

SUNBEAM FAMILY SERVICES, INC.
CONSOLIDATED FINANCIAL REPORT
JUNE 30, 2015 and 2014

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated statements of financial position	3-4
Consolidated statements of activities and changes in net assets	5
Consolidated statements of functional expenses	6-7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9-16
SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	17
Notes to schedule of expenditures of federal awards	18
Statements of activities – Sunbeam Family Services, Inc. - Unrestricted	19-20
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	21-22
Independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133	23-24
Schedule of findings and questioned costs	25
Schedule of prior audit findings	26

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, 2015 and 2014 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 consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, 2015 and 2014, 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 audits were 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 February 10, 2016, 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
February 10, 2016

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS	2015			2014		
	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Total	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Total
Cash and cash equivalents	\$ 1,899,134	\$ -	\$ 1,899,134	\$ 1,892,224	\$ 48,997	\$ 1,941,221
Restricted cash - capital campaign	2,002,719	-	2,002,719	3,186,070	-	3,186,070
Investments	161,585	1,748,629	1,910,214	161,119	1,781,407	1,942,526
Note receivable	397,661	-	397,661	-	-	-
Prepaid expenses and other	113,570	-	113,570	98,028	-	98,028
Receivables:						
Trade	45,592	-	45,592	94,269	-	94,269
Grants and contracts	435,150	-	435,150	363,738	-	363,738
Pledges receivable - capital campaign	2,397,416	-	2,397,416	3,944,380	-	3,944,380
Pledges receivable - other	583,000	-	583,000	-	-	-
	3,461,158	-	3,461,158	4,402,387	-	4,402,387
Property and equipment, at cost						
Office equipment	908,589	-	908,589	236,745	-	236,745
Vehicles	-	-	-	28,000	-	28,000
Buildings and improvements	17,137,002	-	17,137,002	1,097,303	-	1,097,303
Land	781,103	-	781,103	57,293	-	57,293
Construction in progress	-	-	-	4,918,343	-	4,918,343
	18,826,694	-	18,826,694	6,337,684	-	6,337,684
Accumulated depreciation	(1,691,859)	-	(1,691,859)	(1,251,874)	-	(1,251,874)
	17,134,835	-	17,134,835	5,085,810	-	5,085,810
	<u>\$ 25,170,662</u>	<u>\$ 1,748,629</u>	<u>\$ 26,919,291</u>	<u>\$ 14,825,638</u>	<u>\$ 1,830,404</u>	<u>\$ 16,656,042</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, 2015 and 2014

	2015		2014	
	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				
Accounts payable and accrued expenses	\$ 411,661	\$ 411,661	\$ 1,436,660	\$ 1,436,660
Accrued salaries and related payables	223,139	223,139	262,537	262,537
Deferred revenue	21,451	21,451	-	-
Note payable to bank	2,188,936	2,188,936	-	-
Note payable - other	1,186,668	1,186,668	-	-
	<u>4,031,855</u>	<u>4,031,855</u>	<u>1,699,197</u>	<u>1,699,197</u>
NET ASSETS				
Unrestricted	20,637,141	20,637,141	6,726,336	6,726,336
Unrestricted - designated for endowment	-	1,748,629	-	1,830,404
	<u>20,637,141</u>	<u>22,385,770</u>	<u>6,726,336</u>	<u>8,556,740</u>
Temporarily restricted	501,666	501,666	6,400,105	6,400,105
	<u>21,138,807</u>	<u>22,887,436</u>	<u>13,126,441</u>	<u>14,956,845</u>
	<u>\$ 25,170,662</u>	<u>\$ 26,919,291</u>	<u>\$ 14,825,638</u>	<u>\$ 16,656,042</u>

