

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2020 and 2019**

**TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

**HSPG
&
ASSOCIATES**

ACCOUNTING | TAX | ADVISORY

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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 statements of financial position as of June 30, 2020 and 2019, 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”).

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 consolidated financial position of Sunbeam Family Services, Inc. as of June 30, 2020 and 2019, 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.

HSPG & ASSOCIATES, PC

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 2020 and 2019 supplementary statements of activities and the supplementary schedule of state financial awards on pages 21 - 23, 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 information is 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 22, 2021, 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 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 Family Service, Inc's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

February 22, 2021

SUNBEAM FAMILY SERVICES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,735,206	\$ 1,018,124
Receivables:		
Trade	10,952	9,025
Grants and contracts	2,070,316	967,270
Contributions receivable	911,690	1,693,410
Certificates of deposit	151,689	149,811
Prepaid expenses and other assets	189,488	133,876
Assets designated for investment in property and equipment:		
Cash	530,666	556,268
Investments, held at fair market value	2,192,356	2,101,261
Investments, designated for endowment	1,873,197	1,880,813
Beneficial interest in assets held by others	91,583	93,417
Property and equipment, net	20,314,468	15,558,657
TOTAL ASSETS	<u>\$ 30,071,611</u>	<u>\$ 24,161,932</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 495,317	\$ 248,761
Accrued salaries and related payables	496,189	320,197
Notes payable	-	683,917
Paycheck Protection Program forgivable loan	895,800	-
TOTAL LIABILITIES	<u>1,887,306</u>	<u>1,252,875</u>
NET ASSETS		
Without donor restrictions:		
Invested in property and equipment	15,026,254	14,874,740
Board-designated for property and equipment	2,723,022	2,657,529
Board-designated for endowment	1,964,780	1,974,230
Undesignated	2,728,334	2,112,288
Total unrestricted net assets	<u>22,442,390</u>	<u>21,618,787</u>
With donor restrictions	5,741,915	1,290,270
TOTAL NET ASSETS	<u>28,184,305</u>	<u>22,909,057</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,071,611</u>	<u>\$ 24,161,932</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, 2020 (with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Comparative Total 2019
REVENUE AND SUPPORT				
Grants and contracts	\$ 15,814,959	\$ -	\$ 15,814,959	\$ 11,073,962
Contributions	1,167,037	385,757	1,552,794	978,158
Special event revenue	-	-	-	272,476
United Way	15,050	835,295	850,345	838,803
In-kind contribution: building lease	399,310	4,392,414	4,791,724	-
Client fees	235,346	-	235,346	200,184
Unrealized and realized gain (loss)				
on investments	106,187	-	106,187	160,200
Interest and dividends	113,548	-	113,548	107,974
Miscellaneous	24,454	-	24,454	25,908
Release from restrictions	1,161,821	(1,161,821)	-	-
Total revenue and support	<u>19,037,712</u>	<u>4,451,645</u>	<u>23,489,357</u>	<u>13,657,665</u>
EXPENSES				
Program services	15,536,610	-	15,536,610	11,388,900
Management and general	2,358,125	-	2,358,125	2,007,494
Costs of direct benefits to donors	-	-	-	36,679
Fundraising	319,374	-	319,374	312,993
Total expenses	<u>18,214,109</u>	<u>-</u>	<u>18,214,109</u>	<u>13,746,066</u>
Change in net assets	823,603	4,451,645	5,275,248	(88,401)
NET ASSETS, BEGINNING OF YEAR	<u>21,618,787</u>	<u>1,290,270</u>	<u>22,909,057</u>	<u>22,997,458</u>
NET ASSETS, END OF YEAR	<u>\$ 22,442,390</u>	<u>\$ 5,741,915</u>	<u>\$ 28,184,305</u>	<u>\$ 22,909,057</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contracts	\$ 11,073,962	\$ -	\$ 11,073,962
Contributions	711,518	266,640	978,158
Special event revenue	272,476	-	272,476
United Way	-	838,803	838,803
Client fees	200,184	-	200,184
Unrealized and realized gain (loss) on investments	160,200	-	160,200
Interest and dividends	107,974	-	107,974
Miscellaneous	25,908	-	25,908
Release from restrictions	1,288,898	(1,288,898)	-
Total revenue and support	<u>13,841,120</u>	<u>(183,455)</u>	<u>13,657,665</u>
EXPENSES			
Program services	11,388,900	-	11,388,900
Management and general	2,007,494	-	2,007,494
Costs of direct benefits to donors	36,679	-	36,679
Fundraising	312,993	-	312,993
Total expenses	<u>13,746,066</u>	<u>-</u>	<u>13,746,066</u>
Change in net assets	95,054	(183,455)	(88,401)
NET ASSETS, BEGINNING OF YEAR	<u>21,523,733</u>	<u>1,473,725</u>	<u>22,997,458</u>
NET ASSETS, END OF YEAR	<u>\$ 21,618,787</u>	<u>\$ 1,290,270</u>	<u>\$ 22,909,057</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, 2020

