

**SUNBEAM FAMILY SERVICES, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2022 and 2021**

**TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**HSPG  
&  
ASSOCIATES**  

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ACCOUNTING | TAX | ADVISORY

**SUNBEAM FAMILY SERVICES, INC.**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Sunbeam Family Services, Inc.  
Oklahoma City, Oklahoma

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Sunbeam Family Services, Inc. (“Sunbeam”) (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (the “financial statements”).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sunbeam Family Services, Inc. as of June 30, 2022 and 2021, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sunbeam and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunbeam’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### ***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

HSPG & ASSOCIATES, PC

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sunbeam's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunbeam's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary statement of activities for the years ending June 30, 2022 and 2021 and the supplementary schedule of state financial awards on pages 19 - 21, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary statement of activities for the years ending June 30, 2022 and 2021, supplementary schedule of state financial awards, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the 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 27, 2023, on our consideration of Sunbeam'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sunbeam's 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's internal control over financial reporting and compliance.

*HSPG & Associates, P.C.*

February 27, 2023

**SUNBEAM FAMILY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,435,709	\$ 3,061,037
Receivables:		
Trade	18,728	14,576
Grants and contracts	1,167,623	1,944,953
Contributions receivable	1,808,299	1,585,252
Prepaid expenses and other assets	94,353	210,505
Assets designated for investment in property and equipment:		
Cash	530,666	530,666
Investments, held at fair market value	2,423,282	2,776,971
Investments, designated for endowment	1,909,403	2,278,668
Beneficial interest in assets held by others	91,864	110,454
Property and equipment, net	23,028,356	19,423,964
<b>TOTAL ASSETS</b>	<u>\$ 35,508,283</u>	<u>\$ 31,937,046</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 467,770	\$ 527,542
Accrued salaries and related payables	578,223	592,082
Paycheck Protection Program forgivable loan	-	895,800
<b>TOTAL LIABILITIES</b>	<u>1,045,993</u>	<u>2,015,424</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Invested in property and equipment	16,276,818	15,510,723
Board-designated for property and equipment	2,953,948	3,307,637
Board-designated for endowment	2,001,267	2,389,122
Undesignated	3,976,593	2,832,383
Total unrestricted net assets	<u>25,208,626</u>	<u>24,039,865</u>
With donor restrictions	<u>9,253,664</u>	<u>5,881,757</u>
<b>TOTAL NET ASSETS</b>	<u>34,462,290</u>	<u>29,921,622</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 35,508,283</u>	<u>\$ 31,937,046</u>

The accompanying notes are an integral part of these financial statements.

**SUNBEAM FAMILY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022 (with comparative totals for 2021)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2022</b>	<b>Comparative Total 2021</b>
<b>REVENUE AND SUPPORT</b>				
Grants and contracts	\$ 16,401,451	\$ -	\$ 16,401,451	\$ 17,050,599
Contributions	1,129,878	822,046	1,951,924	1,917,305
PPP Loan Forgiveness	665,468	-	665,468	-
Special event revenue	243,035	-	243,035	271,432
United Way	-	738,000	738,000	713,500
In-kind contribution: building lease	469,547	3,317,468	3,787,015	74,995
Client fees	415,759	-	415,759	365,911
Unrealized and realized gain (loss) on investments	(698,603)	-	(698,603)	1,060,478
Interest and dividends	78,408	-	78,408	73,583
Miscellaneous	61,993	-	61,993	30,073
Release from restrictions	1,505,607	(1,505,607)	-	-
Total revenue and support	<u>20,272,543</u>	<u>3,371,907</u>	<u>23,644,450</u>	<u>21,557,876</u>
<b>EXPENSES</b>				
Program services	16,094,808	-	16,094,808	17,039,150
Management and general	2,555,687	-	2,555,687	2,379,267
Costs of direct benefits to donors	77,066	-	77,066	69,408
Fundraising	376,221	-	376,221	332,734
Total expenses	<u>19,103,782</u>	<u>-</u>	<u>19,103,782</u>	<u>19,820,559</u>
Change in net assets	1,168,761	3,371,907	4,540,668	1,737,317
<b>NET ASSETS, BEGINNING OF YEAR</b>	24,039,865	5,881,757	29,921,622	28,184,305
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 25,208,626</u>	<u>\$ 9,253,664</u>	<u>\$ 34,462,290</u>	<u>\$ 29,921,622</u>

The accompanying notes are an integral part of these financial statements.

**SUNBEAM FAMILY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND SUPPORT</b>			
Grants and contracts	\$ 17,050,599	\$ -	\$ 17,050,599
Contributions	950,196	967,109	1,917,305
Special event revenue	271,432	-	271,432
United Way	-	713,500	713,500
In-kind contributions: building lease	74,995	-	74,995
Client fees	365,911	-	365,911
Unrealized and realized gain (loss) on investments	1,060,478	-	1,060,478
Interest and dividends	73,583	-	73,583
Miscellaneous	30,073	-	30,073
Release from restrictions	1,540,767	(1,540,767)	-
Total revenue and support	<u>21,418,034</u>	<u>139,842</u>	<u>21,557,876</u>
<b>EXPENSES</b>			
Program services	17,039,150	-	17,039,150
Management and general	2,379,267	-	2,379,267
Costs of direct benefits to donors	69,408	-	69,408
Fundraising	332,734	-	332,734
Total expenses	<u>19,820,559</u>	<u>-</u>	<u>19,820,559</u>
Change in net assets	1,597,475	139,842	1,737,317
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>22,442,390</u>	<u>5,741,915</u>	<u>28,184,305</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 24,039,865</u>	<u>\$ 5,881,757</u>	<u>\$ 29,921,622</u>

The accompanying notes are an integral part of these financial statements.