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, 2015 and 2014

	2015				2014			
	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	\$ 4,629,482	\$ 65,000	\$ (107,255)	\$ 4,587,227	\$ 4,797,383	\$ 65,000	\$ (82,412)	\$ 4,779,971
Client fees	126,464	-	-	126,464	176,493	24,000	-	200,493
United Way	883,798	-	-	883,798	836,134	101,187	-	937,321
Miscellaneous	1,014	-	-	1,014	3,362	-	-	3,362
Rental income	5,705	-	-	5,705	16,988	-	-	16,988
Interest and dividends	17,629	-	72,595	90,224	9,961	-	53,109	63,070
Contributions	891,612	484,685	1,500	1,377,797	421,051	1,507,488	500	1,929,039
In-kind	254,659	-	-	254,659	254,659	-	-	254,659
Gain (loss) on investments	(1,995)	-	(37,892)	(39,887)	-	-	174,743	174,743
Gain (loss) on sale of assets	1,245,268	-	-	1,245,268	(45,909)	-	-	(45,909)
Net assets released from restriction-program	529,502	(529,502)	-	-	558,723	(558,723)	-	-
Net assets released from restriction-building	5,918,622	(5,918,622)	-	-	3,992,754	(3,992,754)	-	-
Total revenue and support	14,501,760	(5,898,439)	(71,052)	8,532,269	11,021,599	(2,853,802)	145,940	\$ 8,313,737
Expenses								
Program services	6,130,180	-	-	6,130,180	5,957,130	-	-	5,957,130
Management and general	1,460,330	-	10,723	1,471,053	945,019	-	22,159	967,178
Fundraising	176,045	-	-	176,045	111,833	-	-	111,833
Total expenses	7,766,555	-	10,723	7,777,278	7,013,982	-	22,159	7,036,141
Change in net assets	6,735,205	(5,898,439)	(81,775)	754,991	4,007,617	(2,853,802)	123,781	1,277,596
Net assets, beginning of year	6,726,336	6,400,105	1,830,404	14,956,845	2,718,719	9,253,907	1,706,623	13,679,249
Net asset transfer - OKC Educare, Inc.	7,175,600	-	-	7,175,600	-	-	-	-
Net assets, end of year	\$ 20,637,141	\$ 501,666	\$ 1,748,629	\$ 22,887,436	\$ 6,726,336	\$ 6,400,105	\$ 1,830,404	\$ 14,956,845

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, 2015

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Fundraising	Foundation Management and General	Total
Salaries	\$2,300,209	\$ 488,060	\$ 161,173	\$ 332,002	\$3,281,444	\$ 658,455	\$ 85,880	\$ -	\$4,025,779
Payroll taxes	201,621	47,349	15,313	30,726	295,009	56,961	7,403	-	359,373
Benefits	244,418	48,030	20,520	15,149	328,117	46,648	4,772	-	379,537
Professional fees	273,304	14,923	3,919	13,742	305,888	133,930	4,157	10,723	454,698
Office supplies and postage	95,693	13,965	3,752	13,396	126,806	104,400	2,252	-	233,458
Nutrition program	156,165	19,339	-	48	175,552	-	-	-	175,552
Communications	24,333	8,155	4,958	12,208	49,654	28,063	1,323	-	79,040
Occupancy	132,302	30,851	9,089	14,856	187,098	19,858	2,125	-	209,081
Printing and publications	7,152	4,066	2,140	2,757	16,115	7,164	3,941	-	27,220
Transportation	14,755	19,196	6,440	1,665	42,056	1,017	602	-	43,675
Conference and training	77,571	4,878	1,468	2,116	86,033	5,417	62,505	-	153,955
Partner services	-	413,198	-	-	413,198	-	-	-	413,198
Program supplies	111,171	11,167	-	-	122,338	-	-	-	122,338
In-kind	254,659	-	-	-	254,659	-	-	-	254,659
Interest	-	-	-	-	-	11,028	-	-	11,028
Insurance	45,172	10,481	5,682	6,898	68,233	17,284	897	-	86,414
Specific assistance	319,908	31,580	-	17,212	368,700	-	-	-	368,700
Depreciation	2,204	3,189	1,021	2,866	9,280	370,105	188	-	379,573
	<u>\$4,260,637</u>	<u>\$ 1,168,427</u>	<u>\$ 235,475</u>	<u>\$ 465,641</u>	<u>\$6,130,180</u>	<u>\$ 1,460,330</u>	<u>\$ 176,045</u>	<u>\$ 10,723</u>	<u>\$7,777,278</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, 2014

