SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
JUNE 30, 2023 and 2022

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 Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sunbeam Family Services, Inc. ("Sunbeam") (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (the "financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sunbeam Family Services, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sunbeam and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, Sunbeam adopted Accounting Standards Update No. 2016-02 "Leases (Topic 842)". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sunbeam's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunbeam's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary statement of activities for the years ending June 30, 2023 and 2022 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 supplementary statement of activities for the years ending June 30, 2023 and 2022, supplementary schedule of state financial awards, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2024, on our consideration of Sunbeam's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sunbeam's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sunbeam's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

February 26, 2024

SUNBEAM FAMILY SERVICES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 2,510,333	$ 4,966,375
Receivables:		
Trade	23,801	18,728
Grants and contracts	2,812,434	1,167,623
Contributions receivable	1,510,235	1,808,299
Investments	9,282,720	4,332,685
Beneficial interest in assets held by others	116,830	91,864
Prepaid expenses and other assets	268,803	94,353
Operating lease right-of-use asset	200,776	-
Property and equipment, net	21,969,299	23,028,356
TOTAL ASSETS	$ 38,695,231	$ 35,508,283
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 298,892	$ 467,770
Accrued salaries and related payables	709,226	578,223
Refundable advance - Smart Start	927,158	-
Operating lease obligations	206,313	-
TOTAL LIABILITIES	2,141,589	1,045,993
NET ASSETS		
Without donor restrictions:		
Invested in property and equipment	15,854,840	16,276,818
Board-designated for property and equipment	2,614,604	2,953,948
Board-designated for endowment	2,098,109	2,001,267
Undesignated	5,339,902	3,976,593
Total unrestricted net assets	25,907,455	25,208,626
With donor restrictions	10,646,187	9,253,664
TOTAL NET ASSETS	36,553,642	34,462,290
TOTAL LIABILITIES AND NET ASSETS	$ 38,695,231	$ 35,508,283

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, 2023 (with comparative totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Comparative Total 2022
REVENUE AND SUPPORT				
Grants and contracts	$ 18,845,717	$ 1,956,337	$ 20,802,054	$ 16,279,349
Contributions	1,306,214	508,786	1,815,000	1,951,924
PPP Loan Forgiveness	-	-	-	665,468
Special event revenue	281,325	-	281,325	243,035
United Way	-	899,624	899,624	738,000
In-kind contribution	380,019	53,310	433,329	3,787,015
Client fees	677,808	-	677,808	537,861
Unrealized and realized gain (loss) on investments	261,481	-	261,481	(698,603)
Interest and dividends	150,752	-	150,752	78,408
Miscellaneous	244,645	-	244,645	61,993
Release from restrictions	2,025,534	(2,025,534)	-	-
Total revenue and support	24,173,495	1,392,523	25,566,018	23,644,450
EXPENSES				
Program services	19,407,883	-	19,407,883	16,094,808
Management and general	3,414,296	-	3,414,296	2,555,687
Costs of direct benefits to donors	69,382	-	69,382	77,066
Fundraising	583,105	-	583,105	376,221
Total expenses	23,474,666	-	23,474,666	19,103,782
Change in net assets	698,829	1,392,523	2,091,352	4,540,668
NET ASSETS, BEGINNING OF YEAR	25,208,626	9,253,664	34,462,290	29,921,622
NET ASSETS, END OF YEAR	$ 25,907,455	$ 10,646,187	$ 36,553,642	$ 34,462,290

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contracts	$ 16,279,349	$ -	$ 16,279,349
Contributions	1,129,878	822,046	1,951,924
PPP Loan Forgiveness	665,468	-	665,468
Special event revenue	243,035	-	243,035
United Way	-	738,000	738,000
In-kind contributions: building lease	469,547	3,317,468	3,787,015
Client fees	537,861	-	537,861
Unrealized and realized gain (loss) on investments	(698,603)	-	(698,603)
Interest and dividends	78,408	-	78,408
Miscellaneous	61,993	-	61,993
Release from restrictions	1,505,607	(1,505,607)	-
Total revenue and support	20,272,543	3,371,907	23,644,450
EXPENSES			
Program services	16,094,808	-	16,094,808
Management and general	2,555,687	-	2,555,687
Costs of direct benefits to donors	77,066	-	77,066
Fundraising	376,221	-	376,221
Total expenses	19,103,782	-	19,103,782
Change in net assets	1,168,761	3,371,907	4,540,668
NET ASSETS, BEGINNING OF YEAR	24,039,865	5,881,757	29,921,622
NET ASSETS, END OF YEAR	$ 25,208,626	$ 9,253,664	$ 34,462,290