**SUNBEAM FAMILY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total
Salaries	\$ 6,854,353	\$ 165,111	\$ 230,309	\$ 463,642	\$ 7,713,415	\$ 844,301	\$ -	\$ 243,428	\$ 8,801,144
Payroll taxes	516,572	10,489	18,699	36,180	581,940	62,775	-	16,328	661,043
Benefits	858,822	15,546	31,557	62,782	968,707	79,485	-	25,775	1,073,967
Professional fees	424,138	4,640	5,277	9,033	443,088	416,819	-	3,161	863,068
Office supplies and postage	637,384	5,693	7,731	10,836	661,644	46,654	-	32,187	740,485
Nutrition program	192,026	2,530	30	14	194,600	18	-	54	194,672
Communications	171,898	3,982	8,899	17,371	202,150	80,417	77,066	10,666	370,299
Occupancy	593,147	5,314	13,153	14,632	626,246	102,461	-	4,325	733,032
Printing and publications	24,061	978	1,263	2,046	28,348	5,091	-	20,695	54,134
Transportation	19,077	14,200	6,316	1,212	40,805	36	-	-	40,841
Conference and training	285,713	3,153	2,425	13,419	304,710	6,825	-	3,181	314,716
Partner services	81	18,203	6	7	18,297	10	-	2	18,309
Program supplies	640,041	-	48	-	640,089	-	-	-	640,089
In-kind lease expense	972,718	-	-	-	972,718	-	-	-	972,718
Interest	2	-	-	-	2	128	-	-	130
Insurance	217,621	4,441	5,766	9,814	237,642	17,417	-	3,047	258,106
Specific assistance	2,433,180	20,802	3,884	1,350	2,459,216	33,175	-	9,872	2,502,263
Depreciation	-	-	-	-	-	860,075	-	-	860,075
Bad debts	(16)	-	-	1,207	1,191	-	-	3,500	4,691
Total expenses	<u>\$ 14,840,818</u>	<u>\$ 275,082</u>	<u>\$ 335,363</u>	<u>\$ 643,545</u>	<u>\$ 16,094,808</u>	<u>\$ 2,555,687</u>	<u>\$ 77,066</u>	<u>\$ 376,221</u>	<u>\$ 19,103,782</u>

The accompanying notes are an integral part of these financial statements.

**SUNBEAM FAMILY SERVICES, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total
Salaries	\$ 7,029,100	\$ 341,609	\$ 206,090	\$ 444,678	\$ 8,021,477	\$ 893,976	\$ -	\$ 238,862	\$ 9,154,315
Payroll taxes	620,346	33,669	19,126	47,128	720,269	86,950	-	22,338	829,557
Benefits	972,094	45,398	30,658	57,694	1,105,844	101,851	-	17,033	1,224,728
Professional fees	1,280,154	8,379	4,661	9,641	1,302,835	236,847	-	1,431	1,541,113
Office supplies and postage	537,861	13,792	15,364	36,966	603,983	91,672	-	17,794	713,449
Nutrition program	216,648	6,996	13	34	223,691	537	-	22	224,250
Communications	111,335	6,890	9,347	27,230	154,802	72,927	69,408	12,242	309,379
Occupancy	454,712	29,351	10,909	11,893	506,865	30,712	-	-	537,577
Printing and publications	27,815	4,399	791	1,363	34,368	4,649	-	16,506	55,523
Transportation	15,590	12,610	6,761	466	35,427	273	-	-	35,700
Conference and training	267,141	5,366	1,333	9,726	283,566	10,142	-	594	294,302
Partner services	1,936	12,737	273	-	14,946	-	-	-	14,946
Program supplies	318,447	-	64	-	318,511	-	-	-	318,511
In-kind lease expense	566,167	-	-	-	566,167	-	-	-	566,167
Interest	103	-	-	-	103	610	-	-	713
Insurance	141,316	15,239	3,160	6,479	166,194	13,754	-	-	179,948
Specific assistance	2,950,994	13,803	10,817	1,628	2,977,242	17,760	-	5,912	3,000,914
Depreciation	-	-	-	-	-	816,134	-	-	816,134
Bad debts	684	-	-	2,176	2,860	473	-	-	3,333
Total expenses	<u>\$ 15,512,443</u>	<u>\$ 550,238</u>	<u>\$ 319,367</u>	<u>\$ 657,102</u>	<u>\$ 17,039,150</u>	<u>\$ 2,379,267</u>	<u>\$ 69,408</u>	<u>\$ 332,734</u>	<u>\$ 19,820,559</u>

