

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2016 and 2015**

**TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

SUNBEAM FAMILY SERVICES, INC.
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June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Sunbeam Family Services, Inc. ("Sunbeam") (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunbeam Family Services, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

HSPG & ASSOCIATES, PC

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Adjustments to Prior Period Financial Statements

The financial statements of Sunbeam as of June 30, 2015, were audited by other auditors whose opinion dated February 10, 2016, expressed an unmodified opinion on those statements. As discussed in Note 1 to the financial statements, Sunbeam has restated the 2015 financial statements during the current year to correct the recognition of contributions, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2015 financial statements before the restatement. As part of our audit of the 2016 financial statements, we also audited adjustments described in Note 1 that were applied to restate the 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of Sunbeam other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements as a whole.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 2016 supplementary statement of activities, 2016 supplementary Educare statement of revenues and expenses, and the supplementary schedule of state financial awards on pages 18, 20 and 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* (CFR) 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole. The 2015 supplementary statement of activities on page 19 was subjected to the auditing procedures applied in the 2015 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2015 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 January 23, 2017, 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.

HSPG & Associates, P.C.

January 23, 2017

SUNBEAM FAMILY SERVICES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 921,331	\$ 2,040,629
Receivables:		
Trade	26,985	45,592
Grants and contracts	1,799,921	435,150
Contributions receivable	1,605,818	1,419,814
Certificates of deposit	105,648	105,279
Note receivable	-	397,661
Prepaid expenses and other assets	169,873	113,570
Assets designated for investment in property and equipment:		
Cash	393,338	1,861,224
Investments, held at fair market value	1,571,293	-
Contributions receivable	1,122,876	2,397,416
Investments, designated for endowment	1,660,121	1,748,629
Beneficial interest in assets held by others	89,418	56,306
Property and equipment, net	16,784,684	17,134,835
TOTAL ASSETS	\$ 26,251,306	\$ 27,756,105
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 957,086	\$ 411,661
Accrued salaries and related payables	286,424	223,139
Deferred revenue	-	21,451
Notes payable	1,420,432	3,375,604
TOTAL LIABILITIES	2,663,942	4,031,855
NET ASSETS		
Unrestricted		
Invested in property and equipment	15,364,252	13,759,231
Board-designated for property and equipment	3,087,507	4,258,640
Board-designated for endowment	1,749,539	1,804,935
Undesignated net assets	2,263,061	2,562,964
Total unrestricted net assets	22,464,359	22,385,770
Temporarily Restricted	1,123,005	1,338,480
TOTAL NET ASSETS	23,587,364	23,724,250
TOTAL LIABILITIES AND NET ASSETS	\$ 26,251,306	\$ 27,756,105

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, 2016 (with comparative totals for 2015)