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Fundraising	Foundation Management and General	Total
Salaries	\$2,123,132	\$ 415,864	\$ 163,095	\$ 412,001	\$3,114,092	\$ 611,351	\$ 39,595	\$ -	\$3,765,038
Payroll taxes	202,789	48,763	18,308	45,800	315,660	57,143	3,591	-	376,394
Benefits	237,687	34,581	17,344	32,923	322,535	58,772	3,673	-	384,980
Professional fees	188,605	20,732	10,697	14,282	234,316	101,495	43,245	22,159	401,215
Office supplies and postage	47,055	8,251	1,525	5,184	62,015	21,520	2,873	-	86,408
Nutrition program	157,986	12,342	41	214	170,583	-	-	-	170,583
Communications	13,613	4,735	6,277	13,037	37,662	14,469	1,221	-	53,352
Occupancy	121,582	23,758	7,257	11,801	164,398	30,223	3,451	-	198,072
Printing and publications	7,375	3,667	2,622	1,811	15,475	7,844	5,013	-	28,332
Transportation	16,199	17,135	7,115	7,342	47,791	1,747	1,025	-	50,563
Conference and training	68,391	6,238	432	10,551	85,612	11,382	5,315	-	102,309
Partner services	1,988	346,789	173,581	29	522,387	-	-	-	522,387
Program supplies	100,528	9,900	-	-	110,428	124	-	-	110,552
In-kind	254,659	-	-	-	254,659	-	-	-	254,659
Insurance	44,676	11,464	6,183	7,490	69,813	14,730	809	-	85,352
Specific assistance	327,401	32,445	22,053	14,829	396,728	4,691	1,611	-	403,030
Depreciation	4,813	5,195	2,525	5,075	17,608	9,528	411	-	27,547
Bad debts	3,103	-	-	12,265	15,368	-	-	-	15,368
	<u>\$3,921,582</u>	<u>\$1,001,859</u>	<u>\$ 439,055</u>	<u>\$ 594,634</u>	<u>\$5,957,130</u>	<u>\$ 945,019</u>	<u>\$ 111,833</u>	<u>\$ 22,159</u>	<u>\$7,036,141</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, 2015 and 2014

	2015		2014	
	Sunbeam Family Services, Inc.	Foundation for Sunbeam Family Services, Inc.	Total	
Cash flows from operating activities:				
Change in net assets	\$ 836,766	\$ (81,775)	\$ 754,991	\$ 1,153,815
Adjustments -				
Depreciation expense	379,573	-	379,573	27,547
(Gain) loss on investments	1,995	37,892	39,887	-
(Gain) loss on sale of fixed assets	(1,245,268)	-	(1,245,268)	(174,743)
(Increase) decrease in accounts receivable	1,524,229	-	1,524,229	45,909
(Increase) decrease in prepaid expenses	(15,542)	-	(15,542)	2,053,493
Increase (decrease) in accounts payable and accrued expenses	(1,024,999)	-	(1,024,999)	50,259
Increase (decrease) in deferred revenue	21,451	-	21,451	1,301,417
Increase (decrease) in accrued salaries and related payables	(39,398)	-	(39,398)	-
Net cash provided (used) by operating activities	438,807	(43,883)	394,924	2,503
Cash flows from investing activities:				
Proceeds from sales of investments	-	181,483	181,483	415,260
Proceeds from sale of fixed assets	1,031,928	-	1,031,928	16,000
Restricted cash - capital campaign	1,183,351	-	1,183,351	(393,969)
Purchase of property and equipment	(4,835,990)	-	(4,835,990)	(3,979,583)
Purchase of investments	(2,461)	(186,597)	(189,058)	(6,196)
Payments on note receivable	2,339	-	2,339	-
Net cash provided (used) by investing activities	(2,620,833)	(5,114)	(2,625,947)	(4,363,748)
Cash flows from financing activities:				
Conditional transfer (to) from grantor	-	-	-	(14,425)
Proceeds from note payable	2,263,967	-	2,263,967	-
Payment of note payable	(75,031)	-	(75,031)	-
Net cash provided (used) by financing activities	2,188,936	-	2,188,936	(14,425)
Net increase (decrease) in cash and cash equivalents	6,910	(48,997)	(42,087)	208,773
Cash and cash equivalents, beginning of year	1,892,224	48,997	1,941,221	96,994
Cash and cash equivalents, end of year	\$ 1,899,134	\$ -	\$ 1,899,134	\$ 48,997
Total interest paid	\$ 39,592	\$ -	\$ 39,592	\$ -