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total
Salaries	\$ 5,576,206	\$ 453,137	\$ 216,201	\$ 318,455	\$ 6,563,999	\$ 1,026,992	\$ -	\$ 194,653	\$ 7,785,644
Payroll taxes	476,418	38,522	17,217	32,735	564,892	78,440	-	15,516	658,848
Benefits	775,484	73,833	30,583	29,684	909,584	148,322	-	18,536	1,076,442
Professional fees	706,224	8,572	5,169	11,914	731,879	217,446	-	256	949,581
Office supplies and postage	424,088	10,182	25,173	9,800	469,243	71,252	-	40,623	581,118
Nutrition program	226,124	16,564	153	-	242,841	1,421	-	93	244,355
Communications	104,093	10,663	8,779	29,424	152,959	37,494	-	9,018	199,471
Occupancy	324,805	28,828	11,643	10,075	375,351	45,508	-	13,346	434,205
Printing and publications	57,972	2,836	905	1,500	63,213	5,147	-	13,600	81,960
Transportation	37,517	24,056	10,818	138	72,529	1,633	-	57	74,219
Conference and training	663,832	3,715	1,799	2,474	671,820	23,611	-	3,287	698,718
Partner services	2,034	336,594	-	-	338,628	-	-	-	338,628
Program supplies	655,663	-	11	-	655,674	-	-	-	655,674
In-kind lease expense	399,310	-	-	-	399,310	-	-	-	399,310
Interest	-	-	-	-	-	2,714	-	2,410	5,124
Insurance	83,392	15,559	3,452	4,597	107,000	8,302	-	608	115,910
Specific assistance	3,150,650	54,283	12,998	999	3,218,930	11,215	-	7,371	3,237,516
Depreciation	140	-	-	-	140	679,481	-	-	679,621
Bad debts	-	-	-	(1,382)	(1,382)	(853)	-	-	(2,235)
Total expenses	<u>\$ 13,663,952</u>	<u>\$ 1,077,344</u>	<u>\$ 344,901</u>	<u>\$ 450,413</u>	<u>\$ 15,536,610</u>	<u>\$ 2,358,125</u>	<u>\$ -</u>	<u>\$ 319,374</u>	<u>\$ 18,214,109</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, 2019

