177,693	12	-	12
Communications	10,240	1,635	10,804	1,267	603	803
Occupancy	10,612	6,619	129,943	2,672	2,669	2,645
Printing and publications	3,147	2,504	7,176	868	991	541
Transportation	1,370	1,506	7,937	4,460	948	3,256
Conference and training	1,904	6,163	52,219	606	983	587
Partner services	-	323,245	1,053	94,989	7,684	93,903
Program supplies	678	24,868	20,232	-	-	21
In-kind	-	-	254,659	-	-	-
Interest expense	-	-	-	-	-	-
Insurance	6,791	5,210	33,031	1,170	3,469	1,070
Specific assistance	1,238	2,035	12,314	405	75,766	342
Depreciation	6,819	4,675	40	1,318	1,047	1,474
Bad debts	8,537	-	7,989	-	-	-
Management and general	56,546	106,758	415,234	22,602	20,057	22,436
	<u>479,191</u>	<u>893,608</u>	<u>3,725,294</u>	<u>188,912</u>	<u>167,639</u>	<u>187,528</u>
	<u>\$ 15,633</u>	<u>\$ -</u>	<u>\$ (23,703)</u>	<u>\$ 69,634</u>	<u>\$ 18,839</u>	<u>\$ 101,536</u>

SUNBEAM FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES -
SUNBEAM FAMILY SERVICES, INC. - UNRESTRICTED
Year ended June 30, 2013

	Senior Shelter	Caregiver Fundamentals	Senior Companion	Total Program Services	Management and General	Fundraising	Total
Revenue and Support							
Grants and contracts	\$ 140,218	\$ 191,439	\$ 442,141	\$ 5,381,080	\$ -	\$ -	\$ 5,381,080
Client fees	-	-	-	138,274	-	-	138,274
United Way	78,760	352	197,299	794,141	19,800	-	813,941
Miscellaneous	-	-	-	-	1,566	(792)	774
Rental income	-	-	-	-	23,550	-	23,550
Interest and dividends	-	-	-	-	7,814	1,731	9,545
Foundation income	-	-	-	-	-	-	-
allocated to Sunbeam	-	-	-	71,894	18,094	1,734	91,722
Contributions	24,233	725	310	259,540	339,239	32,639	631,418
In-kind	-	-	720	255,379	-	-	255,379
	243,211	192,516	640,470	6,900,308	410,063	35,312	7,345,683
Expenses							
Salaries	128,438	100,971	136,767	2,960,141	587,705	34,904	3,582,750
Payroll taxes	19,378	13,771	15,696	329,624	41,650	2,934	374,208
Benefits	16,499	4,574	15,412	390,730	48,030	4,110	442,870
Professional fees	1,693	6,861	11,832	313,562	70,253	8,098	391,913
Office supplies and postage	1,229	2,500	1,980	30,200	19,706	6,003	55,909
Nutrition program	9,617	1,028	55	188,833	343	-	189,176
Communications	1,616	1,743	1,633	30,344	11,250	1,023	42,617
Occupancy	14,404	4,986	4,557	179,107	33,158	3,163	215,428
Printing and publications	1,689	2,761	1,955	21,632	5,350	6,273	33,255
Transportation	277	9,515	4,509	33,778	1,005	486	35,269
Conference and training	1,535	650	1,675	66,322	4,107	501	70,930
Partner services	-	-	360,053	880,927	-	-	880,927
Program supplies	506	10,095	-	56,400	102	-	56,502
In-kind	-	-	720	255,379	-	-	255,379
Interest expenses	-	-	-	-	-	499	499
Insurance	3,935	3,810	2,670	61,156	15,833	1,221	78,210
Specific assistance	3,526	5,426	3,378	104,430	5,949	1,412	111,791
Depreciation	2,806	792	937	19,908	12,176	293	32,377
Bad debts	142	-	-	16,668	(386)	-	16,282
Management and general	28,171	23,033	76,943	771,780	(779,396)	7,616	-
	235,461	192,516	640,772	6,710,921	76,835	78,536	6,866,292
	\$ 7,750	\$ -	\$ (302)	\$ 189,387	\$ 333,228	\$ (43,224)	\$ 479,391

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	\$ 214,263	\$ 851,381	\$ 2,892,364	\$ 189,250	\$ 302,812	\$ 213,194
Grants and contracts	68,044	-	40,062	-	-	-
Client fees	181,400	-	310,338	-	-	25,992
United Way	1,769	-	161	-	-	-
Miscellaneous	-	-	-	-	-	-
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	-	-	-
	487,583	862,362	3,583,944	192,185	302,812	239,186
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
	493,455	894,440	3,589,812	185,902	262,683	149,896
	\$ (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
Revenue and Support							
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>
Expenses							
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
201 NW 63rd 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, in accordance with the 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, the consolidated financial statements of Sunbeam Family Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2013.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Sunbeam Family Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Sunbeam Family Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sunbeam Family Services, Inc's financial statements are free from 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*.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Luton & Co., PLLC

Oklahoma City, Oklahoma
November 11, 2013

Luton & Co., PLLC

CERTIFIED PUBLIC ACCOUNTANTS

One Broadway Executive Park
201 NW 63rd 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 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Sunbeam Family Services, Inc.

Report on Compliance for Each Major Federal Program

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 Sunbeam Family Services, Inc.'s major federal programs for the year ended June 30, 2013. Sunbeam Family Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sunbeam Family Service, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 Sunbeam Family Services, Inc.'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Sunbeam Family Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Sunbeam Family Services, Inc. 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, 2013.

Report on Internal Control Over Compliance

Management of Sunbeam Family Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Sunbeam Family Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Service, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Luton & Co., PLLC

Oklahoma City, Oklahoma
November 11, 2013

SUNBEAM FAMILY SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2013

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified 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 unmodified 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 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, 2013

None