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

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014

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. 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 (SFS). SFS, LLC is a wholly owned, single member LLC. Several management and administrative employees became employees of SFS. SFS was established to allow Sunbeam to meet the requirement for coverage under their current healthcare plan. Employees of SFS, 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 SFS.

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, 2015, Sunbeam's cash balances exceeded the federally insured amounts by approximately \$909,470. Sweep accounts were used to reduce exposure.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014

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, 2015 and 2014

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.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

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.

Reclassification

Certain 2014 items have been reclassified in order to conform to the 2015 financial statement presentation.

Note 2. Investments

Investments consisted of the following at June 30, 2015 and 2014:

	Foundation for Sunbeam Family Services Inc.			
	2015		2014	
	Cost	Market	Cost	Market
Mutual funds (Level I)	\$ 730,778	\$ 717,319	\$ 1,297,080	\$1,451,777
Equity securities (Level I)	<u>939,400</u>	<u>1,031,310</u>	<u>225,261</u>	<u>329,630</u>
	<u>\$1,670,178</u>	<u>\$1,748,629</u>	<u>\$ 1,522,341</u>	<u>\$1,781,407</u>
	Sunbeam Family Services, Inc.			
	2015		2014	
	Cost	Market	Cost	Market
Certificates of deposit (Level II)	\$ 105,279	\$ 105,279	\$ 104,869	\$ 104,869
Endowment Funds (Level II)		<u>56,306</u>		<u>56,250</u>
		<u>\$ 161,585</u>		<u>\$ 161,119</u>

Unrealized gains (losses) arising during 2015 and 2014 totaling \$(67,463) and \$103,715, respectively, have been included in the accompanying statement of activities and changes in net assets. Realized gains of \$27,576 and \$71,027 are also included in the statement of activities and changes in net assets for the years 2015 and 2014. The realized gains or losses were determined using the specific identification method.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014

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, 2015 and 2014, Sunbeam had outstanding requests for reimbursement and accruals due from grantors of \$435,150 and \$363,738, respectively. Accounts receivable of \$45,592 and \$94,269 for the years 2015 and 2014, net of allowance for doubtful accounts of \$43,232 and \$39,232, 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

Effective July 1, 2013, the Organization changed its policy on accrued compensated absences. During year one, employees may earn paid time off of 10 days; 17 days are earned for years 1 to 4; 20 days are earned for years 5-9; 22 days are earned for years 10-14; 24 days are earned for years 15-19; and 26 days for 20 years and above. 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, 2015 a total of \$143,585 had been accrued to recognize Sunbeam's financial obligation for accrued compensated absences. The balance was \$83,252 at June 30, 2014.

Note 5. Temporarily Restricted Net Assets

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

	2015	2014
Counseling Services	\$ 51,629	\$ 76,467
Educare	317,738	314,687
Senior Shelter	50,000	55,000
Caregivers Fundamentals	69,798	26,356
Foster Care	5,399	32,500
Early Head Start Other Sites	3,903	4,926
Senior Companions	-	1,000
Campaign Contributions	-	5,886,041
Friends of Sunbeam	<u>3,199</u>	<u>3,128</u>
	<u>\$501,666</u>	<u>\$6,400,105</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 will match up to 7% 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, 2015 and 2014 was \$61,326 and \$85,326, respectively.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

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, 2015 and 2014 was as follows:

	2015	OCCF	CFO, Inc.	Total
Beginning of year		\$ 36,450	\$ 19,800	\$ 56,250
Contributions		-	1,126	1,126
Investment income		1,460	520	1,980
Distributions		(1,746)	(877)	(2,623)
Management fees		<u>(226)</u>	<u>(201)</u>	<u>(427)</u>
End of year		<u>\$ 35,938</u>	<u>\$ 20,368</u>	<u>\$ 56,306</u>
Third party contributions		<u>\$306,533</u>	<u>\$ 5,309</u>	<u>\$311,842</u>