	Unrestricted	Temporarily Restricted	Total 2016	Comparative Total 2015
REVENUE AND SUPPORT				
Grants and contracts	\$ 10,795,928	\$ -	\$ 10,795,928	\$ 4,485,988
Contributions	1,224,671	151,644	1,376,315	1,377,797
United Way	5,399	872,818	878,217	859,478
Client fees	425,977	-	425,977	227,703
Unrealized and realized gain (loss) on investments	7,244	-	7,244	(39,887)
Gain on sale of assets	-	-	-	1,245,268
Change in beneficial interest in assets held by others	345	-	345	-
Interest and dividends	85,615	-	85,615	90,224
Miscellaneous	20,119	-	20,119	6,719
Release from restrictions	1,239,937	(1,239,937)	-	-
Total revenue and support	<u>13,805,235</u>	<u>(215,475)</u>	<u>13,589,760</u>	<u>8,253,290</u>
EXPENSES				
Program services	11,440,302	-	11,440,302	5,875,521
Management and general	1,932,330	-	1,932,330	1,471,053
Fundraising	354,014	-	354,014	176,045
Total expenses	<u>13,726,646</u>	<u>-</u>	<u>13,726,646</u>	<u>7,522,619</u>
Change in net assets	78,589	(215,475)	(136,886)	730,671
NET ASSETS, BEGINNING OF YEAR	<u>22,385,770</u>	<u>1,338,480</u>	<u>23,724,250</u>	<u>22,993,579</u>
NET ASSETS, END OF YEAR	<u>\$ 22,464,359</u>	<u>\$ 1,123,005</u>	<u>\$ 23,587,364</u>	<u>\$ 23,724,250</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contracts	\$ 4,420,988	\$ 65,000	\$ 4,485,988
Contributions	893,112	484,685	1,377,797
United Way	22,664	836,814	859,478
Client fees	227,703	-	227,703
Unrealized and realized gain (loss) on investments	(39,887)	-	(39,887)
Gain on sale of assets	1,245,268	-	1,245,268
Interest and dividends	90,224	-	90,224
Miscellaneous	6,719	-	6,719
Release from restrictions	7,309,258	(7,309,258)	-
Total revenue and support	<u>14,176,049</u>	<u>(5,922,759)</u>	<u>8,253,290</u>
EXPENSES			
Program services	5,875,521	-	5,875,521
Management and general	1,471,053	-	1,471,053
Fundraising	176,045	-	176,045
Total expenses	<u>7,522,619</u>	<u>-</u>	<u>7,522,619</u>
Change in net assets	6,653,430	(5,922,759)	730,671
NET ASSETS, BEGINNING OF YEAR	<u>15,732,340</u>	<u>7,261,239</u>	<u>22,993,579</u>
NET ASSETS, END OF YEAR	<u>\$ 22,385,770</u>	<u>\$ 1,338,480</u>	<u>\$ 23,724,250</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, 2016

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,366,992	\$ 544,510	\$ 163,741	\$ 343,587	\$ 4,418,830	\$ 823,392	\$ 145,454	\$ 5,387,676
Payroll taxes	273,999	53,019	16,821	32,983	376,822	44,674	11,440	432,936
Benefits	300,312	53,129	21,189	26,875	401,505	53,493	10,649	465,647
Professional fees	905,764	11,308	3,820	6,067	926,959	211,488	37,952	1,176,399
Office supplies and postage	225,589	15,510	8,495	11,159	260,753	110,103	7,489	378,345
Nutrition program	197,206	13,285	57	103	210,651	-	32	210,683
Communications	92,207	7,161	6,056	9,683	115,107	14,570	92,980	222,657
Occupancy	192,962	44,332	12,343	14,228	263,865	18,258	2,402	284,525
Printing and publications	14,387	3,481	3,207	1,558	22,633	5,375	16,118	44,126
Transportation	54,474	25,938	7,546	161	88,119	748	387	89,254
Conference and training	445,999	2,645	963	5,662	455,269	5,906	14,297	475,472
Partner services	-	441,582	-	-	441,582	-	-	441,582
Program supplies	627,523	-	-	-	627,523	-	-	627,523
Interest	-	-	-	-	-	61,521	-	61,521
Insurance	32,572	21,781	7,052	6,476	67,881	9,737	1,134	78,752
Specific assistance	2,691,651	47,244	3,915	2,814	2,745,624	13,075	13,628	2,772,327
Depreciation	560	627	287	836	2,310	550,030	52	552,392
Bad debts	-	-	-	14,869	14,869	9,960	-	24,829
Total expenses	<u>\$ 9,422,197</u>	<u>\$ 1,285,552</u>	<u>\$ 255,492</u>	<u>\$ 477,061</u>	<u>\$ 11,440,302</u>	<u>\$ 1,932,330</u>	<u>\$ 354,014</u>	<u>\$ 13,726,646</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, 2015

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Fundraising	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	144,653	4,157	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
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
Total expenses	<u>\$ 4,005,978</u>	<u>\$ 1,168,427</u>	<u>\$ 235,475</u>	<u>\$ 465,641</u>	<u>\$ 5,875,521</u>	<u>\$ 1,471,053</u>	<u>\$ 176,045</u>	<u>\$ 7,522,619</u>