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, 2023

	Early Childhood Services	Foster Care	Counseling	Total Program Services	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total
Salaries	$ 7,922,304	$ 191,800	$ 966,890	$ 9,080,994	$ 1,034,043	$ -	$ 313,282	$ 10,428,319
Payroll taxes	619,414	15,821	76,558	711,793	79,153	-	23,189	814,135
Benefits	926,204	21,495	125,572	1,073,271	65,728	-	32,406	1,171,405
Professional fees	678,003	6,643	42,416	727,062	342,831	-	3,903	1,073,796
Office supplies and postage	610,703	11,714	52,909	675,326	92,226	-	118,265	885,817
Nutrition program	298,922	-	5,149	304,071	-	-	-	304,071
Communications	178,220	6,156	21,957	206,333	69,532	69,382	12,352	357,599
Occupancy	2,097,259	28,590	48,131	2,173,980	441,451	-	8,155	2,623,586
Printing and publications	43,858	810	3,694	48,362	2,499	-	28,895	79,756
Transportation	33,993	4,888	3,426	42,307	2,180	-	505	44,992
Conference and training	832,717	2,173	19,403	854,293	10,074	-	11,112	875,479
Client services	-	-	-	-	-	-	-	-
Program supplies	624,190	-	35	624,225	19	-	113	624,357
Interest	-	-	-	-	178	-	-	178
Insurance	206,373	3,910	16,859	227,142	14,678	-	3,910	245,730
Specific assistance	2,545,357	533	43,967	2,589,857	35,159	-	11,549	2,636,565
Depreciation	-	-	-	-	1,224,544	-	-	1,224,544
Bad debts	75	-	68,792	68,867	1	-	15,469	84,337
Total expenses	$ 17,617,592	$ 294,533	$ 1,495,758	$ 19,407,883	$ 3,414,296	$ 69,382	$ 583,105	$ 23,474,666

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

SUNBEAM FAMILY SERVICES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Early Childhood Services	Foster Care	Counseling	Total Program Services	Management and General	Costs of Direct Benefits to Donors	Fundraising	Total
Salaries	$ 6,854,353	$ 230,309	$ 628,753	$ 7,713,415	$ 844,301	$ -	$ 243,428	$ 8,801,144
Payroll taxes	516,572	18,699	46,669	581,940	62,775	-	16,328	661,043
Benefits	858,822	31,557	78,328	968,707	79,485	-	25,775	1,073,967
Professional fees	424,138	5,277	13,673	443,088	416,819	-	3,161	863,068
Office supplies and postage	637,384	7,731	16,529	661,644	46,654	-	32,187	740,485
Nutrition program	192,026	30	2,544	194,600	18	-	54	194,672
Communications	171,898	8,899	21,353	202,150	80,417	77,066	10,666	370,299
Occupancy	1,565,865	13,153	19,946	1,598,964	102,461	-	4,325	1,705,750
Printing and publications	24,061	1,263	3,024	28,348	5,091	-	20,695	54,134
Transportation	19,077	6,316	15,412	40,805	36	-	-	40,841
Conference and training	285,713	2,425	16,572	304,710	6,825	-	3,181	314,716
Client services	81	6	18,210	18,297	10	-	2	18,309
Program supplies	640,041	48	-	640,089	-	-	-	640,089
Interest	2	-	-	2	128	-	-	130
Insurance	217,621	5,766	14,255	237,642	17,417	-	3,047	258,106
Specific assistance	2,433,180	3,884	22,152	2,459,216	33,175	-	9,872	2,502,263
Depreciation	-	-	-	-	860,075	-	-	860,075
Bad debts	(16)	-	1,207	1,191	-	-	3,500	4,691
Total expenses	$ 14,840,818	$ 335,363	$ 918,627	$16,094,808	$ 2,555,687	$ 77,066	$ 376,221	$ 19,103,782