	Early Childhood Services	Senior Services	Foster Care	Counseling	Total Program Services	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total
Salaries	\$ 4,098,970	\$ 434,622	\$ 180,559	\$ 244,718	\$ 4,958,869	\$ 954,470	\$ -	\$ 186,165	\$ 6,099,504
Payroll taxes	350,065	35,521	15,698	23,200	424,484	73,796	-	15,488	513,768
Benefits	655,596	76,603	26,873	32,057	791,129	88,969	-	13,527	893,625
Professional fees	360,343	14,178	5,046	9,344	388,911	150,355	-	2,924	542,190
Office supplies and postage	207,100	7,477	5,964	5,492	226,033	44,055	-	30,543	300,631
Nutrition program	206,769	16,253	268	-	223,290	1,737	-	131	225,158
Communications	71,268	7,597	6,970	9,367	95,202	17,604	36,679	2,532	152,017
Occupancy	181,375	34,960	12,472	11,743	240,550	47,246	-	23,692	311,488
Printing and publications	13,941	3,523	1,050	2,455	20,969	4,297	-	14,329	39,595
Transportation	25,792	25,431	9,049	1,644	61,916	797	-	132	62,845
Conference and training	384,444	6,194	2,505	4,104	397,247	20,804	-	1,481	419,532
Partner services	538	316,892	-	-	317,430	-	-	-	317,430
Program supplies	108,073	-	-	-	108,073	-	-	-	108,073
Insurance	67,259	14,162	4,671	8,595	94,687	9,533	-	1,123	105,343
Specific assistance	2,948,490	54,590	4,562	-	3,007,642	18,060	-	20,926	3,046,628
Depreciation	560	-	-	-	560	575,771	-	-	576,331
Bad debts	24,039	-	-	7,869	31,908	-	-	-	31,908
Total expenses	<u>\$ 9,704,622</u>	<u>\$ 1,048,003</u>	<u>\$ 275,687</u>	<u>\$ 360,588</u>	<u>\$ 11,388,900</u>	<u>\$ 2,007,494</u>	<u>\$ 36,679</u>	<u>\$ 312,993</u>	<u>\$ 13,746,066</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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,275,248	\$ (88,401)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,078,931	576,331
Net realized and unrealized investment gains	(106,187)	(159,998)
Reinvested earnings	(64,799)	(71,036)
Noncash contribution via debt extinguishment	(100,917)	-
In-kind contribution - building lease	(4,791,724)	-
Change in operating assets and liabilities:		
Receivables	(906,253)	145,886
Prepaid expenses and other assets	(55,612)	(30,099)
Accounts payable and accrued liabilities	246,556	88,130
Accrued salaries and related payables	175,992	25,517
Net cash provided by operating activities	<u>751,235</u>	<u>486,330</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,043,018)	(361,779)
Proceeds from sale of investments	93,350	67,114
Purchases of investments	(5,887)	(26,646)
Distribution from interest in assets held by others	-	5,404
Net cash used in investing activities	<u>(955,555)</u>	<u>(315,907)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program forgivable loan	1,495,800	-
Payment on Paycheck Protection Program forgivable loan	(600,000)	-
Net cash provided by financing activities	<u>895,800</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	691,480	170,423
CASH AND CASH EQUIVALENTS, Beginning of year	1,574,392	1,403,969
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,265,872</u>	<u>\$ 1,574,392</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents, unrestricted	\$ 1,735,206	\$ 1,018,124
Board designated cash	530,666	556,268
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 2,265,872</u>	<u>\$ 1,574,392</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 5,124</u>	<u>\$ -</u>

NONCASH FINANCING ACTIVITIES

During the year ended June 30, 2020, Sunbeam's \$583,000 note receivable from and \$683,917 note payable to Inasmuch Foundation was netted to \$100,917 and forgiven by Inasmuch Foundation.

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, 2020 AND 2019

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, Inc. (“Educare”) is a state-of-the-art school that provides high-quality early childhood education which is part of a national research project of the Educare Learning Network designed to lessen the achievement gap between the nation’s most at-risk young children and their more-advantaged peers. Sunbeam Family Services, Inc. is the sole member of Oklahoma City Educare, Inc. (“Educare”) and has managed Educare since its inception. In May 2020, the assets and operations of Educare were transferred to Sunbeam and Educare’s legal structure was dissolved.

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 counseling income, 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 \$10,952, \$9,025, and \$16,770 at June 30, 2020, 2019, and 2018, 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. 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 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, 2020 and 2019, Sunbeam’s deposit balances with financial institutions subject to FDIC coverage exceeded such coverage by \$1,362,004 and \$565,395, 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, 2020 and 2019 totaled \$743,912 and \$530,913, respectively. 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, 2020 or 2019.

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 includes 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, 2017.

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.

Subsequent Events – Sunbeam has evaluated subsequent events through February 22, 2021, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the 2020 financial statements.