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

SUNBEAM FAMILY SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (136,886)	\$ 730,671
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	552,392	379,573
Net realized and unrealized investment gains	(11,151)	39,887
Reinvested earnings	(51,108)	-
Gain on sale of fixed assets	-	(1,245,268)
Non-cash contribution to reduce note payable	(502,751)	
Change in value of beneficial interests	(345)	
Change in operating assets and liabilities:		
Receivables	(1,532,168)	1,548,549
Prepaid expenses and other assets	(56,303)	(15,542)
Accounts payable and accrued liabilities	545,425	(1,024,999)
Accrued salaries and related payables	63,285	(39,398)
Deferred revenue	(21,451)	21,451
Net cash provided by (used in) operating activities	<u>(1,151,061)</u>	<u>394,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(202,241)	(4,835,990)
Proceeds from sale of property and equipment	-	1,031,928
Proceeds from sale of investments	88,028	181,483
Purchases of investments	(1,508,923)	(189,058)
Increase in cash and pledges receivable designated for investment in property and equipment	2,742,426	1,324,846
Proceeds from note receivable	397,661	2,339
Transfer to beneficial interest in assets held by others	(36,132)	-
Distribution from interest in assets held by others	3,365	-
Net cash provided by (used in) investing activities	<u>1,484,184</u>	<u>(2,484,452)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	111,231	2,263,967
Payment of note payable	(1,563,652)	(75,031)
Net cash provided by (used in) financing activities	<u>(1,452,421)</u>	<u>2,188,936</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,119,298)	99,408
CASH AND CASH EQUIVALENTS, Beginning of year	2,040,629	1,941,221
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 921,331</u>	<u>\$ 2,040,629</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 61,521</u>	<u>\$ 39,592</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Reduction of note payable via contribution	<u>\$ 502,751</u>	<u>\$ -</u>

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, 2016 AND 2015

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, Corporation for National and Community Service, 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 their healthcare plan. Employees of SFS, including several management and administrative employees, are subject to the same employee policies and receive the same benefits as the Sunbeam employees. The board of Sunbeam Family Services, Inc. serves 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.

Oklahoma City Educare’s (“Educare”) sole remaining board member is also a board member of Sunbeam Family Services, Inc. who has managed Educare since its inception. Sunbeam Family Services, Inc.’s management has determined that it is appropriate to consolidate Educare in these financial statements in accordance with Accounting Standards Codification (“ASC”) relating to consolidation for not-for-profit entities as a result of control through contract or affiliation agreement in addition to Sunbeam Family Services, Inc.’s economic interest in Educare.

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 – The financial statements report information regarding Sunbeam’s financial position and activities according to three classes of net assets as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed or contract stipulations that may or will be met, either by actions of Sunbeam and/or the passage of time. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Sunbeam. Generally, donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2016 and 2015, 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.

Revenue recognition – Sunbeam recognizes client fees revenue as services are provided. 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 unrestricted, temporarily restricted, or permanently restricted support, 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 unrestricted.

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. Changes in the allowance for doubtful accounts have not been 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, 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.

Certificates of deposit – Certificates of deposit are recorded at cost plus accrued interest.

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 4). Sunbeam carries its beneficial interest in the assets held by the Oklahoma City Community Foundation, Inc. (“OCCF”), Communities Foundation of Oklahoma (“CFO”), and Tulsa Community Foundation (“TCF”) 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 \$1,500 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 unrestricted support 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, 2016 and 2015, Sunbeam’s deposit balances with financial institutions subject to FDIC coverage exceeded such coverage by \$477,465 and \$909,470, 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. Sweep accounts are used to reduce exposure which are not provided protection by FDIC coverage. Balances deposited in sweep accounts at June 30, 2016 and 2015 totaled \$390,326 and \$1,354,986, respectively. See Note 10 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 5). 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, 2016 or 2015.

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, and fundraising. Management and general expenses includes those expenses that are not directly identifiable with an other 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, 2013.

Donated 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.

Reclassifications and restatement – Certain reclassifications have been made to the prior year amounts to conform to the current year presentation. Sunbeam's financial statements as of and for the year ended June 30, 2015 have been restated to correct an error noted below. The impact to the change in net assets for the year ended June 30, 2015, as a result of the following restatement is a decrease of \$24,320.