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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,091,352	$ 4,540,668
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,072,324	1,707,855
Forgiveness of PPP loan	-	(665,468)
Investment (return) loss, net	(339,878)	632,775
Accretion of discount on building lease	(210,701)	-
Stock donation	(23,066)	(6,001)
Change in beneficial interest of others	(10,258)	13,620
In-kind contribution - building lease	-	(3,686,076)
Amortization of right-of-use asset	22,914	-
Change in operating assets and liabilities:		
Receivables	(1,351,820)	550,131
Prepaid expenses and other assets	(174,450)	116,152
Accounts payable and accrued liabilities	(168,878)	(59,772)
Accrued salaries and related payables	131,003	(13,859)
Refundable advance - Smart Start	664,306	-
Operating lease liability	(17,377)	-
Net cash provided by operating activities	2,685,471	3,130,025
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(802,566)	(1,626,171)
Proceeds from sale of investments	75,761	96,180
Additions to assets held by others	(19,890)	-
Purchases of investments	(4,400,000)	-
Distribution from interest in assets held by others	5,182	4,970
Net cash used in investing activities	(5,141,513)	(1,525,021)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on Paycheck Protection Program forgivable loan	-	(230,332)
Net cash used in financing activities	-	(230,332)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,456,042)	1,374,672
CASH AND CASH EQUIVALENTS, Beginning of year	4,966,375	3,591,703
CASH AND CASH EQUIVALENTS, End of year	$ 2,510,333	$ 4,966,375
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 178	$ 130
NONCASH FINANCING ACTIVITIES		
Forgiveness of PPP loan	$ -	$ 665,468
Stock donation	$ 23,066	$ 6,001
Smart Start stock transfer via refundable advance	$ 262,852	$ -
Right-of-use assets acquired via lease obligations	$ 223,690	$ -

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

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of activities – Sunbeam Family Services, Inc. was organized as a nonprofit corporation in 1907 to provide services within the Oklahoma City metropolitan area. These services include fostering and strengthening family life and developing the capacities of individual adults, children, and family groups toward a satisfying and socially useful life. Sunbeam Family Services, Inc. is funded primarily by contracts with the United States Department of Health and Human Services, Oklahoma State Department of Education, Oklahoma Department of Human Services, and other federal and state agencies. Additionally, Sunbeam Family Services, Inc. receives contributions and grants from individuals, businesses, and other non-profit organizations.

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

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

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

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

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

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

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

Cash and cash equivalents – For purposes of the statement of cash flows, Sunbeam considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents unless designated for investment purposes.

Revenue recognition – Revenues that have the characteristics of exchange transactions, such as client fees, are not recognized until earned. Sunbeam's earned revenue include a single performance obligation and is recognized at a point-in-time as services are provided. Fees received prior to services being provided are recorded as deferred revenue. Accounts receivable from contracts with customers totaled $23,801, $18,728, and $14,576, at June 30, 2023, 2022, and 2021, 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.

Sunbeam has agreements with third-party payors that provide for payments to Sunbeam at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts.

Receivables and credit policies – Trade, grants, and contract accounts receivable are uncollateralized obligations generally requiring payment within 30 days from the invoice date. Sunbeam reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. 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. Management has recognized an allowance for doubtful accounts of approximately $85,000 and $4,000 as of June 30, 2023 and 2022, respectively.

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

sales of securities are computed based on specific identification. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying financial statements.

Beneficial interest in assets held by others – Sunbeam follows the Accounting Standards Codification ("ASC") guidance which requires a not-for-profit organization that transfers assets to a community foundation and specifies itself as the beneficiary to recognize its beneficial interest in the assets transferred (see Note 5). Sunbeam carries its beneficial interest in the assets held by the Oklahoma City Community Foundation, Inc. ("OCCF") and Communities Foundation of Oklahoma ("CFO") at fair value.

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

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

Concentration of credit risk – Sunbeam maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2023 and 2022, Sunbeam's deposit balances with financial institutions subject to FDIC coverage exceeded such coverage by $2,600 and $280,666, 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, 2023 or 2022.

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

Board designated endowment funds – Sunbeam adopted the standard "Endowments of Not-for-Profit Organizations" which among other things enhances disclosures for endowment funds maintained by not-for-profit organizations. Sunbeam has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The endowment assets are to be sufficiently diversified to minimize the risk of material loss. High risk or speculative investments are to be avoided. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's board of trustees annually determines the amount of the endowment to distribute to support Sunbeam's operations.

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

Income taxes – Sunbeam is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any income that Sunbeam generates from an unrelated trade or business which is subject to federal corporate taxes on income. With few exceptions, Sunbeam is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years beginning before June 30, 2020.

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

Sunbeam also receives significant volunteer services in conjunction with the Head Start and Early Head Start Programs. These services qualify for in-kind matching based on the guidelines of the Department of Health and Human Services programs, but do not meet the requirements for recognition in the financial statements.