Change in accounting guidance – The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 “*Revenue from Contracts with Customers (Topic 606)*.” This authoritative guidance includes a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. Sunbeam implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented with no effect on net assets.

In June 2018, the FASB issued ASU No. 2018-08 “*Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*”. The new guidance clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. Sunbeam has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with Sunbeam’s implementation of ASU 2018-08.

Recent accounting pronouncements – In February 2016, the FASB issued 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.

In September 2020, the 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. The amendments for this ASU are to be applied retrospectively and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted.

Management is currently evaluating the impact that adopting the above recent accounting pronouncements 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,735,206	\$ 1,018,124
Receivables:		
Trade	10,952	9,025
Grants and contracts	2,070,316	967,270
Contributions receivable	911,690	1,693,410
Certificates of deposit	151,689	149,811
Distributions from beneficial interests in assets held by others	<u>3,422</u>	<u>3,434</u>
	<u>\$ 4,883,275</u>	<u>\$ 3,841,074</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, 2020 and 2019, contributions receivable are considered fully collectible and are due as follows:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 911,690	\$ 1,666,410
Due in one to five years	-	27,000
	<u>\$ 911,690</u>	<u>\$ 1,693,410</u>

At June 30, 2020 and 2019, contributions receivable totaling \$835,295 and \$1,550,011 are from one and three donors, respectively.

4. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at June 30:

	2020	2019
Building and improvements	\$ 18,202,206	\$ 17,179,345
Building lease	4,392,414	-
Office equipment	1,515,883	1,398,389
Land	790,002	790,002
Construction in progress	44,269	141,606
	<u>24,944,774</u>	<u>19,509,342</u>
Less: accumulated depreciation	<u>(4,630,306)</u>	<u>(3,950,685)</u>
Net property and equipment	<u>\$ 20,314,468</u>	<u>\$ 15,558,657</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$679,621 and \$576,331, respectively.

Building lease – 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, OK for use as an early childhood services center. The lease term is five years with a renewal option for one additional five-year period at the discretion of Sunbeam. The annual rent is \$12,000 for the first term and \$18,000 for the second term. As the fair market rental value of the building exceeds 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 lease above the contracted rate at the date of contribution. The lease agreement states that any improvements made to the property will become the assets of the landlord upon termination of the lease agreement. Amortization of the building lease receivable totaled \$399,310 during the year ended June 30, 2020 and is recognized as in-kind lease expense in the accompanying statement 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 at June 30, 2020 and 2019 was as follows:

	2020		2019	
	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	\$ 71,521	\$ 298,449	\$ 71,521	\$ 305,232
CFO	20,062	5,213	21,896	5,413
TCF	-	236,176	-	229,590
	<u>\$ 91,583</u>	<u>\$ 539,838</u>	<u>\$ 93,417</u>	<u>\$ 540,235</u>

6. FAIR VALUE MEASUREMENTS

Financial assets measured at fair value on a recurring basis are classified within the fair value hierarchy at June 30, 2020 as follows:

	Carrying Value	Total Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
ASSETS					
Investments:					
Cash Equivalents	\$ 225,047	\$ 225,047	\$ 225,047	\$ -	\$ -
Common stock	472,676	472,676	472,676	-	-
Mutual Funds:					
Equity	1,985,880	1,985,880	1,985,880	-	-
Fixed Income	1,381,950	1,381,950	1,381,950	-	-
Total Investments	4,065,553	4,065,553	4,065,553	-	-
Beneficial interest in assets held by others	91,583	91,583	-	-	91,583
	<u>\$ 4,157,136</u>	<u>\$ 4,157,136</u>	<u>\$ 4,065,553</u>	<u>\$ -</u>	<u>\$ 91,583</u>

As of June 30, 2019, 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
ASSETS					
Investments:					
Cash Equivalents	\$ 163,290	\$ 163,290	\$ 163,290	\$ -	\$ -
Common stock	497,758	497,758	497,758	-	-
Mutual Funds:					
Equity	2,003,082	2,003,082	2,003,082	-	-
Fixed Income	1,317,944	1,317,944	1,317,944	-	-
Total Investments	3,982,074	3,982,074	3,982,074	-	-
Beneficial interest in assets held by others	93,417	93,417	-	-	93,417
	<u>\$ 4,075,491</u>	<u>\$ 4,075,491</u>	<u>\$ 3,982,074</u>	<u>\$ -</u>	<u>\$ 93,417</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant observable inputs (level 3) for the years ended June 30, 2020 and 2019.