The accompanying notes are an integral part of these financial statement

**SUNBEAM FAMILY SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 4,540,668	\$ 1,737,317
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,707,855	1,295,306
Forgiveness of PPP loan	(665,468)	-
Investments, designated for endowment net investment return	273,085	(497,221)
Assets held for investment in property and equipment net investment return	359,690	(584,615)
Stock donation	(6,001)	-
Change in beneficial interest of others	13,620	(26,049)
In-kind contribution - building lease	(3,686,076)	-
Change in operating assets and liabilities:		
Receivables	550,131	(551,823)
Prepaid expenses and other assets	116,152	(21,017)
Accounts payable and accrued liabilities	(59,772)	32,225
Accrued salaries and related payables	(13,859)	95,893
Net cash provided by operating activities	<u>3,130,025</u>	<u>1,480,016</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(1,626,171)	(404,802)
Proceeds from sale of investments and certificates of deposit	96,180	243,439
Distribution from interest in assets held by others	4,970	7,178
Net cash used in investing activities	<u>(1,525,021)</u>	<u>(154,185)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment on Paycheck Protection Program forgivable loan	(230,332)	-
Net cash used in financing activities	<u>(230,332)</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,374,672	1,325,831
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	3,591,703	2,265,872
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 4,966,375</u>	<u>\$ 3,591,703</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF FINANCIAL POSITION</b>		
Cash and cash equivalents, unrestricted	\$ 4,435,709	\$ 3,061,037
Board designated cash	530,666	530,666
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 4,966,375</u>	<u>\$ 3,591,703</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	<u>\$ 130</u>	<u>\$ 713</u>
<b>NONCASH FINANCING ACTIVITIES</b>		
Forgiveness of PPP loan	\$ 665,468	\$ -
Stock donation	\$ 6,001	\$ -

The accompanying notes are an integral part of these financial statements.

**SUNBEAM FAMILY SERVICES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

*Nature of activities* – Sunbeam Family Services, Inc. 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 Family Services, Inc. is funded primarily by contracts with the United States Department of Health and Human Services, Oklahoma State Department of Education, Oklahoma Department of Human Services, and other federal and state agencies. Additionally, Sunbeam Family Services, Inc. receives contributions and grants from individuals, businesses, and other non-profit organizations.

*Basis of consolidation* – These consolidated financial statements (“financial statements”) include the following entities which, together with Sunbeam Family Services, Inc., are hereafter referred to as “Sunbeam”. All material intercompany accounts and transactions have been eliminated in consolidation.

Sunbeam Family Services, Inc. is the sole member of SFS, LLC (“SFS”) which was established to allow Sunbeam Family Services, Inc. to meet a requirement for coverage under a previous healthcare plan. However, such requirements have expired and SFS has been inactive for the years included in the accompanying financial statements. The board of Sunbeam Family Services, Inc. served as the board of SFS.

The Foundation for Sunbeam Family Services (the “Foundation”) is a related organization of Sunbeam Family Services, Inc. The Foundation is organized to be a supporting organization of Sunbeam Family Services, Inc. whom appoints the board of directors of the Foundation, a majority of which must be a present or former member of the Sunbeam Family Services, Inc. board of directors. Due to Sunbeam Family Services, Inc.’s control of the appointment of board members and its direct economic interest, the Foundation is consolidated in these financial statements.

*Basis of accounting* – The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

*Basis of presentation* – Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Sunbeam reports information regarding its financial position and activities as follows:

Net assets without donor restrictions – Net assets available for use in general operations that are not subject to donor-imposed restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**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.

**Revenue recognition** – Revenues that have the characteristics of exchange transactions, such as client fees, are not recognized until earned. Sunbeam’s earned revenue include a single performance obligation and is recognized at a point-in-time as services are provided. Fees received prior to services being provided are recorded as deferred revenue. Accounts receivable from contracts with customers totaled \$18,728, \$14,576, and \$10,952 at June 30, 2022, 2021, and 2020, respectively.

Federal and state grant revenue is recognized as the expenses to be reimbursed are incurred and the criteria for the grants have been met. Investment income is recognized as earned.

Contributions are recognized as revenues in the period unconditional promises to give are received and are reported as net assets with or without donor restrictions depending on the existence or nature of any donor restrictions. The standards also provide that if the governing body of an organization has the right to remove a donor restriction, the contributions should be classified as without restrictions.

**Receivables and credit policies** – Trade, grants, and contract accounts receivable are uncollateralized obligations generally requiring payment within 30 days from the invoice date. Interest and delinquency fees are not assessed. Discounts allowed for early payment or other contract provisions, if any, are charged against income when the payment is received. Payments of accounts receivable are allocated to the specific invoices identified, if unspecified, are applied to the earliest unpaid invoices. Unconditional promises to give are recognized as revenues or gains in the period received or unconditionally pledged. All unconditional promises to give are considered fully collectible.

The carrying amounts of accounts receivable are reduced by an allowance for doubtful accounts that reflects management’s best estimate of the amounts that will not be collected. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on historical collection trends and an assessment of the creditworthiness of current customers and donors. The adequacy of the allowance for doubtful accounts is evaluated periodically through an individual assessment of potential losses on customer accounts giving particular emphasis to accounts with invoices more than 90 days past the due date. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to trade accounts receivable. Recoveries on accounts previously written off are credited back to the allowance for doubtful accounts. The allowance for doubtful accounts, and related changes, are not material to the financial statements.

**Investments** – Various investment managers oversee Sunbeam’s securities and other investments. Investments are held under a master custodial arrangement by a financial institution. Cash equivalent funds are comprised of short-term, highly liquid investments that are readily convertible into known amounts of cash. Cash equivalent funds, certificates of deposit, mutual funds, and common stocks are reported at fair value in the accompanying financial statements. Fair values are based on quoted market prices as provided by the financial institution. Realized gains and losses on sales of securities are computed based on specific identification. Investment securities 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.

**Beneficial interest in assets held by others** – Sunbeam follows the Accounting Standards Codification (“ASC”) guidance which requires a not-for-profit organization that transfers assets to a

community foundation and specifies itself as the beneficiary to recognize its beneficial interest in the assets transferred (see Note 5). Sunbeam carries its beneficial interest in the assets held by the Oklahoma City Community Foundation, Inc. (“OCCF”) and Communities Foundation of Oklahoma (“CFO”) at fair value.