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

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

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

Adopted accounting pronouncements – In February 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842). FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the statement of financial position for most leases and provide enhanced disclosures. Sunbeam adopted FASB ASC 842, with a date of initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, Leases (Topic 842): Targeted Improvements. Sunbeam did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of July 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. The most significant effects of adopting FASB ASC 842 was the recognition of $223,690 of operating lease right-of-use ("ROU") assets and operating lease liabilities. No cumulative effect adjustment to net assets as of July 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended June 30, 2023.

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:

	2023	2022
Cash and cash equivalents	$ 2,510,333	$ 4,435,709
Receivables:		
Trade	23,801	18,728
Grants and contracts	2,812,434	1,167,623
Contributions receivable (due in less than one year - see note 3)	1,210,476	1,313,799
Distributions from beneficial interests in assets held by others	6,590	3,227
	$ 6,563,634	$ 6,939,086

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, 2023 and 2022, contributions receivable are considered fully collectible and are due as follows:

	2023	2022
Due in less than one year	$ 1,210,476	$ 1,313,799
Due in one to five years	299,759	494,500
	$ 1,510,235	$ 1,808,299

At June 30, 2023 and 2022, contributions receivable totaling $1,299,624 and $1,338,000 and are from two donors.

4. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at June 30:

	2023	2022
Building and improvements	$ 20,022,494	$ 18,467,730
Building lease	6,159,089	6,751,538
Office equipment	2,310,344	1,774,927
Land	871,796	811,220
Construction in progress	-	1,529,456
	29,363,723	29,334,871
Less: accumulated depreciation	(7,394,424)	(6,306,515)
Net property and equipment	$ 21,969,299	$ 23,028,356

Depreciation expense for the years ended June 30, 2023 and 2022 totaled $1,224,544 and $860,075, respectively.

Building leases – Effective September 1, 2019, Sunbeam entered into a lease agreement with Independent School District No. 89 of Oklahoma County to lease the Pierce Elementary School building located at 2701 S. Tulsa Ave, Oklahoma City, Oklahoma for use as an early childhood services center. Effective July 1, 2021, Sunbeam entered into a similar lease agreement with Independent School District No. 89 of Oklahoma County to lease the Edwards Elementary School building located at 1123 NE Grand Blvd, Oklahoma City, Oklahoma for use as an early childhood services center. Both leases have an initial term of five years with a renewal option for one additional five-year period at the discretion of Sunbeam. The annual rent for each lease is $12,000 for the first term and $18,000 for the second term which has been capitalized in accordance with ASC-842 (see Note 14). As the fair market rental value of the buildings exceed the fixed rent, Sunbeam has recorded a long-term contribution receivable which is presented in the accompanying statements of financial position as property and equipment and shown in this footnote as building lease. The fair value of the contribution receivable was established based on the market value of the leases above the contracted rate at the date of contribution. The lease agreements state that any improvements made to the property will become the assets of the landlord upon termination of the lease agreements. Amortization expense of the above long-term building leases totaled $847,780 for both years ended June 30, 2023 and 2022, and is recognized as occupancy expense in the accompanying statements of functional expenses and as a direct reduction of the building lease asset balance included in the above table.

5. COMMUNITY FOUNDATION FUNDS

Sunbeam is the designated beneficiary of donor advised funds at Oklahoma City Community Foundation ("OCCF"), Communities Foundation of Oklahoma ("CFO"), and Tulsa Community Foundation ("TCF") (collectively referred to as the "Community Foundations"). These funds were contributed to the Community Foundations by Sunbeam and other third-party contributors. The Community Foundations have variance power over all contributions. Sunbeam follows the standard, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others" to account for these funds. Assets transferred by Sunbeam remain on the statements of financial position as beneficial interests in assets held by others. Contributions from third parties are disclosed below, but not recognized as assets of Sunbeam. Sunbeam receives a distribution from funds held at OCCF and CFO each year based on a percentage of the average fair market value of the funds over the previous eight quarters. Distributions are received from TCF as determined at the discretion of the donors.