	Net Assets		
	Unrestricted	Temporarily Restricted	Total
Net assets as of July 1, 2014, as previously reported	\$ 15,732,340	\$ 6,400,105	\$ 22,132,445
Restatement: Recognize contribution receivable	-	861,134	861,134
Net assets as of July 1, 2014, restated	15,732,340	7,261,239	22,993,579
Change in net assets for the year ended June 30, 2015, as previously reported	6,653,430	(5,898,439)	754,991
Restatement: Correct contribution receivable and revenue	-	(24,320)	(24,320)
Net assets as of June 30, 2015, restated	<u>\$ 22,385,770</u>	<u>\$ 1,338,480</u>	<u>\$ 23,724,250</u>

Subsequent Events –Sunbeam has evaluated subsequent events through January 23, 2017, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2016 financial statements.

2. CONTRIBUTIONS RECEIVABLE

At June 30, 2016 and 2015, contributions receivable are considered fully collectible and are due as follows:

	2016	2015
Due in less than one year	\$ 2,128,694	\$ 2,775,121
Due in one to five years	600,000	1,072,402
	2,728,694	3,847,523
Discount	-	(30,293)
	<u>\$ 2,728,694</u>	<u>\$ 3,817,230</u>

A discount for contributions receivable expected to be collected in fiscal year 2017 and beyond as of June 30, 2015, as noted above, was calculated based on an effective interest rate of 1.5%. No discount was recorded as of June 30, 2016 as it is not significant. At June 30, 2016 and 2015, contributions receivable totaling \$2,555,818 and \$3,676,476 are from five and eight donors, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at June 30:

	2016	2015
Building and improvements	\$ 17,137,002	\$ 17,137,002
Office equipment	1,110,830	908,589
Land	781,103	781,103
	19,028,935	18,826,694
Less: accumulated depreciation	(2,244,251)	(1,691,859)
Net property and equipment	<u>\$ 16,784,684</u>	<u>\$ 17,134,835</u>

Inasmuch Foundation (“Inasmuch”) was instrumental in the formation of Educare. Based on a memorandum of understanding between Educare and Sunbeam Family Services, Inc. dated April 21, 2014, as Educare amends and restates its by-laws, it is expected that Inasmuch will reserve certain rights to approve the use of existing property or building that is currently used by Educare’s preschool

and early childhood education programs for any use other than primarily for preschool and early childhood education programs and make similar decisions related to the use of Educare’s facilities. Such rights are expected to terminate no later than June 30, 2019. As of June 30, 2016 and 2015, the carrying value of Educare’s building and land is \$7,287,232 and \$7,506,374, respectively.

4. 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 at June 30, 2016 and 2015 was as follows:

	2016		2015	
	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	\$ 68,848	\$ 276,391	\$ 35,938	\$ 306,533
CFO	20,570	5,027	20,368	5,309
TCF	-	491,923	-	1,001,989
	<u>\$ 89,418</u>	<u>\$ 773,341</u>	<u>\$ 56,306</u>	<u>\$ 1,313,831</u>

5. FAIR VALUE MEASUREMENTS

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: Investments are stated at fair value, and are based on quoted market prices, when available, or the best estimate of fair value as determined by the fund and/or investment manager. Generally, quoted market prices are available for mutual funds and common stocks and, as such, are classified as Level 1 in the fair value hierarchy.

Beneficial interest in assets held by others: The beneficial interest in assets held by others is carried at fair value based on the fair value of the cash and investment assets held by the Community Foundations for the benefit of Sunbeam. Fair value is based on the net asset value (“NAV”) per share as determined by the Community Foundations and provided to Sunbeam. The investments are directed by the Community Foundations and consists of various common and preferred stocks, asset backed obligations, mutual and index funds, government obligations, and cash equivalent funds which are designated to achieve endowment returns consistent with their investment policies. Investments in this category cannot be redeemed at the current NAV price per share, as Sunbeam is only the beneficiary of the investments earnings, which are distributed in accordance with the Community Foundations’ spending policy.