**Property and equipment** – Property and equipment are carried at cost or, if donated, at the approximate fair value, based on donor appraisal, at the date of donation. Sunbeam’s capitalization threshold is \$5,000 for assets acquired with an economic useful life greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are three to ten years for office equipment and furniture and fixtures and ten to forty years for buildings and land improvements.

Sunbeam reports gifts of property and equipment as support without donor restrictions unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, Sunbeam reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Concentration of credit risk** – Sunbeam maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2022 and 2021, Sunbeam’s deposit balances with financial institutions subject to FDIC coverage exceeded such coverage by \$280,666 and \$1,310,127, respectively. Sunbeam has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents. See Note 11 for concentrations of credit risk associated with grants receivable.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair value measurements** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels except for investments measured using Net Asset Value (“NAV”) per share as a practical expedient which are exempt from level classification. The following is a brief description of those three levels:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs that are derived principally from or corroborated by observable market data.

Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets carried at fair value include investments and beneficial interest in assets held by others (see Note 6). Sunbeam has no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2022 or 2021.

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

**Board designated endowment funds** – 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. Sunbeam 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 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). The Foundation's board of trustees annually determines the amount of the endowment to distribute to support Sunbeam's operations.

**Functional expenses** – The costs of providing the various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among program services, management and general, costs of direct benefits to donors and fundraising. Management and general expenses include those expenses that are not directly identifiable with another specific function, but provide for the overall support and direction of Sunbeam.

**Income taxes** – Sunbeam is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any income that Sunbeam generates from an unrelated trade or business which is subject to federal corporate taxes on income. With few exceptions, Sunbeam is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years beginning before June 30, 2019.

**Donated goods and services** – Donated services are recognized by Sunbeam if they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. In-kind donations of goods and services are recorded in the 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.

Contributed goods are received by Sunbeam in the form of below market property leases. Sunbeam has both long-term and short-term leases that are utilized for program services. See footnote 4 for more information on the long-term in-kind property leases.

All investments acquired by donation to Sunbeam shall initially be recorded at their fair market value as of the date of donation. Donated investments shall be recorded as restricted income and net assets based on the existence or absence of such restrictions.

**Reclassifications** – Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications did not affect the previously reported total amount of net assets or changes in net assets.

**Subsequent Events** – Sunbeam has evaluated subsequent events through February 27, 2023, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2022 financial statements.

**Change in accounting guidance** – In September 2020, the Financial Accounting Standards Board ("FASB") issued ASU No. 2020-07 "Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets" which increases transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit ("NFP") organizations including transparency on how those assets are used and how they are valued. The ASU requires an NFP to

present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires an NFP to disclose certain information related to the types of contributed nonfinancial assets received, whether they were utilized or monetized, the NFP’s policy, if any, about monetizing rather than utilizing such assets, and valuation techniques used to determine the valuation of such contributed assets. Sunbeam adopted this standard on a retrospective basis on July 1, 2021, with no significant impact on its financial statements or disclosures.

**Recent accounting pronouncements** – In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02 “Leases (Topic 842).” The purpose of the guidance is to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position as well as providing additional disclosure requirements related to leasing arrangements. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2021, though early adoption is permitted. Management is currently evaluating the impact that adopting this accounting pronouncement will have on Sunbeam’s financial statements in future reporting periods.

## 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 4,435,709	\$ 3,061,037
Receivables:		
Trade	18,728	14,576
Grants and contracts	1,167,623	1,944,953
Contributions receivable (due in less than one year - see note 3)	1,313,799	985,252
Distributions from beneficial interests in assets held by others	3,227	4,273
	<u>\$ 6,939,086</u>	<u>\$ 6,010,091</u>

In addition to financial assets available to meet general expenditures over the next 12 months, Sunbeam operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Sunbeam receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Sunbeam manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Assets designated for endowment (see Note 7) are available for use at the discretion of the board of directors.

### 3. CONTRIBUTIONS RECEIVABLE

At June 30, 2022 and 2021, contributions receivable are considered fully collectible and are due as follows:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 1,313,799	\$ 985,252
Due in one to five years	494,500	600,000
	<u>\$ 1,808,299</u>	<u>\$ 1,585,252</u>

At June 30, 2022 and 2021, contributions receivable totaling \$1,338,000 and \$1,454,042 are from two donors.

### 4. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at June 30:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 18,467,730	\$ 18,449,230
Building lease	6,751,538	3,913,242
Office equipment	1,774,927	1,700,900
Land	811,220	799,750
Construction in progress	1,529,456	7,281
	<u>29,334,871</u>	<u>24,870,403</u>
Less: accumulated depreciation	<u>(6,306,515)</u>	<u>(5,446,439)</u>
Net property and equipment	<u>\$ 23,028,356</u>	<u>\$ 19,423,964</u>

Depreciation expense for the years ended June 30, 2022 and 2021 totaled \$860,075 and \$816,134, respectively.