The balance of the funds as of June 30, 2023 and 2022 was as follows:

	2023		2022	
	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	$ 94,300	$ 300,704	$ 70,036	$ 303,770
CFO	22,530	5,570	21,828	5,396
TCF	-	278,177	-	253,708
	$ 116,830	$ 584,451	$ 91,864	$ 562,874

6. FAIR VALUE MEASUREMENTS

Financial assets measured at fair value on a recurring basis are classified within the fair value hierarchy as of June 30, 2023 as follows:

	Carrying Value	Total Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
ASSETS					
Investments:					
Cash Equivalents	$ 3,654,540	$ 3,654,540	$ 3,654,540	$ -	$ -
Certificates of Deposit	1,908,886	1,908,886	-	1,908,886	-
Corporate Bonds	131,442	131,442	-	131,442	-
Common Stock	457,284	457,284	457,284	-	-
Mutual Funds:					
Equity	1,348,438	1,348,438	1,348,438	-	-
International Equities	377,275	377,275	377,275	-	-
Fixed Income	1,404,855	1,404,855	1,404,855	-	-
Total Investments	9,282,720	9,282,720	7,242,392	2,040,328	-
Beneficial interest in assets held by others	116,830	116,830	-	-	116,830
	$ 9,399,550	$ 9,399,550	$ 7,242,392	$ 2,040,328	$ 116,830

As of June 30, 2022, 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	$ 221,579	$ 221,579	$ 221,579	$ -	$ -
Certificates of Deposit	115,229	115,229	-	115,229	-
Common Stock	578,920	578,920	578,920	-	-
Mutual Funds:					
Equity	2,110,723	2,110,723	2,110,723	-	-
Fixed Income	1,306,234	1,306,234	1,306,234	-	-
Total Investments	4,332,685	4,332,685	4,217,456	115,229	-
Beneficial interest in assets held by others	91,864	91,864	-	-	91,864
	$ 4,424,549	$ 4,424,549	$ 4,217,456	$ 115,229	$ 91,864

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

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

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

7. BOARD DESIGNATED ENDOWMENT FUNDS

As of June 30, 2023 and 2022, 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, 2023 and 2022, is as follows:

	2023	2022
Endowment net assets, beginning of year	$ 2,001,267	$ 2,389,122
Investment return	157,790	(286,705)
Contributions	19,890	-
Appropriation of endowment assets for expenditure	(80,838)	(101,150)
Endowment net assets, end of year	$ 2,098,109	$ 2,001,267

8. NOTES PAYABLE

Line of Credit – Sunbeam entered into a $4,000,000 revolving line of credit with a financial institution on March 31, 2023. 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 3.50% (8.25% as of June 30, 2023). This loan is collateralized by mortgage of real property and assignment of rents. Repayment of all outstanding principal plus all accrued unpaid interest is due at maturity on March 30, 2024. There was no outstanding balance as of June 30, 2023.

9. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Subject to expenditure for specified purposes:		
Early childhood services	$ 2,053,062	$ 399,767
Caregiver Fundamentals	63,860	73,283
Friends of Sunbeam	3,325	2,710
Mental Health Services	407,414	200,000
Other	619,201	92,366
Time restricted for subsequent period:		
United Way	899,624	738,000
Inasmuch Foundation	400,000	860,000
Building lease	6,114,459	6,751,538
Other pledges	85,242	136,000
Total net assets with donor restrictions	$ 10,646,187	$ 9,253,664

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, 2023 and 2022 was $263,266 and $253,718, 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 $14,464,747 and $11,912,969 during the years ended June 30, 2023 and 2022, respectively. Grants receivable from Head Start and Early Head Start programs totaled $2,304,185 and $820,187 at June 30, 2023 and 2022, respectively.

12. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, Sunbeam receives contract funds from various federal and state grantor agencies. The programs are subject to audit by the granting authority, the purpose of which is to ensure compliance with conditions imposed by the granting agency. Any reimbursement, which may arise as the result of the audit of contract funds, is not believed to be material.

13. IN-KIND CONTRIBUTIONS

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statements of activities included the following:

	2023	2022
Building lease	$ 404,639	$ 3,787,015
Legal services	28,690	-
	$ 433,329	$ 3,787,015

As discussed in Note 4, Sunbeam receives in-kind contributions in the form of discounted rent. This rent is recognized at fair value based on current rates for similar properties.

Contributed legal services were provided by attorneys who advise Sunbeam on various administrative legal matters. Contributed legal services are used for management and general activities and are recognized at fair value based on current rates for similar legal services.

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. LEASES – ASC 842

Sunbeam adopted ASU 2016-02 (ASC 842) as of July 1, 2022. Sunbeam has operating and short-term leases for office space and equipment. Sunbeam's leases were evaluated to be operating and short-term leases as of July 1, 2022. Sunbeam assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

The leases have remaining terms of 0-8 years. Leases that include options to extend are included in the lease assets and liabilities once they are determined to be likely.

