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May 18, 2012

Independent Auditor's Report

The Board of Directors

Sunshine Social Services, Inc.

We have audited the accompanying statement of financial position of Sunshine Social Services, Inc. (the Organization), as of December 31, 2011, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Organization, as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Marc Labossiere PA

**Sunshine Social Services, Inc.**  
**Statements of Financial Position**  
**December 31, 2011**

**Assets**

Cash and cash equivalents	\$ 107,491
Accounts receivable, net	56,572
Furniture, Fixtures & Equipments, net	12,753
Deposits	<u>8,500</u>
Total assets	<u>\$ 185,316</u>

**Liabilities and net assets**

Accounts payable	\$ -0-
Line of Credit Payable	<u>15,815</u>
Total liabilities	15,815

Net assets:

Unrestricted	100,501
Temporarily restricted	<u>69,000</u>
Total net assets	<u>169,501</u>
Total liabilities and net assets	<u>\$ 185,316</u>

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

**Sunshine Social Services, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2011**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Revenues, gains, and other support:</b>				
Support, :				
Contributions	\$ 24,070	\$		\$ 24,070
Board Commitment	23,925			23,925
Fundraising Events	26,121			26,121
Contributions - Guardian Circle	68,912			68,912
Private Grants	72,417	35,000		107,417
United Way	37,002			37,002
Government Grants	271,392			271,392
Total support	<u>523,839</u>	<u>35,000</u>	<u>-0-</u>	<u>558,839</u>
Program service fees	39,452			39,452
Interest Income	96			96
Other revenue	2,105			2,105
Total revenues, gains, and other support	<u>565,492</u>	<u>35,000</u>	<u>-0-</u>	<u>600,492</u>
<b>Expenses</b>				
Program services:				
Mental Health Service	124,783	35,000		159,783
Noble McArtor	304,691	25,000		329,691
Youth & Family Services	<u>63,334</u>	<u>25,000</u>		<u>88,334</u>
Total program services	492,808	85,000		577,808
Management and general	57,329			57,329
Fundraising	250			250
Total expenses	<u>550,387</u>	<u>85,000</u>		<u>635,387</u>
<b>Change in net assets</b>	15,105	(50,000)		(34,895)
<b>Prior Period Adjustment</b>	5,726			5,726
Net assets at beginning of year	79,670	119,000	-0-	198,670
Net assets at end of year	<u>\$ 100,501</u>	<u>\$ 69,000</u>	<u>\$ -0-</u>	<u>\$ 169,501</u>

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

**Sunshine Social Services, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2011**

<b>Operating activities:</b>	
Change in net assets	\$ (34,895)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization of Furniture, Fixtures & Equipment	3,306
Changes in operating assets and liabilities:	
Accounts receivable	(1,153)
Deposits	(8,500)
Accounts payable	(803)
Net cash provided by operating activities	<u>(42,045)</u>
 <b>Investing activities:</b>	
Purchases of Furniture, Fixture & equipments	<u>(9,087)</u>
Net cash used in investing activities	(9,087)
 <b>Financing activities:</b>	
Prior Period Adjustment	5,726
Payments of Line of Credit payable	<u>(30,162)</u>
Net cash provided by financing activities	<u>(24,436)</u>
 Change in cash and cash equivalents	 (75,568)
Cash and cash equivalents at beginning of year	<u>183,059</u>
Cash and cash equivalents at end of year	<u><u>\$ 107,491</u></u>
 Interest paid	 <u><u>\$ 1,690</u></u>

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

**Sunshine Social Services, INC.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2011**

	Management & General	Mental Health Services	Noble McArtor Adult Day Care	Youth & Family Services	Total
Advertising & Promotion	\$ 636	\$ 175	\$ 2,293	\$ 405	\$ 3,509
Postage	212	225	336	65	838
Accounting	667	350	1,811	350	3,178
Background Checks		43	333	101	477
Computer Consulting	1,894	839	4,164	804	7,701
Credit Card Fees	1,440	105	546	105	2,196
Med Consulting		1,108			1,108
Online Storage		5,387			5,387
Other				1,525	1,525
Psychiatric		8,700			8,700
Fundraising Expenses	250			212	462
General Administration	4,509	2,405	12,464	2,440	21,818
Insurance	821	430	2,228	430	3,909
Interest	355	186	963	186	1,690
Occupancy	4,358	5,303	29,499	5,045	44,205
Office Expenses	115	60	311	60	546
Bank Charges	32	91	44	147	314
Dues & Subscription	383	378	2,042	217	3,020
Food & Food Supplies	4,266	1,885	1,915	2,883	10,949
Licenses					
NM Entertainment	120		16,557	700	17,377
Other Misc Service Costs					
Printing	730	1,387	866	1,949	4,932
Supplies & Materials	1,197	616	7,260	4,007	13,080
Telephone	2,981	1,963	8,704	1,731	15,379
Payroll Expenses	28,266	127,777	235,437	64,602	456,082
Depreciation	3,306				3,306
Training	40				40
Utilities	632	331	1,715	331	3,009
Travel	369	39	203	39	650
Total Expenses	<u>\$ 57,579</u>	<u>\$ 159,783</u>	<u>\$ 329,691</u>	<u>\$ 88,334</u>	<u>\$ 635,387</u>

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

**Sunshine Social Services, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2011**

**1. Description of Organization**

Sunshine Social Services, Inc mission is to provide critical life assistance and professional mental health services with an emphasis on economically disadvantaged, marginalized youth, and senior adults in the greater South Florida metropolitan area.