**Building leases** – Effective September 1, 2019, Sunbeam entered into a lease agreement with Independent School District No. 89 of Oklahoma County to lease the Pierce Elementary School building located at 2701 S. Tulsa Ave, Oklahoma City, Oklahoma for use as an early childhood services center. Effective July 1, 2021, Sunbeam entered into a similar lease agreement with Independent School District No. 89 of Oklahoma County to lease the Edwards Elementary School building located at 1123 NE Grand Blvd, Oklahoma City, Oklahoma for use as an early childhood services center. Both leases have an initial term of five years with a renewal option for one additional five-year period at the discretion of Sunbeam. The annual rent for each lease is \$12,000 for the first term and \$18,000 for the second term. As the fair market rental value of the buildings exceed the fixed rent, Sunbeam has recorded a long-term contribution receivable which is presented in the accompanying statements of financial position as property and equipment and shown in this footnote as building lease. The fair value of the contribution receivable was established based on the market value of the leases above the contracted rate at the date of contribution. The lease agreements state that any improvements made to the property will become the assets of the landlord upon termination of the lease agreements. Amortization expense of the above long-term building leases totaled \$847,780 and \$479,172 for years ended June 30, 2022 and 2021, respectively, and is recognized as in-kind lease expense in the accompanying statements of functional expenses and as a direct reduction of the building lease asset balance included in the above table.

## 5. COMMUNITY FOUNDATION FUNDS

Sunbeam is the designated beneficiary of donor advised funds at Oklahoma City Community Foundation (“OCCF”), Communities Foundation of Oklahoma (“CFO”), and Tulsa Community Foundation (“TCF”) (collectively referred to as the “Community Foundations”). These funds were contributed to the Community Foundations by Sunbeam and other third-party contributors. The Community 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 statements of financial position as beneficial interests in assets held by others. Contributions from third parties are disclosed below, but not recognized as assets of Sunbeam. Sunbeam receives a distribution from funds held at OCCF and CFO each year based on a percentage of the average fair market value of the funds over the previous eight quarters. Distributions are received from TCF as determined at the discretion of the donors.

The balance of the funds as of June 30, 2022 and 2021 was as follows:

	2022		2021	
	Beneficial Interest in Assets Held by Others	Donated by third parties (disclosure only)	Beneficial Interest in Assets Held by Others	Donated by third parties (disclosure only)
OCCF	\$ 70,036	\$ 303,770	\$ 84,802	\$ 362,853
CFO	21,828	5,396	25,652	6,342
TCF	-	253,708	-	300,003
	<u>\$ 91,864</u>	<u>\$ 562,874</u>	<u>\$ 110,454</u>	<u>\$ 669,198</u>

## 6. FAIR VALUE MEASUREMENTS

Financial assets measured at fair value on a recurring basis are classified within the fair value hierarchy as of June 30, 2022 as follows:

	Carrying Value	Total Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
ASSETS					
Investments:					
Cash Equivalents	\$ 221,579	\$ 221,579	\$ 221,579	\$ -	\$ -
Certificates of Deposit	115,229	115,229	-	115,229	-
Common Stock	578,920	578,920	578,920	-	-
Mutual Funds:	-	-	-	-	-
Equity	2,110,723	2,110,723	2,110,723	-	-
Fixed Income	<u>1,306,234</u>	<u>1,306,234</u>	<u>1,306,234</u>	<u>-</u>	<u>-</u>
Total Investments	4,332,685	4,332,685	4,217,456	115,229	-
Beneficial interest in assets held by others	<u>91,864</u>	<u>91,864</u>	<u>-</u>	<u>-</u>	<u>91,864</u>
	<u>\$ 4,424,549</u>	<u>\$ 4,424,549</u>	<u>\$ 4,217,456</u>	<u>\$ 115,229</u>	<u>\$ 91,864</u>

As of June 30, 2021, assets measured at fair value on a recurring basis are classified within the fair value hierarchy is as follows:

	Carrying Value	Total Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
<b>ASSETS</b>					
Investments:					
Cash Equivalents	\$ 422,831	\$ 422,831	\$ 422,831	\$ -	\$ -
Common stock	649,190	649,190	649,190	-	-
Mutual Funds:					
Equity	2,708,381	2,708,381	2,708,381	-	-
Fixed Income	<u>1,275,237</u>	<u>1,275,237</u>	<u>1,275,237</u>	<u>-</u>	<u>-</u>
Total Investments	5,055,639	5,055,639	5,055,639	-	-
Beneficial interest in assets held by others					
	<u>110,454</u>	<u>110,454</u>	<u>-</u>	<u>-</u>	<u>110,454</u>
	<u>\$ 5,166,093</u>	<u>\$ 5,166,093</u>	<u>\$ 5,055,639</u>	<u>\$ -</u>	<u>\$ 110,454</u>

The following methods and assumptions were used to estimate the fair value of assets and liabilities reported at fair market value in the accompanying financial statements.

*Investments:* Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

*Beneficial interest in assets held by others:* The fair value of Sunbeam's beneficial interest in assets held by others is based on the fair value of fund investments as reported by the Community Foundations. These are considered to be level 3 financial assets.

## 7. BOARD DESIGNATED ENDOWMENT FUNDS

As of June 30, 2022 and 2021, the board of directors has designated funds held in the Foundation and beneficial interest in assets held by others as endowments to support the operations of Sunbeam. Since the endowments resulted from an internal designation and are not donor-restricted, they are classified as net assets without donor restrictions. Composition of and changes in board designated endowment net assets for the year ended June 30, 2022 and 2021, is as follows:

	2022	2021
Endowment net assets, beginning of year	\$ 2,389,122	\$ 1,964,780
Investment return	(286,705)	523,270
Contributions	-	-
Appropriation of endowment assets for expenditure	(101,150)	(98,928)
Endowment net assets, end of year	<u>\$ 2,001,267</u>	<u>\$ 2,389,122</u>

## 8. NOTES PAYABLE

**Paycheck Protection Program forgivable loan** – In April 2020, Sunbeam applied for and received a forgivable loan from the federal government as part of the Small Business Administration (SBA) Paycheck Protection Program (PPP) in the amount of \$1,495,800 bearing annual interest of 1.00%. Sunbeam subsequently repaid \$600,000 of the loan determined to be in excess of their qualifying expenses. In August 2021, Sunbeam received partial forgiveness of \$665,468 and has paid an additional \$230,332 which was deemed to be in excess of their qualifying expenses.