The operating leases do not provide an implicit rate; accordingly, Sunbeam uses the borrowing rate based on the risk-free borrowing rate at the commencement date in determining the present value of lease payments.

The components of lease expense for the year ended June 30, 2023 were as follows:

Operating lease cost	$ 29,537
Variable lease cost	-
Short-term lease cost	12,539
In-kind operating lease	847,780
Finance lease cost:	
Amortization of right-of-use assets	-
Interest on lease liabilities	-
Total lease cost	$ 889,856

Supplemental cash flow information related to leases for the year ended June 30, 2023 was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating Lease - Operating Cash Flows	$ 24,000
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 223,690

Supplemental information related to leases for the year ended June 30, 2023 was as follows:

Weighted Average Remaining Lease Term	
Operating leases	7.61 Years
Weighted Average Discount Rate	
Operating leases	3.27%

Maturities of lease liabilities as of June 30, 2023 were as follows:

Years ending June 30:	Operating Leases
2024	$ 24,000
2025	29,000
2026	30,000
2027	36,000
2028	36,000
Thereafter	75,000
Total lease payments	230,000
Less imputed interest	(23,687)
Total	$ 206,313

16. SUBSEQUENT EVENTS

In April 2023, Sunbeam entered into a conditional contribution agreement with Smart Start of Central Oklahoma ("SSCO") in which effective July 1, 2023, Sunbeam would receive various assets of SSCO including intellectual property, cash reserves, inventory, and property and equipment in addition to rights under various contracts and grants. Assets totaling approximately $927,000 transferred to Sunbeam before the effective date have been reflected as refundable advances in the accompanying statement of financial position.

Subsequent events have been evaluated through February 26, 2024, which is the date the consolidated financial statements were available to be issued.

* * * * * *

SUPPLEMENTARY INFORMATION

SUNBEAM FAMILY SERVICES, INC.

SUPPLEMENTARY CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Early Childhood 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	$ 20,195,843	$ 237,692	$ 288,317	$ 20,721,852	$ 5,202	$ -	$ 75,000	$ -	$ 20,802,054
Contributions	555,651	38,351	479,261	1,073,263	31,500	-	785,807	(75,570)	1,815,000
Special event revenue	-	-	-	-	-	281,325	-	-	281,325
United Way	310,000	49,500	540,124	899,624	-	-	-	-	899,624
In-Kind	433,329	-	-	433,329	-	-	-	-	433,329
Client fees	10,325	-	667,483	677,808	-	-	-	-	677,808
Unrealized and realized gain (loss) on investments	-	-	-	-	148,844	-	-	112,637	261,481
Interest and dividends	-	-	-	-	106,213	-	-	44,539	150,752
Miscellaneous	7,643	28	-	7,671	236,974	-	-	-	244,645
Total revenue and support	21,512,791	325,571	1,975,185	23,813,547	528,733	281,325	860,807	81,606	25,566,018
EXPENSES									
Salaries	7,922,304	191,800	966,890	9,080,994	1,034,043	-	313,282	-	10,428,319
Payroll taxes	619,414	15,821	76,558	711,793	79,153	-	23,189	-	814,135
Benefits	926,204	21,495	125,572	1,073,271	65,728	-	32,406	-	1,171,405
Professional fees	678,003	6,643	42,416	727,062	333,103	-	3,903	9,728	1,073,796
Office supplies and postage	610,703	11,714	52,909	675,326	92,226	-	118,265	-	885,817
Nutrition program	298,922	-	5,149	304,071	-	-	-	-	304,071
Communications	178,220	6,156	21,957	206,333	69,532	69,382	12,352	-	357,599
Occupancy	2,097,259	28,590	48,131	2,173,980	441,451	-	8,155	-	2,623,586
Printing and publications	43,858	810	3,694	48,362	2,499	-	28,895	-	79,756
Transportation	33,993	4,888	3,426	42,307	2,180	-	505	-	44,992
Conference and training	832,717	2,173	19,403	854,293	10,074	-	11,112	-	875,479
Program supplies	624,190	-	35	624,225	19	-	113	-	624,357
Interest	-	-	-	-	178	-	-	-	178
Insurance	206,373	3,910	16,859	227,142	13,849	-	3,910	829	245,730
Specific assistance	2,545,357	533	43,967	2,589,857	35,159	-	11,549	-	2,636,565
Depreciation	-	-	-	-	1,224,544	-	-	-	1,224,544
Bad debts	75	-	68,792	68,867	1	-	15,469	-	84,337
Management and general *	1,734,474	29,448	146,336	1,910,258	(1,910,258)	-	-	-	-
Total expenses	19,352,066	323,981	1,642,094	21,318,141	1,493,481	69,382	583,105	10,557	23,474,666
Change in net assets	$ 2,160,725	$ 1,590	$ 333,091	$ 2,495,406	$ (964,748)	$ 211,943	$ 277,702	$ 71,049	$ 2,091,352

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

See independent auditor's report.