Financial assets measured at fair value on a recurring basis, excluding beneficial interest in assets held by others which are separately presented in the statements of financial position and whose fair market value is measured using NAV per share as a practical expedient, are classified within the fair value hierarchy at June 30, 2016 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Investments:				
Cash Equivalents	\$ 222,320	\$ -	\$ -	\$ 222,320
Common stock	625,928	-	-	625,928
Mutual Funds:				
Equity	1,342,055	-	-	1,342,055
Fixed Income	<u>1,041,111</u>	<u>-</u>	<u>-</u>	<u>1,041,111</u>
Total Investments	<u>\$ 3,231,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,231,414</u>

As of June 30, 2015, assets measure at fair value on a recurring basis are classified within the fair value hierarchy is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Investments:				
Common stock	\$ 1,031,310	\$ -	\$ -	\$ 1,031,310
Mutual Funds	<u>717,319</u>	<u>-</u>	<u>-</u>	<u>717,319</u>
Total Investments	<u>\$ 1,748,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,748,629</u>

6. BOARD DESIGNATED ENDOWMENT FUNDS

As of June 30, 2016 and 2015, 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 unrestricted net assets. Composition of and changes in unrestricted endowment net assets for the year ended June 30, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Endowment net assets, beginning of year	\$ 1,804,935	\$ 1,886,710
Investment return	(195)	23,980
Contributions	37,159	1,500
Appropriation of endowment assets for expenditure	<u>(92,360)</u>	<u>(107,255)</u>
Endowment net assets, end of year	<u>\$ 1,749,539</u>	<u>\$ 1,804,935</u>

7. NOTES PAYABLE

Inasmuch Foundation note payable – Educare entered into a promissory note payable to Inasmuch Foundation ("Inasmuch"). The balance of the note is \$683,917 and \$1,186,668 at June 30, 2016 and 2015, respectively, and bears 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. The current promissory note with Inasmuch required

repayment by September 30, 2015. A renewal promissory note is in process which is expected to have repayment terms consistent with Inasmuch's expected payment of contributions receivable to Sunbeam. See Note 11.

Midfirst Bank note payable – Sunbeam entered a promissory note with Midfirst Bank in August 2013 with an initial principal of \$4,620,000. Through subsequent modifications, this note bears an annual interest rate of 3.459%, requires monthly payments in the amount of \$19,088 through November 19, 2019, and is secured by the Sunbeam property and capital campaign pledges whether collected or receivable, identified in the accompanying consolidated statements of financial position as assets designated for investment in property and equipment. The balance on the loan at June 30, 2016 and 2015 is \$736,515 and \$2,188,936, respectively. Future maturities for the Midfirst Bank note payable as of June 30, 2016 are as follows:

2017	\$	206,842
2018		214,111
2019		221,636
2020		93,926
	\$	<u>736,515</u>

8. NET ASSETS RESTRICTIONS

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following:

	<u>2016</u>	<u>2015</u>
Counseling services	\$ 4,642	\$ 51,629
Educare	171,501	317,738
Senior Shelter	10,000	50,000
Caregiver Fundamentals	52,521	69,798
Foster Care	-	5,399
Early Head Start other sites	4,190	3,903
Senior Companions	720	-
Friends of Sunbeam	5,827	3,199
Time restricted for subsequent period	872,818	836,814
Other	786	-
	<u>\$ 1,123,005</u>	<u>\$ 1,338,480</u>

9. 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's match of employee deferrals is discretionary. 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, 2016 and 2015 was \$102,464 and \$61,326, respectively.

10. 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 \$8,159,761 and \$2,297,469 during the years ended June 30, 2016 and 2015, respectively. Grants receivable from Head Start and Early Head Start programs totaled \$1,594,745 and \$206,138 at June 30, 2016 and 2015, respectively.

11. RELATED PARTY TRANSACTIONS

A Sunbeam board member is also a member of management for Inasmuch. Sunbeam has a contribution receivable from Inasmuch totaling \$583,000 as of June 30, 2016 and 2015. Sunbeam also has a note payable to Inasmuch totaling \$683,917 and \$1,186,668 at June 30, 2016 and 2015, respectively. Management expects to use the Inasmuch contribution receivable to repay the Inasmuch note payable.