**Line of Credit** – Sunbeam entered into a \$4,000,000 revolving line of credit with a financial institution on March 31, 2022. Borrowings under the line are subject to a variable interest rate equal to the Wall Street Journal U.S. prime rate with a floor of 3.25% (4.75% as of June 30, 2022). This loan is collateralized by mortgage of real property and assignment of rents. Repayment of all outstanding principal plus all accrued unpaid interest is due at maturity on March 31, 2023. There was no outstanding balance as of June 30, 2022.

## 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2022	2021
Subject to expenditure for specified purposes:		
Early childhood services	\$ 399,767	\$ 315,936
Caregiver Fundamentals	73,283	74,255
Friends of Sunbeam	2,710	3,234
Mental Health Services	200,000	-
Other	92,366	26,590
Time restricted for subsequent period:		
United Way	738,000	713,500
Inasmuch Foundation	860,000	800,000
Building lease	6,751,538	3,913,242
Other pledges	136,000	35,000
Total net assets with donor restrictions	<u>\$ 9,253,664</u>	<u>\$ 5,881,757</u>

## 10. 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. Employees may contribute to the Plan up to the maximum excludable IRS allowance. Sunbeam contributes a matching contribution on all employees' deferrals as defined by the plan and may make a non-elective contribution allocated uniformly based on eligible compensation. 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, 2022 and 2021 was \$253,718 and \$223,359, respectively.

## 11. 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. Significant concentrations include funding received for the Head Start and Early Head Start programs which totaled \$11,912,969 and \$14,264,617 during the years ended June 30, 2022 and 2021, respectively. Grants receivable from Head Start and Early Head Start programs totaled \$820,187 and \$1,576,222 at June 30, 2022 and 2021, respectively.

## **12. 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.

## **13. FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation expenses, professional services, office supplies and postage, communications, occupancy, printing and publications, transportation, conference and training, and insurance which are allocated on the basis of estimates of time and effort.

\* \* \* \* \*

## SUPPLEMENTARY INFORMATION

**SUNBEAM FAMILY SERVICES, INC.**  
**SUPPLEMENTARY CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Special Event Revenue and Costs of Direct Benefits to Donors	Fundraising	Foundation	Total
<b>REVENUE AND SUPPORT</b>										
Grants and contracts	\$ 15,782,925	\$ 150,029	\$ 306,088	\$ 162,409	\$ 16,401,451	\$ -	\$ -	\$ -	\$ -	\$ 16,401,451
Contributions:										
Restricted	886,989	62,127	23,344	37,170	1,009,630	591,016	-	259,640	(96,175)	1,764,111
Unrestricted	174,446	2,933	3,579	6,855	187,813	-	-	-	-	187,813
PPP loan forgiveness	-	-	-	-	-	665,468	-	-	-	665,468
Special event revenue	-	-	-	-	-	-	243,035	-	-	243,035
United Way	310,000	159,500	50,500	218,000	738,000	-	-	-	-	738,000
In-Kind	3,787,015	-	-	-	3,787,015	-	-	-	-	3,787,015
Client fees	36,065	294	-	379,400	415,759	-	-	-	-	415,759
Unrealized and realized gain (loss) on investments	-	-	-	-	-	(13,300)	-	(389,181)	(296,122)	(698,603)
Interest and dividends	-	-	-	-	-	1,189	-	43,199	34,020	78,408
Miscellaneous	18,055	-	-	-	18,055	43,804	-	134	-	61,993
Total revenue and support	<u>20,995,495</u>	<u>374,883</u>	<u>383,511</u>	<u>803,834</u>	<u>22,557,723</u>	<u>1,288,177</u>	<u>243,035</u>	<u>(86,208)</u>	<u>(358,277)</u>	<u>23,644,450</u>
<b>EXPENSES</b>										
Salaries	6,854,353	165,111	230,309	463,642	7,713,415	844,301	-	243,428	-	8,801,144
Payroll taxes	516,572	10,489	18,699	36,180	581,940	62,775	-	16,328	-	661,043
Benefits	858,822	15,546	31,557	62,782	968,707	79,485	-	25,775	-	1,073,967
Professional fees	424,138	4,640	5,277	9,033	443,088	405,831	-	3,161	10,988	863,068
Office supplies and postage	637,384	5,693	7,731	10,836	661,644	46,654	-	32,187	-	740,485
Nutrition program	192,026	2,530	30	14	194,600	18	-	54	-	194,672
Communications	171,898	3,982	8,899	17,371	202,150	80,417	77,066	10,666	-	370,299
Occupancy	593,147	5,314	13,153	14,632	626,246	102,461	-	4,325	-	733,032
Printing and publications	24,061	978	1,263	2,046	28,348	5,091	-	20,695	-	54,134
Transportation	19,077	14,200	6,316	1,212	40,805	36	-	-	-	40,841
Conference and training	285,713	3,153	2,425	13,419	304,710	6,825	-	3,181	-	314,716
Partner services	81	18,203	6	7	18,297	10	-	2	-	18,309
Program supplies	640,041	-	48	-	640,089	-	-	-	-	640,089
In-kind lease expense	972,718	-	-	-	972,718	-	-	-	-	972,718
Interest	2	-	-	-	2	128	-	-	-	130
Insurance	217,621	4,441	5,766	9,814	237,642	16,588	-	3,047	829	258,106
Specific assistance	2,433,180	20,802	3,884	1,350	2,459,216	33,175	-	9,872	-	2,502,263
Depreciation	-	-	-	-	-	860,075	-	-	-	860,075
Bad debts	(16)	-	-	1,207	1,191	-	-	3,500	-	4,691
Management and general *	1,545,663	27,485	33,522	64,209	1,670,879	(1,670,879)	-	-	-	-
Total expenses	<u>16,386,481</u>	<u>302,567</u>	<u>368,885</u>	<u>707,754</u>	<u>17,765,687</u>	<u>872,991</u>	<u>77,066</u>	<u>376,221</u>	<u>11,817</u>	<u>19,103,782</u>
Change in net assets	\$ 4,609,014	\$ 72,316	\$ 14,626	\$ 96,080	\$ 4,792,036	\$ 415,186	\$ 165,969	\$ (462,429)	\$ (370,094)	\$ 4,540,668