SUNBEAM FAMILY SERVICES, INC.

SUPPLEMENTARY CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Early Childhood 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	$ 15,782,925	$ 306,088	$ 312,438	$ 16,401,451	$ -	$ -	$ -	$ -	$ 16,401,451
Contributions	1,061,435	26,923	109,085	1,197,443	591,016	-	259,640	(96,175)	1,951,924
PPP loan forgiveness	-	-	-	-	665,468	-	-	-	665,468
Special event revenue	-	-	-	-	-	243,035	-	-	243,035
United Way	310,000	50,500	377,500	738,000	-	-	-	-	738,000
In-Kind	3,787,015	-	-	3,787,015	-	-	-	-	3,787,015
Client fees	36,065	-	379,694	415,759	-	-	-	-	415,759
Unrealized and realized gain (loss) on investments	-	-	-	-	(13,300)	-	(389,181)	(296,122)	(698,603)
Interest and dividends	-	-	-	-	1,189	-	43,199	34,020	78,408
Miscellaneous	18,055	-	-	18,055	43,804	-	134	-	61,993
Total revenue and support	20,995,495	383,511	1,178,717	22,557,723	1,288,177	243,035	(86,208)	(358,277)	23,644,450
EXPENSES									
Salaries	6,854,353	230,309	628,753	7,713,415	844,301	-	243,428	-	8,801,144
Payroll taxes	516,572	18,699	46,669	581,940	62,775	-	16,328	-	661,043
Benefits	858,822	31,557	78,328	968,707	79,485	-	25,775	-	1,073,967
Professional fees	424,138	5,277	13,673	443,088	405,831	-	3,161	10,988	863,068
Office supplies and postage	637,384	7,731	16,529	661,644	46,654	-	32,187	-	740,485
Nutrition program	192,026	30	2,544	194,600	18	-	54	-	194,672
Communications	171,898	8,899	21,353	202,150	80,417	77,066	10,666	-	370,299
Occupancy	1,565,865	13,153	19,946	1,598,964	102,461	-	4,325	-	1,705,750
Printing and publications	24,061	1,263	3,024	28,348	5,091	-	20,695	-	54,134
Transportation	19,077	6,316	15,412	40,805	36	-	-	-	40,841
Conference and training	285,713	2,425	16,572	304,710	6,825	-	3,181	-	314,716
Program supplies	640,041	48	-	640,089	-	-	-	-	640,089
Interest	2	-	-	2	128	-	-	-	130
Insurance	217,621	5,766	14,255	237,642	16,588	-	3,047	829	258,106
Specific assistance	2,433,261	3,890	40,362	2,477,513	33,185	-	9,874	-	2,520,572
Depreciation	-	-	-	-	860,075	-	-	-	860,075
Bad debts	(16)	-	1,207	1,191	-	-	3,500	-	4,691
Management and general *	1,545,663	33,522	91,694	1,670,879	(1,670,879)	-	-	-	-
Total expenses	16,386,481	368,885	1,010,321	17,765,687	872,991	77,066	376,221	11,817	19,103,782
Change in net assets	$ 4,609,014	$ 14,626	$ 168,396	$ 4,792,036	$ 415,186	$ 165,969	$ (462,429)	$ (370,094)	$ 4,540,668

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

See independent auditor's report.