12. 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 from the sale of the campus and an additional property in south Oklahoma City for the year ended June 30, 2015.

13. 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.

* * * * *

SUPPLEMENTARY INFORMATION

SUNBEAM FAMILY SERVICES, INC.
SUPPLEMENTARY STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Fundraising	Foundation	Total
REVENUE AND SUPPORT									
Grants and contracts	\$ 9,559,484	\$ 906,975	\$ 329,469	\$ -	\$ 10,795,928	\$ -	\$ -	\$ -	\$ 10,795,928
Contributions	459,271	139,614	1,480	25,979	626,344	129,238	708,760	(88,027)	1,376,315
United Way	315,613	287,500	55,898	200,000	859,011	19,206	-	-	878,217
Client fees	60,991	177,421	-	187,565	425,977	-	-	-	425,977
Unrealized and realized gain (loss) on investments	-	-	-	-	-	(2,020)	56,925	(47,661)	7,244
Change in beneficial interest in assets held by others	-	-	-	-	-	-	345	-	345
Interest and dividends	-	-	-	-	-	19,623	10,212	55,780	85,615
Miscellaneous	-	-	-	-	-	20,119	-	-	20,119
Total revenue and support	<u>10,395,359</u>	<u>1,511,510</u>	<u>386,847</u>	<u>413,544</u>	<u>12,707,260</u>	<u>186,166</u>	<u>776,242</u>	<u>(79,908)</u>	<u>13,589,760</u>
EXPENSES									
Salaries	3,366,992	544,510	163,741	343,587	4,418,830	823,392	145,454	-	5,387,676
Payroll taxes	273,999	53,019	16,821	32,983	376,822	44,674	11,440	-	432,936
Benefits	300,312	53,129	21,189	26,875	401,505	53,493	10,649	-	465,647
Professional fees	905,764	11,308	3,820	6,067	926,959	202,888	37,952	8,600	1,176,399
Office supplies and postage	225,589	15,510	8,495	11,159	260,753	110,103	7,489	-	378,345
Nutrition program	197,206	13,285	57	103	210,651	-	32	-	210,683
Communications	92,207	7,161	6,056	9,683	115,107	14,570	92,980	-	222,657
Occupancy	192,962	44,332	12,343	14,228	263,865	18,258	2,402	-	284,525
Printing and publications	14,387	3,481	3,207	1,558	22,633	5,375	16,118	-	44,126
Transportation	54,474	25,938	7,546	161	88,119	748	387	-	89,254
Conference and training	445,999	2,645	963	5,662	455,269	5,906	14,297	-	475,472
Partner services	-	441,582	-	-	441,582	-	-	-	441,582
Program supplies	627,523	-	-	-	627,523	-	-	-	627,523
Interest	-	-	-	-	-	61,521	-	-	61,521
Insurance	32,572	21,781	7,052	6,476	67,881	9,737	1,134	-	78,752
Specific assistance	2,691,651	47,244	3,915	2,814	2,745,624	13,075	13,628	-	2,772,327
Depreciation	560	627	287	836	2,310	550,030	52	-	552,392
Bad debts	-	-	-	14,869	14,869	9,960	-	-	24,829
Management and general	930,540	127,551	25,370	47,323	1,130,784	(1,163,137)	32,353	-	-
Total expenses	<u>10,352,737</u>	<u>1,413,103</u>	<u>280,862</u>	<u>524,384</u>	<u>12,571,086</u>	<u>760,593</u>	<u>386,367</u>	<u>8,600</u>	<u>13,726,646</u>
Change in net assets	<u>\$ 42,622</u>	<u>\$ 98,407</u>	<u>\$ 105,985</u>	<u>\$ (110,840)</u>	<u>\$ 136,174</u>	<u>\$ (574,427)</u>	<u>\$ 389,875</u>	<u>\$ (88,508)</u>	<u>\$ (136,886)</u>

See independent auditor's report.