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014

Note 9. Community Foundation Funds, continued

	2014	OCCF	CFO, Inc.	Total
Beginning of year		\$ 33,495	\$ 17,105	\$ 50,600
Contributions		-	1,001	1,001
Investment income		4,839	2,649	7,488
Distributions		(1,666)	(770)	(2,436)
Management fees		<u>(218)</u>	<u>(185)</u>	<u>(403)</u>
End of year		<u>\$ 36,450</u>	<u>\$ 19,800</u>	<u>\$ 56,250</u>
Third party contributions		<u>\$ 309,195</u>	<u>\$ 5,374</u>	<u>\$ 314,569</u>

The distributions for the years ended June 30, 2015 and 2014 were \$17,801 and \$16,841.

Sunbeam is the designated beneficiary of additional funds discussed in Note 13.

Note 10. Oklahoma City Educare, Inc. Transfer

In April 2014, Sunbeam Family Services, Inc. entered into a memorandum of understanding with Oklahoma City Educare, Inc. ("Educare") stating that Educare would amend and restate their bylaws so that Sunbeam would be its sole member. Sunbeam would be entitled to exercise reserved powers including the right to elect directors of Oklahoma City Educare, Inc.

Effective July 1, 2014, the net assets of Educare were transferred to Sunbeam. The transfer of \$7,175,600 is reflected in the net asset section of the consolidated statements of activities and changes in net assets. The transfer included a pledge receivable from Inasmuch Foundation for \$583,000, the Educare property at a carrying cost of \$7,779,268, and a promissory note payable to Inasmuch for \$1,186,668.

Note 11. Capital Campaign

A capital campaign was initiated to provide funding for the construction of a new building. The building was completed and placed in service in December of 2014. Pledges receivable over multiple years are detailed below.

Outstanding pledges at June 30, were as follows:	2015	2014
Pledges considered current	\$1,355,307	\$2,108,988
Pledges receivable in one to five years	1,072,402	1,896,266
Less discount to present value at a rate of 1.5%	<u>(30,293)</u>	<u>(60,874)</u>
	<u>\$2,397,416</u>	<u>\$3,944,380</u>

At June 30, 2015, there was \$2,256,662 in pledge receivables due from six donors.

SUNBEAM FAMILY SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015 and 2014

Note 12. Notes Payable

Upon completion of construction on the new building, the construction loan was converted to a conventional loan. The loan requires monthly payments in the amount of \$43,892 through November 19, 2019. The loan has an interest rate of 3.459% and is secured by the Sunbeam property.

Future maturities for the year ended June 30 are as follows:

2016	\$ 458,219
2017	474,323
2018	490,992
2019	508,248
2020	<u>257,154</u>
	<u>\$2,188,936</u>

Additionally, as a result of the transfer discussed in Note 10, Sunbeam assumed a promissory note payable to Inasmuch Foundation ("Inasmuch"). The balance of the note was \$1,186,668 at June 30, 2015 and 2014, and includes interest at .23% per annum. Inasmuch is one of the community organizations instrumental in establishing the Oklahoma City Educare program. The note was intended to provide flexibility during the construction of the Educare building and subsequent collection of contributions to the project.

Note 13. Tulsa Community Foundation - Educare

Oklahoma City Educare, Inc. was the designated beneficiary of a donor advised fund with the Tulsa Community Foundation related to the original construction of the property. Subsequent to the transfer discussed in Note 10, Sunbeam became the designated beneficiary of this fund. All donations to this fund were contributed by third party donors. Since the Foundation retains variance power over the contribution and the earnings thereon, Sunbeam has no ownership of the assets and records contributions only as distributions are made from the fund in accordance with the standard "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Adds Contributions for Others". The market value of the fund at June 30, 2015 was \$1,001,989. There was no distribution received for the year ended June 30, 2015.