\* This line represents the Organization's application of a 10% de minimis indirect cost rate as allowed under Uniform Guidance for federal contracts. This allocation is not recognized for GAAP reporting in the statements of functional expenses and activities.

See independent auditor's report.

**SUNBEAM FAMILY SERVICES, INC.**  
**SUPPLEMENTARY CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Special Event Revenue and Costs of Direct Benefits to Donors	Fundraising	Foundation	Total
<b>REVENUE AND SUPPORT</b>										
Grants and contracts	\$ 16,349,120	\$ 230,263	\$ 398,940	\$ 68,999	\$ 17,047,322	\$ 3,277	\$ -	\$ -	\$ -	\$ 17,050,599
Contributions:										
Restricted	100,096	80,071	22,810	48,220	251,197	1,444,491	-	110,417	(91,750)	1,714,355
Unrestricted	185,274	6,498	3,722	7,456	202,950	-	-	-	-	202,950
Special event revenue	-	-	-	-	-	-	271,432	-	-	271,432
United Way	300,000	159,500	50,500	203,500	713,500	-	-	-	-	713,500
In-Kind	74,995	-	-	-	74,995	-	-	-	-	74,995
Client fees	5,087	96	-	360,728	365,911	-	-	-	-	365,911
Unrealized and realized gain (loss)										
on investments	-	-	-	-	-	26,236	-	558,899	475,343	1,060,478
Interest and dividends	-	-	-	-	-	2,937	-	38,292	32,354	73,583
Miscellaneous	7,079	-	-	14,160	21,239	8,834	-	-	-	30,073
Total revenue and support	<u>17,021,651</u>	<u>476,428</u>	<u>475,972</u>	<u>703,063</u>	<u>18,677,114</u>	<u>1,485,775</u>	<u>271,432</u>	<u>707,608</u>	<u>415,947</u>	<u>21,557,876</u>
<b>EXPENSES</b>										
Salaries	7,029,100	341,609	206,090	444,678	8,021,477	893,976	-	238,862	-	9,154,315
Payroll taxes	620,346	33,669	19,126	47,128	720,269	86,950	-	22,338	-	829,557
Benefits	972,094	45,398	30,658	57,694	1,105,844	101,851	-	17,033	-	1,224,728
Professional fees	1,280,154	8,379	4,661	9,641	1,302,835	226,371	-	1,431	10,476	1,541,113
Office supplies and postage	537,861	13,792	15,364	36,966	603,983	91,672	-	17,794	-	713,449
Nutrition program	216,648	6,996	13	34	223,691	537	-	22	-	224,250
Communications	111,335	6,890	9,347	27,230	154,802	72,927	69,408	12,242	-	309,379
Occupancy	454,712	29,351	10,909	11,893	506,865	30,712	-	-	-	537,577
Printing and publications	27,815	4,399	791	1,363	34,368	4,649	-	16,506	-	55,523
Transportation	15,590	12,610	6,761	466	35,427	273	-	-	-	35,700
Conference and training	267,141	5,366	1,333	9,726	283,566	10,142	-	594	-	294,302
Partner services	1,936	12,737	273	-	14,946	-	-	-	-	14,946
Program supplies	318,447	-	64	-	318,511	-	-	-	-	318,511
In-kind lease expense	566,167	-	-	-	566,167	-	-	-	-	566,167
Interest	103	-	-	-	103	610	-	-	-	713
Insurance	141,316	15,239	3,160	6,479	166,194	12,096	-	-	1,658	179,948
Specific assistance	2,950,994	13,803	10,817	1,628	2,977,242	17,760	-	5,912	-	3,000,914
Depreciation	-	-	-	-	-	816,134	-	-	-	816,134
Bad debts	684	-	-	2,176	2,860	473	-	-	-	3,333
Management and general *	1,511,752	55,762	31,879	67,867	1,667,260	(1,667,260)	-	-	-	-
Total expenses	<u>17,024,195</u>	<u>606,000</u>	<u>351,246</u>	<u>724,969</u>	<u>18,706,410</u>	<u>699,873</u>	<u>69,408</u>	<u>332,734</u>	<u>12,134</u>	<u>19,820,559</u>
Change in net assets	\$ (2,544)	\$ (129,572)	\$ 124,726	\$ (21,906)	\$ (29,296)	\$ 785,902	\$ 202,024	\$ 374,874	\$ 403,813	\$ 1,737,317

\* This line represents the Organization's application of a 10% de minimis indirect cost rate as allowed under Uniform Guidance for federal contracts. This allocation is not recognized for GAAP reporting in the statements of functional expenses and activities.