SUNBEAM FAMILY SERVICES, INC.
SUPPLEMENTARY STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Fundraising	Foundation	Total
REVENUE AND SUPPORT									
Grants and contracts	\$ 3,778,125	\$ 797,166	\$ -	\$ 17,952	\$ 4,593,243	\$ -	\$ -	\$ (107,255)	\$ 4,485,988
Contributions	595,272	174,478	198,401	86,497	1,054,648	93,396	228,253	1,500	1,377,797
United Way	332,878	269,136	55,898	182,360	840,272	19,206	-	-	859,478
Client fees	44,129	65,158	-	118,416	227,703	-	-	-	227,703
Unrealized and realized gain (loss)									
on investments	-	-	-	-	-	-	-	(37,892)	(37,892)
Gain on sale of assets	14,518	-	-	-	14,518	-	1,228,755	-	1,243,273
Interest and dividends	-	-	-	-	-	16,872	757	72,595	90,224
Miscellaneous	-	-	-	-	-	6,719	-	-	6,719
Total revenue and support	<u>4,764,922</u>	<u>1,305,938</u>	<u>254,299</u>	<u>405,225</u>	<u>6,730,384</u>	<u>136,193</u>	<u>1,457,765</u>	<u>(71,052)</u>	<u>8,253,290</u>
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	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
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	-	-
Total expenses	<u>4,607,124</u>	<u>1,344,705</u>	<u>271,120</u>	<u>533,282</u>	<u>6,756,231</u>	<u>553,597</u>	<u>202,068</u>	<u>10,723</u>	<u>7,522,619</u>
Change in net assets	<u>\$ 157,798</u>	<u>\$ (38,767)</u>	<u>\$ (16,821)</u>	<u>\$ (128,057)</u>	<u>\$ (25,847)</u>	<u>\$ (417,404)</u>	<u>\$ 1,255,697</u>	<u>\$ (81,775)</u>	<u>\$ 730,671</u>

See independent auditor's report.

SUNBEAM FAMILY SERVICES, INC.
SUPPLEMENTARY EDUCARE STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

REVENUE AND SUPPORT

Grants and contracts	\$ 2,924,582
Contributions *	440,063
United Way	315,613
Client fees	60,991
	<hr/>
Total revenue and support	<u>3,741,249</u>

EXPENSES

Salaries	2,234,670
Payroll taxes	183,719
Benefits	217,604
Professional fees	160,696
Office supplies and postage	47,099
Nutrition program	185,078
Communications	8,235
Occupancy	186,995
Printing and publications	9,184
Transportation	15,571
Conference and training	50,221
Program supplies	104,785
Insurance	26,207
Specific assistance	8,385
Depreciation	560
Management and general **	367,487
	<hr/>
Total expenses	<u>3,806,496</u>
	<hr/>
Change in net assets	<u>\$ (65,247)</u>

* Contributions included in this statement include unrestricted contributions and restricted contributions for which the restrictions were met in the current year regardless of when the actual contribution was originally received by Sunbeam. Contributions received to repay Educare related debt are not included.

** Management and general expenses are allocated at a rate of 10% of other total program expenses in accordance with Uniform Guidance.

See independent auditor's report.

SUNBEAM FAMILY SERVICES, INC.
SUPPLEMENTARY SCHEDULE OF STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

State Grantor / Program Title	Contract Number	Award Period	Award Amount	Total State Revenues and Expenditures Recognized
<u>Oklahoma State Department of Education</u>				
Passed through Community Action Project of Tulsa County, Inc. Oklahoma Early Childhood Program		July 1, 2015 - June 30, 2016	\$ 695,699	\$ 695,699
<u>Oklahoma Department of Human Services</u>				
Supported Foster Care Homes	16014577	February 1, 2016 - June 30, 2016	140,250	140,250
Child Care Subsidy Payments	20533	July 1, 2015 - June 30, 2016	63,781	63,781
Emergency Senior Shelter Program	2015 - 2016	July 1, 2015 - June 30, 2016	50,000	50,000
Senior Companion Program	16000152	July 1, 2015 - June 30, 2016	35,648	35,648
Foster Grandparent Program	16000158	July 1, 2015 - June 30, 2016	15,311	15,311
Passed-through Area-Wide Agency National Family Caregiver Support, Title III, Part E	15004956	July 1, 2015 - June 30, 2016	38,876	38,876
Oklahoma Department of Commerce Passed-through Area-Wide Agency Community Expansion of Nutrition Assistance		July 1, 2015 - June 30, 2016	8,800	8,800
				\$ 1,048,365

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, 2016, 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 January 23, 2017.