	2020	2019
Balance at beginning of year	\$ 93,417	\$ 94,121
Purchases / contributions	-	-
Investment return, net	(1,834)	4,700
Distributions	-	(5,404)
Balance at end of year	<u>\$ 91,583</u>	<u>\$ 93,417</u>

The summary of changes in fair value of level 3 assets has been prepared to reflect the activity in the same categories as those provided by the Community Foundations. Net investment performance includes realized and unrealized gains (losses) on investments, investment income, and administrative fees and is included in unrealized and realized gain (loss) on investments in the accompanying statements of activities. Typically, distributions decrease Sunbeam's respective financial asset and increase cash at the time of distribution.

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 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, 2020 and 2019, 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, 2020 and 2019, is as follows:

	2020	2019
Endowment net assets, beginning of year	\$ 1,974,230	\$ 1,911,131
Investment return	80,446	108,755
Contributions	-	26,862
Appropriation of endowment assets for expenditure	(89,896)	(72,518)
Endowment net assets, end of year	<u>\$ 1,964,780</u>	<u>\$ 1,974,230</u>

8. NOTES PAYABLE

Inasmuch Foundation note payable – Educare entered into a promissory note payable to Inasmuch Foundation ("Inasmuch"). The balance of the note is \$-0- and \$683,917 at June 30, 2020 and 2019, 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. This note was forgiven during the year ended June 30, 2020 (see Note 12).

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. Principal and interest of this loan can be fully forgiven based on Sunbeam incurring qualifying expenses during the defined Covered Period as well as meeting other criteria related to employee retention. Sunbeam has ten months from the end of the Covered Period to apply for forgiveness. If any portion of the loan is not forgiven, repayment of the loan will commence with principal and interest payments to be repaid over a two-year period.

Line of Credit – Sunbeam entered into a \$4,000,000 revolving line of credit with a financial institution in April 2020. 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% (3.25% as of June 30, 2020). 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 April 1, 2021. There was no outstanding balance as of June 30, 2020.

9. NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Subject to expenditure for specified purposes:		
Counseling services	\$ 4,744	\$ 2,841
Early childhood services	378,230	136,362
Foster Care	8,588	-
Caregiver Fundamentals	69,466	60,925
Infant mental health program	-	115,133
Friends of Sunbeam	7,498	21,604
Other	8,680	602
Time restricted for subsequent period		
United Way	835,295	838,803
Building lease	4,392,414	-
Other pledges	37,000	114,000
Total net assets with donor restrictions	<u>\$ 5,741,915</u>	<u>\$ 1,290,270</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	2020	2019
Satisfaction of purpose restrictions:		
Counseling services	\$ 700	\$ -
Early childhood services	85,778	77,218
Senior Shelter	-	27,500
Caregiver Fundamentals	29,945	41,735
Infant mental health program	115,133	246,941
Friends of Sunbeam	14,106	-
Senior Companion program	-	10,000
Other	356	901
Expiration of time restrictions	915,803	884,603
	\$ 1,161,821	\$ 1,288,898

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, 2020 and 2019 was \$208,297 and \$158,503, 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 \$12,975,478 and \$8,493,864 during the years ended June 30, 2020 and 2019, respectively. Grants receivable from Head Start and Early Head Start programs totaled \$1,869,567 and \$611,396 at June 30, 2020 and 2019, respectively.

12. RELATED PARTY TRANSACTIONS

A Sunbeam board member is also a member of management for Inasmuch Foundation. As of June 30, 2019, Sunbeam had a \$583,000 note receivable from and a \$683,917 note payable to Inasmuch Foundation. During the year ended June 30, 2020, Inasmuch Foundation elected to net these balances and forgive the remaining due to Inasmuch Foundation.