See independent auditor's report.

**SUNBEAM FAMILY SERVICES, INC**  
**SUPPLEMENTARY SCHEDULE OF STATE FINANCIAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

<u>State Grantor / Program Title</u>	<u>Contract Number</u>	<u>Award Period</u>	<u>Award Amount</u>	<u>Total State Revenues and Expenditures Recognized</u>
<u>Oklahoma State Department of Education</u>				
Passed through Community Action Project of Tulsa County, Inc. Oklahoma Early Childhood Program		July 1, 2021 - June 30, 2022	\$ 1,025,057	\$ 1,025,057
<u>Oklahoma Department of Human Services</u>				
Supported Foster Care Homes	21000050	July 1, 2021 - June 30, 2022	306,088	306,088
Child Care Subsidy Payments	20533, 29462, 29553, 30035, 30065, 30066, 30070	July 1, 2020 - June 30, 2021	1,175,980	1,175,980
Edwards Community Hope Center*	21003841	October 8, 2021 - December 31, 2021	1,138,465	1,138,465
Child Care Stabilization Grant	N/A	N/A	186,000	186,000
Oklahoma Department of Mental Health and Substance Abuse				
Embrace Oklahoma	4520000453	July 1, 2021 - June 30, 2022	70,000	70,000
				\$ 4,001,590

\*Sourced from Assistance Listing number 21.019 CORONAVIRUS RELIEF FUND, DHS determined Sunbeam to be a contractor of these awards. As such, these funds are not subject to single audit or included on the Statement of Expenditures of Federal Awards.

See independent auditor's report.

REPORTS REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*  
AND THE UNIFORM GUIDANCE



**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***

To the Board of Directors  
Sunbeam Family Services, Inc.  
Oklahoma City, Oklahoma

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. (“Sunbeam”) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, 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 27, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Sunbeam’s internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of Sunbeam'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 the 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 or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sunbeam’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 financial statements. However, providing an opinion on compliance with those provisions was not an

HSPG & ASSOCIATES, PC

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 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 Sunbeam's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sunbeam's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*HSPG & Associates, P.C.*

February 27, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Sunbeam Family Services, Inc.  
Oklahoma City, Oklahoma

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Sunbeam Family Services, Inc.'s ("Sunbeam") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sunbeam's major federal programs for the year ended June 30, 2022. Sunbeam's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sunbeam complied, in all material respects, with the types of 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, 2022.

***Basis for Opinion on Each major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sunbeam and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sunbeam's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Sunbeam's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sunbeam's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements

HSPG & ASSOCIATES, PC

referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Sunbeam's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sunbeam's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sunbeam's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sunbeam's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*HSPG & Associates, P.C.*

February 27, 2023

**SUNBEAM FAMILY SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor / Pass- Through Grantor / Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>United States Department of Health and Human Services</u>			
Head Start Cluster:			
Early Head Start	93.600	06CH010877	\$ 3,036,997
Early Head Start - Child Care Partnership	93.600	06HP000332	4,000,219
Early Head Start - Child Care Partnership Expansion	93.600	06HP000478	1,643,449
Early Head Start - Child Care Partnership Expansion	93.600	06HP000119	2,512,059
American Rescue Plan	93.600	06HE000092	45,317
Passed-through Community Action Agency of Oklahoma City and Oklahoma/Canadian Counties, Inc.			
Head Start	93.600	06CH011443	674,928
Head Start cluster total			<u>11,912,969</u>
Passed-through Oklahoma Department of Mental Health and Substance Abuse:			
Engaging Adversity, Surviving Trauma in OKC - NCTSI CAT-III	93.243	15920	17,994
Passed-through Oklahoma Department of Mental Health and Substance Abuse:			
Embrace Oklahoma	93.982	H79FG0000625	17,189
Passed-through Area-Wide Agency :			
National Family Caregiver Support, Title III, Part E	93.052	PA# 15004956	150,029
Total U.S. Department of Health and Human Services			<u>12,098,181</u>
<u>United States Department of Agriculture</u>			
Passed-through Oklahoma State Department of Education:			
Child & Adult Care Food Program	10.558	DC-55-1004	189,265
<u>Office of Victims of Crime</u>			
Victims of Crime Act	16.575	2017-VA-GX-0003	22,313
			<u><u>\$ 12,309,759</u></u>

See notes to schedule of expenditures of federal awards.

**SUNBEAM FAMILY SERVICES, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Sunbeam Family Services, Inc. (“Sunbeam”) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the schedule presents only a selected portion of the operations of Sunbeam, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sunbeam.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. INDIRECT COST RATES**

Sunbeam has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**SUNBEAM FAMILY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**Section I--Summary of Auditor's Results**

*Financial statements*

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?  yes  no

Identification of major programs:

Program / Cluster	Assistance Living Number
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Head Start cluster	93.600
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

**Section II-Findings Required to be Reported in Accordance with *Government Auditing Standards*:**

None to report for the June 30, 2022 period.

**Section III-Findings Required to be Reported in Accordance with the Uniform Guidance:**

None to report for the June 30, 2022 period.

**SUNBEAM FAMILY SERVICES, INC.**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

*None*

Internal Control Findings

*None*

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

*None*

Internal Control Findings

*None*