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) 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'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. See Finding 2016-001.

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

HSPG & ASSOCIATES, PC

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*.

Sunbeam's Response to Findings

Sunbeam's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Sunbeam's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.

January 23, 2017



**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

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, 2016. Sunbeam'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sunbeam'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 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"). Those standards and the Uniform Guidance 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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, Sunbeam 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, 2016.

HSPG & ASSOCIATES, PC

Report on Internal Control Over Compliance

Management of Sunbeam is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sunbeam'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 Uniform Guidance, 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'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HSPG & Associates, P.C.

January 23, 2017

SUNBEAM FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass- Through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed through to Sub-Recipients	Total Federal Expenditures
<u>United States Department of Health and Human Services</u>				
Head Start Cluster:				
Early Head Start - Child Care Partnership	93.600	06HP0035-01-02	\$ 745,056	\$ 5,768,674
Early Head Start	93.600	06CH7107	-	1,534,565
Passed-through Community Action Agency of Oklahoma City and Oklahoma/Canadian Counties, Inc.				
Head Start	93.600	06CH7196	-	856,522
Head Start cluster total			745,056	8,159,761
Passed-through Area-Wide Agency :				
National Family Caregiver Support, Title III, Part I	93.052	15004956	-	110,617
Total U.S. Department of Health and Human Services			745,056	8,270,378
<u>Corporation for National and Community Service</u>				
Foster Grandparents / Senior Companion Cluster:				
Senior Companion Program	94.016	13SXWOK001	-	416,074
Foster Grandparent Program	94.011	14SFWOK001	-	192,257
Foster Grandparents / Senior Companion cluster total			-	608,331
<u>United States Department of Agriculture</u>				
Passed-through Oklahoma State Department of Education:				
Child & Adult Care Food Program	10.558	DC-55-240	-	207,793
			\$ 745,056	\$ 9,086,502

See notes to the schedule of federal awards.

SUNBEAM FAMILY SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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, 2016

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X 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 X no

Identification of major programs:

<u>Program / Cluster</u>	<u>CFDA Number</u>
Head Start cluster	93.600

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

Section II-Findings Required to be Reported in Accordance with *Government Auditing Standards*:
 See Finding 2016-001.

Section III-Findings Required to be Reported in Accordance with the Uniform Guidance:
 None to report for the June 30, 2016 period.

SUNBEAM FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

2016-001

Finding: Unconditional Promises to Give

Criteria: Unconditional promises to give are to be recorded when a not-for-profit organization receives verifiable documentation of such awards.

Condition: Sunbeam received an unconditional promise to give from a donor in June 2016 that was not recorded as a contribution receivable or revenue as of June 30, 2016.

Cause: The unrecorded contribution receivable included temporary restrictions to be used in support of the subsequent year's operations. As such, Sunbeam has historically recorded contributions from this donor on a cash basis as the contribution was received during the year for which it was to provide support.

Context: This contribution receivable was the only unrecorded contribution receivable identified.

Effect: Sunbeam's contributions receivable and net assets were understated by \$872,818 as of June 30, 2016. As Sunbeam has historically recorded contributions from this donor on a cash basis, the impact to the change in net assets was an understatement of \$36,004. Net assets as of July 1, 2014 and June 30, 2015 were also required to be restated.

Recommendation: Internal controls should be developed to ensure unconditional promises to give, including those with time restrictions, are recorded when a not-for-profit organization receives verifiable documentation of such awards.

Response and Corrective Action Plan: Management of Sunbeam agrees with the finding and recommended procedures have been implemented.