Note 14. Sunbeam Campus Sale and Note Receivable

Sunbeam's former campus was sold on December 30, 2014. Sunbeam financed \$400,000 of the total sales price. The note had monthly payments of \$2,866, including interest at 6% and was secured by a mortgage on the property. The note was scheduled to mature December 31, 2015 and was temporarily extended until paid in full in January of 2016.

A gain of \$1,245,268 was included in the statement of activities and changes in net assets from the sale of the campus and an additional property in south Oklahoma City.

Note 15. Subsequent Events

Management has evaluated subsequent events through the report date of February 10, 2016, the date the report was available to be issued, and has determined that there were no additional disclosures.

SUNBEAM FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES -
SUNBEAM FAMILY SERVICES, INC. - UNRESTRICTED
Year ended June 30, 2014

	Federal CFDA	Expenditures
Federal Grantor/Pass-Through Grantor		
Corporation for National and Community Services		
Direct Program (cluster):		
Senior Companion Program	94.016	\$ 338,782
Foster Grandparent Program	94.011	151,527
		<u>\$ 490,309</u>
U.S. Department of Health and Human Services		
Direct Program:		
Early Head Start	93.600	\$ 1,462,906
Early Head Start Child Care Partnership	93.600	47,723
		<u>\$ 1,510,629</u>
Pass-Through Areawide Aging Agency:		
National Family Caregiver Support	93.052	\$ 155,645
U.S. Department of Agriculture		
Pass-Through Oklahoma State Department of Education:		
Child and Adult Care Food Program	10.588	\$ 190,077

See accompanying Notes to Schedule of Expenditures of Federal Awards.

SUPPLEMENTARY INFORMATION

SUNBEAM FAMILY SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

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 OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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, 2015

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Fundraising	Total
Revenue and Support								
Grants and contracts	\$ 3,813,434	\$ 861,485	\$ -	\$ 46,227	\$ 4,721,146	\$ -	\$ -	\$ 4,721,146
Client fees	31,484	839	-	94,141	126,464	-	-	126,464
United Way	339,209	279,299	57,490	200,375	876,373	19,800	-	896,173
Miscellaneous	-	-	-	-	-	1,014	-	1,014
Rental income	-	-	-	-	-	5,705	-	5,705
Interest and dividends	-	-	-	-	-	16,872	757	17,629
Gain/loss sale of assets	14,518	-	-	-	14,518	-	1,228,755	1,243,273
Contributions	595,272	174,478	198,401	86,497	1,054,648	93,396	6,087,653	7,235,697
In-kind	254,659	-	-	-	254,659	-	-	254,659
	5,048,576	1,316,101	255,891	427,240	7,047,808	136,787	7,317,165	14,501,760
Expenses								
Salaries	2,300,209	488,060	161,173	332,002	3,281,444	658,455	85,880	4,025,779
Payroll taxes	201,621	47,349	15,313	30,726	295,009	56,961	7,403	359,373
Benefits	244,418	48,030	20,520	15,149	328,117	46,648	4,772	379,537
Professional fees	273,304	14,923	3,919	13,742	305,888	133,930	4,157	443,975
Office supplies and postage	95,693	13,965	3,752	13,396	126,806	104,400	2,252	233,458
Nutrition program	156,165	19,339	-	48	175,552	-	-	175,552
Communications	24,333	8,155	4,958	12,208	49,654	28,063	1,323	79,040
Occupancy	132,302	30,851	9,089	14,856	187,098	19,858	2,125	209,081
Printing and publications	7,152	4,066	2,140	2,757	16,115	7,164	3,941	27,220
Transportation	14,755	19,196	6,440	1,665	42,056	1,017	602	43,675
Conference and training	77,571	4,878	1,468	2,116	86,033	5,417	62,505	153,955
Partner services	-	413,198	-	-	413,198	-	-	413,198
Program supplies	111,171	11,167	-	-	122,338	-	-	122,338
In-kind	254,659	-	-	-	254,659	-	-	254,659
Interest	-	-	-	-	-	11,028	-	11,028
Insurance	45,172	10,481	5,682	6,898	68,233	17,284	897	86,414
Specific assistance	319,908	31,580	-	17,212	368,700	-	-	368,700
Depreciation	2,204	3,189	1,021	2,866	9,280	370,105	188	379,573
Management and general	601,146	176,278	35,645	67,641	880,710	(906,733)	26,023	-
	4,861,783	1,344,705	271,120	533,282	7,010,890	553,597	202,068	7,766,555
	\$ 186,793	\$ (28,604)	\$ (15,229)	\$ (106,042)	\$ 36,918	\$ (416,810)	\$ 7,115,097	\$ 6,735,205

