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February 14, 2011

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, 2010, 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, 2010, 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, 2010**

**Assets**

Cash and cash equivalents	\$ 183,059
Accounts receivable, net	55,419
Furniture, Fixtures & Equipments, net	<u>6,972</u>
Total assets	<u>\$ 245,450</u>

**Liabilities and net assets**

Accounts payable	\$ 803
Line of Credit Payable	<u>45,977</u>
Total liabilities	46,780

Net assets:

Unrestricted	79,670
Temporarily restricted	119,000
Total net assets	<u>198,670</u>
Total liabilities and net assets	<u>\$ 245,450</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, 2010**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<b>Revenues, gains, and other support:</b>				
Support, :				
Contributions	\$ 50,884	\$ 84,000		\$ 134,884
Fundraising Events	17,836			17,836
Contributions - Guardian Circle	45,627			45,627
Private Grants	57,175	35,000		92,175
Government Grants	254,008			254,008
Total support	<u>425,530</u>	<u>119,000</u>		<u>544,530</u>
Program service fees	40,051			40,051
Other revenue	5,306			5,306
Total revenues, gains, and other support	<u>470,887</u>	<u>119,000</u>	<u>-0-</u>	<u>589,887</u>
<b>Expenses</b>				
Program services:				
Mental Health Service	53,307			53,307
Noble McArtor	265,189			265,189
Youth & Family Services	47,759			47,759
Total program services	366,255			366,255
Management and general	29,721			29,721
Fundraising	11,363			11,363
Total expenses	<u>407,339</u>			<u>407,339</u>
<b>Change in net assets</b>	63,548	119,000		182,548
Net assets at beginning of year	16,122	-0-		16,122
Net assets at end of year	<u>\$ 79,670</u>	<u>\$ 119,000</u>	<u>\$ -0-</u>	<u>\$ 198,670</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, 2010**

<b>Operating activities:</b>	
Change in net assets	\$ 182,548
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization of Furniture, Fixtures & Equipment	348
Changes in operating assets and liabilities:	
Accounts receivable	(7,794)
Accounts payable	<u>(1,947)</u>
Net cash provided by operating activities	<u>173,155</u>
 <b>Investing activities:</b>	
Purchases of Furniture, Fixture & equipments	<u>(7,320)</u>
Net cash used in investing activities	(7,320)
 <b>Financing activities:</b>	
Opening balance Equity	13,463
Payments of Line of Credit payable	<u>(4,023)</u>
Net cash provided by financing activities	<u>9,440</u>
 Change in cash and cash equivalents	 175,275
Cash and cash equivalents at beginning of year	<u>7,784</u>
Cash and cash equivalents at end of year	<u><u>\$ 183,059</u></u>
 Interest paid	 <u><u>\$ 11,101</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, 2010**

	Fundraising	Management & General	Mental Health Services	Noble McArtor Adult Day Care	Youth & Family Services	Total
Advertising & Promotion	\$ 39	\$ 524	\$ 109	\$ 1,077	\$ 158	\$ 1,907
Postage		141	1,040	206	40	1,427
Accounting		281	138	713	138	1,270
Background Checks				473		473
Computer Consulting		1,182	619	3,209	619	5,629
Credit Card Fees		488	91	471	91	1,141
Other		193	96	779	96	1,164
Psychiatric			2,520			2,520
Fundraising Expenses	11,324	600		184		12,108
General Administration		284				284
Insurance		1,147	7,201	3,112	601	12,061
Interest		3,086	1,116	5,783	1,116	11,101
Occupancy			120	20,004	80	20,204
Office Expenses		853	223	874	170	2,120
Bank Charges		325	83	71	214	693
Dues & Subscription		365	446	1,295	175	2,281
Food & Food Supplies			914	4,237	1,836	6,987
Licenses		57	180	313	103	653
NM Entertainment				11,501	77	11,578
Other Misc Service Costs		97	151	415	1,731	2,394
Printing		496	1,668	1,452	806	4,422
Supplies & Materials		1,226	1,058	6,203	935	9,422
Telephone		1,415	1,281	3,840	1,237	7,773
Payroll Expenses		16,924	34,234	198,842	37,517	287,517
Travel	<u>.....</u>	<u>37</u>	<u>19</u>	<u>135</u>	<u>19</u>	<u>210</u>
Total Expenses	<u>\$ 11,363</u>	<u>\$ 29,721</u>	<u>\$ 53,307</u>	<u>\$ 265,189</u>	<u>\$ 47,759</u>	<u>\$ 407,339</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, 2010**

**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, 2010**

**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, and has teamed up with the Fort Lauderdale Gay Men's Chorus to form a Youth Chorus. 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, 2010**

**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, 2010**

**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, 2010**

**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. Furniture, Fixtures and Equipment**

Furniture, Fixtures and equipment at December 31, 2010, are as follows:

Furniture, Fixtures & Equipment	\$ 11,093
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Accumulated depreciation and amortization	4,121
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	\$ 6,972
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**Sunshine Social Services, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**12. 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.

**13. Restricted Net Assets**

Temporarily restricted net assets at December 31, 2010, are available for the following purposes or periods:

Purpose restrictions, available for spending:

Noble McArthur Adult Day care center	\$ 42,000
Youth & Family Services	42,000
Mental Health Services	35,000
Total purpose-restricted net assets	<u>119,000</u>
Total temporarily restricted net assets	<u><u>\$ 119,000</u></u>

**14. 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 54 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, 2010**

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.

**15. Subsequent Events**

Subsequent events have been evaluated through February 7, 2011, 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.