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.

14. 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.

15. COVID-19

In March 2020, the pandemic outbreak of a novel coronavirus known as COVID-19 began to spread throughout the United States, resulting in emergency declarations by national, state and local governments and municipalities. As a result, many industries are experiencing disruption to business operations and reduced consumer spending. While disruptions are expected to be temporary, there is uncertainty surrounding the duration. Sunbeam acknowledges the spread of COVID-19 could potentially negatively impact its operations and financial statements; however, any related financial impact cannot be reasonably estimated at this time.

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SUPPLEMENTARY INFORMATION

SUNBEAM FAMILY SERVICES, INC.
SUPPLEMENTARY STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	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
REVENUE AND SUPPORT										
Grants and contracts	\$ 14,704,870	\$ 660,327	\$ 409,618	\$ 40,144	\$ 15,814,959	\$ -	\$ -	\$ -	\$ -	\$ 15,814,959
Contributions:										
Restricted *	449,520	225,346	15,190	9,514	699,570	158,387	-	274,008	(89,896)	1,042,069
Unrestricted	302,398	23,134	7,413	12,213	345,158	-	-	165,567	-	510,725
Special event revenue	-	-	-	-	-	-	-	-	-	-
United Way	326,000	252,692	53,103	203,500	835,295	15,050	-	-	-	850,345
In-Kind	4,791,724	-	-	-	4,791,724	-	-	-	-	4,791,724
Client fees	33,808	218	-	201,320	235,346	-	-	-	-	235,346
Unrealized and realized gain (loss) on investments	-	-	-	-	-	(2,252)	-	57,309	51,130	106,187
Interest and dividends	-	-	-	-	-	24,926	-	48,172	40,450	113,548
Miscellaneous	14,310	-	-	150	14,460	9,994	-	-	-	24,454
Total revenue and support	20,622,630	1,161,717	485,324	466,841	22,736,512	206,105	-	545,056	1,684	23,489,357
EXPENSES										
Salaries	5,576,206	453,137	216,201	318,455	6,563,999	1,026,992	-	194,653	-	7,785,644
Payroll taxes	476,418	38,522	17,217	32,735	564,892	78,440	-	15,516	-	658,848
Benefits	775,484	73,833	30,583	29,684	909,584	148,322	-	18,536	-	1,076,442
Professional fees	706,224	8,572	5,169	11,914	731,879	208,146	-	256	9,300	949,581
Office supplies and postage	424,088	10,182	25,173	9,800	469,243	71,252	-	40,623	-	581,118
Nutrition program	226,124	16,564	153	-	242,841	1,421	-	93	-	244,355
Communications	104,093	10,663	8,779	29,424	152,959	37,494	-	9,018	-	199,471
Occupancy	324,805	28,828	11,643	10,075	375,351	45,508	-	13,346	-	434,205
Printing and publications	57,972	2,836	905	1,500	63,213	5,147	-	13,600	-	81,960
Transportation	37,517	24,056	10,818	138	72,529	1,633	-	57	-	74,219
Conference and training	663,832	3,715	1,799	2,474	671,820	23,611	-	3,287	-	698,718
Partner services	2,034	336,594	-	-	338,628	-	-	-	-	338,628
Program supplies	655,663	-	11	-	655,674	-	-	-	-	655,674
In-kind lease expense	399,310	-	-	-	399,310	-	-	-	-	399,310
Interest	-	-	-	-	-	2,714	-	2,410	-	5,124
Insurance	83,392	15,559	3,452	4,597	107,000	8,302	-	608	-	115,910
Specific assistance	3,150,650	54,283	12,998	999	3,218,930	11,215	-	7,371	-	3,237,516
Depreciation	140	-	-	-	140	679,481	-	-	-	679,621
Bad debts	-	-	-	(1,382)	(1,382)	(853)	-	-	-	(2,235)
Management and general **	1,354,773	107,298	34,551	44,416	1,541,038	(1,541,038)	-	-	-	-
Total expenses	15,018,725	1,184,642	379,452	494,829	17,077,648	807,787	-	319,374	9,300	18,214,109
Change in net assets	\$ 5,603,905	\$ (22,925)	\$ 105,872	\$ (27,988)	\$ 5,658,864	\$ (601,682)	\$ -	\$ 225,682	\$ (7,616)	\$ 5,275,248

* Some restricted contributions are initially recorded to the fundraising column and reclassified to the appropriate program services column as related expenses are incurred. As some of these reclassified restricted contributions are from prior years, this can result in a negative fundraising contribution total.