**The Noble A. McArtor Adult Day Care Center:** Broward County has become home to America's largest gay and lesbian community. Within this community are a growing number of seniors who are in need of assistance with some daily activities that many take for granted. These seniors may spend much of their time alone, without family or caregivers to accompany or care for them. Others may have caregivers who need to work in the daytime, or who just need time to take care of their personal business. In the LGBT community, many seniors in need of daytime or respite care have no option but to attend day care programs that are not open to and understanding of the special relationships and needs of gay and lesbian seniors. The Noble A. McArtor Center was founded by an extraordinary team of individuals whose vision created a safe, open and home-like atmosphere for all seniors and their caregivers to enjoy, regardless, and supportive of any sexual orientation or identification, race, age, gender, religion or economic level.

**Education and Outreach Program:**

These are programs designed to provide up to date information and skills acquisition on topics that directly affect the functional quality of LGBT families and individuals.

Programs include, but are not limited to: Conference and workshops for "consumers" i.e. LGBT persons, their friends, families and allies as well as clinical and professional training programs designed to meet the continuing education needs of services professionals, especially mental health and addictions treatment professionals.

**Counseling and Psychotherapy Programs:**

This program provides a full range of out-patient mental health services including individual, couples, family and group treatment both on site at the SunServe offices and at the offices of the various clinicians who make up the Therapists' Collective. Most services on site are provided by Florida registered mental health interns and/or volunteer licensed clinicians.

**Sunshine Social Services, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2011**

**Family and Youth Programs:**

The Youth Program operates the only Youth Group for LGBTQ youth in Broward County, has created the SunServe Socio-Drama Youth Ensemble to bring out discussion on sexual orientation in schools and local community organizations. All these programs are geared to build social and professional support systems for LGBT and Questioning youth.

General and administrative activities include the functions necessary to provide support the organization's program activities. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

**2. Significant Accounting Policies**

The organization prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America for NFPs. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

**3. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

**Sunshine Social Services, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2011**

**4. Net Assets**

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

**a) Unrestricted Net Assets**

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**b) Temporarily Restricted Net Assets**

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

**c) Permanently Restricted Net Assets**

Permanently restricted net assets are resources whose use by the organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class, as is the organization's beneficial interest in a perpetual charitable trust held by a bank trustee.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreases in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

**Sunshine Social Services, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2011**

**5. *Cash Equivalents***

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

**6. *Accounts Receivable***

Accounts receivable are primarily unsecured amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

**7. *Furniture, Fixtures, and Equipment***

Furniture, Fixtures and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Equipment is capitalized if it has a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Furniture, Fixtures & Equipment	5 years
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Furniture Fixtures and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

**8. *Grant Revenue***

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the organization.

**Sunshine Social Services, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2011**

**9. Expense Recognition and Allocation**

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

**10. Tax Status**

The organization is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the Code). Contributions to the organization are tax deductible to donors under section 170 of the Code. The organization is not classified as a private foundation

**11. Lease**

The organization entered into a lease for the 2<sup>nd</sup> floor of 2312 Wilton Drive, Wilton Manors, Florida in June of 2011. The lease provides for a free period from June 15, 2011 to July 31, 2011. The lease is for a period of five years. Base rent is \$ 4,125.00 per month starting August 1, 2011. There is an increase over the term of the lease as follow: 2<sup>nd</sup> Year 3% Increase, 3<sup>rd</sup> Year 4% Increase, 4<sup>th</sup> Year 5% Increase, 5<sup>th</sup> Year 5% Increase. The organization is to pay for all the taxes due on the lease plus their portion of the utilities.

**12. Furniture, Fixtures and Equipment**

Furniture, Fixtures and equipment at December 31, 2011, are as follows:

Furniture, Fixtures & Equipment	\$ 20,180
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Accumulated depreciation and amortization	7,427
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	\$ 12,753
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**Sunshine Social Services, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2011**

**13. Line of Credit Payable**

Line of credit with bank of America in the original principal amount of \$ 50,000. Maturity date of the loan is May 6, 2015. Interest rate is Lender's Prime rate plus 3% per annum. Payments are due as follows:

6 monthly payments of interest only, beginning on December 6, 2009, and continuing on the same day of each successive month through May 6, 2010, followed by 60 monthly payments of fixed principal in the amount of \$ 833.33, plus accrued interest, beginning on June 6, 2010, and continuing in the same day of each successive month until may 6, 2015, on which date all unpaid principal, interest and fees will be due and payable.

**14. Restricted Net Assets**

Temporarily restricted net assets at December 31, 2011, are available for the following purposes or periods:

Purpose restrictions, available for spending:

Noble McArthur Adult Day care center	\$ 17,000
Youth & Family Services	17,000
Mental Health Services	35,000
Total purpose-restricted net assets	<u>69,000</u>
Total temporarily restricted net assets	<u><u>\$ 69,000</u></u>

**15. Concentrations of Risk**

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The organization deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

A significant portion, approximately 36 percent, of the organization's annual funding comes from the Government grants.

**Sunshine Social Services, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2011**

The majority of the organization's contributions and grants are received from corporations, foundations, and individuals located in the greater Fort Lauderdale metropolitan area and from agencies of the state of Florida. As such, the organization's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of Florida. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the organization's services.

**16. Subsequent Events**

Subsequent events have been evaluated through May 18, 2012, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.