SUNBEAM FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES -
SUNBEAM FAMILY SERVICES, INC. - UNRESTRICTED
Year ended June 30, 2014

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Fundraising	Total
Revenue and Support								
Grants and contracts	\$ 3,580,495	\$ 680,584	\$ 408,908	\$ 111,167	\$ 4,781,154	\$ -	\$ -	\$ 4,781,154
Client fees	25,971	-	-	150,522	176,493	-	-	176,493
United Way	316,545	279,299	49,990	196,145	841,979	19,800	-	861,779
Miscellaneous	-	-	-	-	-	3,362	-	3,362
Rental income	-	-	-	-	-	16,988	-	16,988
Interest and dividends	-	-	-	-	-	2,572	7,389	9,961
Gain/loss sale of assets	-	-	-	-	-	(45,909)	-	(45,909)
Contributions	247,926	190,822	85,897	242,501	767,146	107,252	4,088,714	4,963,112
In-kind	254,659	-	-	-	254,659	-	-	254,659
	<u>4,425,596</u>	<u>1,150,705</u>	<u>544,795</u>	<u>700,335</u>	<u>6,821,431</u>	<u>104,065</u>	<u>4,096,103</u>	<u>11,021,599</u>
Expenses								
Salaries	2,123,132	415,864	163,095	412,001	3,114,092	611,351	39,595	3,765,038
Payroll taxes	202,789	48,763	18,308	45,800	315,660	57,143	3,591	376,394
Benefits	237,687	34,581	17,344	32,923	322,535	58,772	3,673	384,980
Professional fees	188,605	20,732	10,697	14,282	234,316	101,495	43,245	379,056
Office supplies and postage	47,055	8,251	1,525	5,184	62,015	21,520	2,873	86,408
Nutrition program	157,986	12,342	41	214	170,583	-	-	170,583
Communications	13,613	4,735	6,277	13,037	37,662	14,469	1,221	53,352
Occupancy	121,582	23,758	7,257	11,801	164,398	30,223	3,451	198,072
Printing and publications	7,375	3,667	2,622	1,811	15,475	7,844	5,013	28,332
Transportation	16,199	17,135	7,115	7,342	47,791	1,747	1,025	50,563
Conference and training	68,391	6,238	432	10,551	85,612	11,382	5,315	102,309
Partner services	1,988	346,789	173,581	29	522,387	-	-	522,387
Program supplies	100,528	9,900	-	-	110,428	124	-	110,552
In-kind	254,659	-	-	-	254,659	-	-	254,659
Insurance	44,676	11,464	6,183	7,490	69,813	14,730	809	85,352
Specific assistance	327,401	32,445	22,053	14,829	396,728	4,691	1,611	403,030
Depreciation	4,813	5,195	2,525	5,075	17,608	9,528	411	27,547
Bad debts	3,103	-	-	12,265	15,368	-	-	15,368
Management and general	507,264	138,312	60,458	79,955	785,989	(797,832)	11,843	-
	<u>4,428,846</u>	<u>1,140,171</u>	<u>499,513</u>	<u>674,589</u>	<u>6,743,119</u>	<u>147,187</u>	<u>123,676</u>	<u>7,013,982</u>
	<u>\$ (3,250)</u>	<u>\$ 10,534</u>	<u>\$ 45,282</u>	<u>\$ 25,746</u>	<u>\$ 78,312</u>	<u>\$ (43,122)</u>	<u>\$ 3,972,427</u>	<u>\$ 4,007,617</u>

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, 2015, 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 February 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 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

The purpose of 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
February 10, 2016

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, 2015. 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, 2015.

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
February 10, 2016

SUNBEAM FAMILY SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

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 for Each Major Program and on Internal Control Over Compliance Required by 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.
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, 2015

None