** 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 STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	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
REVENUE AND SUPPORT										
Grants and contracts	\$ 10,033,968	\$ 624,160	\$ 352,876	\$ 62,958	\$ 11,073,962	\$ -	\$ -	\$ -	\$ -	\$ 11,073,962
Contributions:										
Restricted *	669,537	243,203	6,754	-	919,494	67,114	-	(123,215)	(67,114)	796,279
Unrestricted	155,284	16,505	4,400	5,690	181,879	-	-	-	-	181,879
Special event revenue	-	-	-	-	-	-	272,476	-	-	272,476
United Way	302,000	280,200	53,103	188,500	823,803	15,000	-	-	-	838,803
Client fees	69,388	1,469	-	129,327	200,184	-	-	-	-	200,184
Unrealized and realized gain (loss) on investments	-	-	-	-	-	3,331	-	83,209	73,660	160,200
Interest and dividends	-	-	-	-	-	20,592	-	46,097	41,285	107,974
Miscellaneous	16,569	-	-	393	16,962	8,946	-	-	-	25,908
Total revenue and support	<u>11,246,746</u>	<u>1,165,537</u>	<u>417,133</u>	<u>386,868</u>	<u>13,216,284</u>	<u>114,983</u>	<u>272,476</u>	<u>6,091</u>	<u>47,831</u>	<u>13,657,665</u>
EXPENSES										
Salaries	4,098,970	434,622	180,559	244,718	4,958,869	954,470	-	186,165	-	6,099,504
Payroll taxes	350,065	35,521	15,698	23,200	424,484	73,796	-	15,488	-	513,768
Benefits	655,596	76,603	26,873	32,057	791,129	88,969	-	13,527	-	893,625
Professional fees	360,343	14,178	5,046	9,344	388,911	141,252	-	2,924	9,103	542,190
Office supplies and postage	207,100	7,477	5,964	5,492	226,033	44,055	-	30,543	-	300,631
Nutrition program	206,769	16,253	268	-	223,290	1,737	-	131	-	225,158
Communications	71,268	7,597	6,970	9,367	95,202	17,604	36,679	2,532	-	152,017
Occupancy	181,375	34,960	12,472	11,743	240,550	47,246	-	23,692	-	311,488
Printing and publications	13,941	3,523	1,050	2,455	20,969	4,297	-	14,329	-	39,595
Transportation	25,792	25,431	9,049	1,644	61,916	797	-	132	-	62,845
Conference and training	384,444	6,194	2,505	4,104	397,247	20,804	-	1,481	-	419,532
Partner services	538	316,892	-	-	317,430	-	-	-	-	317,430
Program supplies	108,073	-	-	-	108,073	-	-	-	-	108,073
Insurance	67,259	14,162	4,671	8,595	94,687	9,533	-	1,123	-	105,343
Specific assistance	2,948,490	54,590	4,562	-	3,007,642	18,060	-	20,926	-	3,046,628
Depreciation	560	-	-	-	560	575,771	-	-	-	576,331
Bad debts	24,039	-	-	7,869	31,908	-	-	-	-	31,908
Management and general **	919,601	104,408	27,712	35,837	1,087,558	(1,087,558)	-	-	-	-
Total expenses	<u>10,624,223</u>	<u>1,152,411</u>	<u>303,399</u>	<u>396,425</u>	<u>12,476,458</u>	<u>910,833</u>	<u>36,679</u>	<u>312,993</u>	<u>9,103</u>	<u>13,746,066</u>
Change in net assets	\$ 622,523	\$ 13,126	\$ 113,734	\$ (9,557)	\$ 739,826	\$ (795,850)	\$ 235,797	\$ (306,902)	\$ 38,728	\$ (88,401)

* Some restricted contributions are initially recorded to the fundraising column and reclassified to the appropriate program services column as related expenses are incurred. As some of these reclassified restricted contributions are from prior years, this can result in a negative fundraising contribution total.