SUNBEAM FAMILY SERVICES, INC.
SUPPLEMENTARY SCHEDULE OF STATE FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

State Grantor / Program Title	Contract Number	Award Period	Award Amount	Total State Revenues Recognized	Total State Expenditures Recognized
Oklahoma State Department of Education					
Passed through Community Action Project of Tulsa County, Inc. Oklahoma Early Childhood Program		July 1, 2022 - June 30, 2023	$ 1,325,058	$ 1,325,058	$ 1,325,058
Oklahoma Department of Human Services					
Supported Foster Care Homes	21000050	July 1, 2022 - June 30, 2023	237,692	237,692	237,692
Child Care Subsidy Payments	20533, 29462, 29553, 29617, 29714, 29778, 30035, 30065, 30066, 30070	July 1, 2022 - June 30, 2023	1,342,715	1,342,715	1,342,715
Child Care Stabilization Grant	N/A	N/A	830,000	830,000	23,663
Child Care Desert Grant - Metro Tech	PN-33958	N/A	300,000	300,000	-
Child Care Desert Grant - Edwards	PN-32605	N/A	850,000	850,000	-
Child Care Stars Payments	N/A	N/A	75,000	75,000	75,000
Oklahoma Department of Mental Health and Substance Abuse Services					
Early Childhood Mental Health Consultation Training Center	PO 4529064216	July 1, 2022 - June 30, 2023	149,514	88,917	88,917
				$ 5,049,382	$ 3,093,045

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, 2023, 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 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Sunbeam's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sunbeam's internal control. Accordingly, we do not express an opinion on the effectiveness of Sunbeam's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunbeam's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

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

February 26, 2024

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sunbeam Family Services, Inc.'s ("Sunbeam") compliance with the types of compliance requirements identified as subject to audit 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, 2023. Sunbeam's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sunbeam complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

HSPG & Associates, P.C.

February 26, 2024

SUNBEAM FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor / Pass- Through Grantor / Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
United States Department of Health and Human Services			
Head Start Cluster:			
Early Head Start	93.600	06CH010877	$ 2,265,820
Early Head Start - Child Care Partnership	93.600	06HP000332	4,239,393
Early Head Start - Child Care Partnership Expansion	93.600	06HP000478	2,020,091
Early Head Start - Child Care Partnership Expansion	93.600	06HP000119	4,515,009
American Rescue Plan	93.600	06HE000092c6	707,599
Coronavirus Response and Relief Supplemental Act	93.600	06HE000092c5	129,716
Passed-through Community Action Agency of Oklahoma City and Oklahoma/Canadian Counties, Inc.			
Head Start	93.600	06CH011443	587,118
Head Start cluster total			14,464,746
Passed-through Oklahoma Department of Mental Health and Substance Abuse:			
Engaging Adversity, Surviving Trauma in OKC - NCTSI CAT-III	93.243	15920	76,169
Passed-through Oklahoma State Department of Health			
Oklahoma Initiative to Address COVID-19 Health Disparities	93.391	NH75OT000097	207,103
Passed-through Oklahoma Department of Human Services/ReMerge of Oklahoma County, Inc.			
In-Home Parent Coach (TANF)	93.558	-	20,134
Passed-through Oklahoma Partnership for School Readiness			
Child Care & Development Block Grant - Concious Discipline	93.575	-	548,524
Passed-through Oklahoma Partnership for School Readiness			
Child Care & Development Block Grant - Early Learning Matters	93.575	-	49,671
Total U.S. Department of Health and Human Services			15,366,347
United States Department of Agriculture			
Passed-through Oklahoma State Department of Education:			
Child & Adult Care Food Program	10.558	DC-55-1004	225,025
United States Department of Justice			
Passed-through Office of Victims of Crime			
Victims of Crime Act	16.575	18844 NRP 23	5,045
United States Department of Homeland Security (DHS)			
Passed through Oklahoma Office of Homeland Security			
Nonprofit Security Grant Program FY 2022 - Educare	97.008	1495.023	5,527
Nonprofit Security Grant Program FY 2022 - Classen Campus	97.008	1495.024	5,202
Nonprofit Security Grant Program FY 2022 - Pierce	97.008	1495.025	5,527
Total U.S. Department of Homeland Security			16,256
United States Department of the Treasury			
Passed through Oklahoma Department of Commerce			
ARPA - Oklahoma Nonprofit Relief Program	21.027	-	75,000
			$ 15,687,673

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, 2023

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, 2023. Sunbeam's reporting entity is defined in Note 1 to Sunbeam's basic financial statements. 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. All federal awards passed through other government agencies are included on the Schedule.

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, 2023

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	__X__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:

Program / Cluster	Assistance Listing 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?	__X__yes	_____no

Section II-Findings Required to be Reported in Accordance with *Government Auditing Standards*:
None to report for the June 30, 2023 period.

Section III-Findings Required to be Reported in Accordance with the Uniform Guidance:
None to report for the June 30, 2023 period.

SUNBEAM FAMILY SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings
None

Internal Control Findings
None

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings
None

Internal Control Findings
None