** 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, 2020

<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, 2019 - June 30, 2020	\$ 1,025,057	\$ 1,025,057
<u>Oklahoma Department of Human Services</u>				
Supported Foster Care Homes	16014577	July 1, 2019 - June 30, 2020	409,618	409,618
Child Care Subsidy Payments	20533 & 30035	July 1, 2019 - June 30, 2020	232,618	232,618
Passed-through Area-Wide Aging Agency National Family Caregiver Support, Title III, Part E	PA# 15004956	July 1, 2019 - June 30, 2020	37,375	37,375
Oklahoma Department of Commerce Passed-through Area-Wide Aging Agency Community Expansion of Nutrition Assistance		July 1, 2019 - June 30, 2020	4,750	4,750
			<u>\$</u>	<u>1,809,418</u>

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, 2020, 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 22, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

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,

HSPG & ASSOCIATES, PC

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 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 Finding

Sunbeam's response to the finding 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.

February 22, 2021



**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, 2020. 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's 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 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, 2020.

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.

February 22, 2021

SUNBEAM FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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	06HP000332	\$ 649,098	\$ 4,003,350
Early Head Start - Child Care Partnership Expansion	93.600	06HP000075	-	1,945,434
Early Head Start - Child Care Partnership Expansion	93.600	06HP000119	-	4,941,410
Early Head Start	93.600	06CH010877	-	1,596,308
Passed-through Community Action Agency of Oklahoma City and Oklahoma/Canadian Counties, Inc.				
Head Start	93.600	06CH7196	-	488,976
Head Start cluster total			649,098	12,975,478
Passed-through Area-Wide Agency :				
National Family Caregiver Support, Title III, Part E	93.052	PA# 15004956	-	126,375
Total U.S. Department of Health and Human Services			649,098	13,101,853
<u>Corporation for National and Community Service</u>				
Foster Grandparents / Senior Companion Cluster:				
Senior Companion Program	94.016	19SCWOK001	-	396,327
<u>United States Department of Agriculture</u>				
Passed-through Oklahoma State Department of Education:				
Child & Adult Care Food Program	10.558	DC-55-240	-	183,990
<u>Office of Victims of Crime</u>				
Victims of Crime Act	16.575	VA-GX-0003	-	74,675
			\$ 649,098	\$ 13,756,845

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, 2020

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, 2020. 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, 2020

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	CFDA Number
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? yes no

Section II-Findings Required to be Reported in Accordance with *Government Auditing Standards*:
 See Finding 2020-001.

Section III-Findings Required to be Reported in Accordance with the Uniform Guidance:
 None to report for the June 30, 2020 period.

SUNBEAM FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2020

Finding 2020-001; Recording In-Kind Transactions

Criteria: Financial reporting controls should include identifying and recording in-kind transactions in accordance with generally accepted accounting procedures.

Condition: Sunbeam has been the recipient of various in-kind contributions which have not been reflected in the accounting records. Examples of such transactions include the use of long-lived facilities for below market lease rates, receipt of furniture and fixtures, receipt of various services requiring specialized skilled, etc.

Cause: Sunbeam has not historically received the type of in-kind transactions noted above. As such, their year-end financial close procedures did not contemplate the accounting implications to record such transactions.

Effect: An adjustment was required during the current year audit to recognize \$4,791,724 of contribution revenue with the offset recognized as an increase in assets and expenses of \$4,392,414, and \$399,310, respectively.

Recommendation: We recommend that Sunbeam develop a process to identify and track all types of in-kind transactions to ensure proper recording in accordance with generally accepted accounting standards.

Views of Responsible Officials of Auditee: We agree with this finding and will update our financial reporting processes to identify and record in-kind transactions in accordance with generally accepted accounting standards.