

Financial Statements

Sunshine Center, Inc.
December 31, 2021



Katherine Overbeck Maxwell, CPA, PLLC

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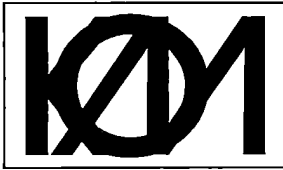
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Sunshine Center, Inc.

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Katherine Overbeck Maxwell, PLLC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Sunshine Center, Inc.

We have audited the accompanying financial statements of Sunshine Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunshine Center, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Katherine Overbeck Maxwell, PLLC
Certified Public Accountant

Report on Summarized Comparative Information

We have previously audited the Sunshine Center, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Katherine Overbeck Maxwell, CPA, PLLC
Galveston, Texas
February 24, 2023

Sunshine Center, Inc.
Statement of Financial Position
December 31, 2021
(with comparative totals as of December 31, 2020)

	2021	2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 436,885	\$ 362,528
Pledges Receivable	4,876	1,755
Program Service Fees Receivable	775	3,988
Prepaid Expenses	11,985	9,021
Total Current Assets	454,521	377,292
Property and Equipment, Net	267,158	270,458
Total Assets	\$ 721,679	\$ 647,750
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 34,646	\$ 22,389
Payroll Taxes Liabilities	1,653	(108)
PPP Loan	-	66,800
Total Current Liabilities	36,299	89,081
Net Assets		
Without Donor Restrictions	648,279	514,302
Without Donor Restrictions (Board Designated)	26,365	26,257
With Donor Restrictions	10,736	18,110
Total Net Assets	685,380	558,669
Total Liabilities and Net Assets	\$ 721,679	\$ 647,750

The accompanying notes to the financial statements are an integral part of this statement.

Sunshine Center, Inc.
Statement of Activities
For the Year Ended December 31, 2021
(with comparative totals as of December 31, 2020)

	2021			2020
	Without Donor Restriction	With Donor Restriction	Totals	Totals
Revenues and Other Support:				
Contributions and Grants	\$ 428,945	\$ 13,000	\$ 441,945	\$ 203,191
Program Service	65,738	-	65,738	59,766
United Way (Mainland and Galveston)	65,738	-	65,738	75,004
Contributions In-Kind	17,259	-	17,259	19,058
Greenhouse Sales	1,816	-	1,816	102
Investment Income	108	-	108	229
Other Income	442	-	442	400
Special Events	14,576	-	14,576	19,524
Loss on Disposition of Assets	-	-	-	-
Net Assets Released from Restriction	20,374	(20,374)	-	-
Total Revenue and Other Support	614,996	(7,374)	607,622	377,274
Expenses:				
Program Services				
Day-Habilitation	324,640	-	324,640	332,563
Supportive Employment	21,513	-	21,513	22,348
Community Support	47,635	-	47,635	49,086
Family Support	25,585	-	25,585	26,176
Case Management	-	-	-	-
Total Program Services	419,373	-	419,373	430,173
Support Services				
Management and General	40,884	-	40,884	31,076
Fundraising	20,654	-	20,654	21,604
Total Support Services	61,538	-	61,538	52,680
Total Expenses	480,911	-	480,911	482,853
Changes in Net Assets	134,085	(7,374)	126,711	(105,579)
Net Assets, Beginning of Year	540,559	18,110	558,669	664,248
Net Assets, End of Year	\$ 674,644	\$ 10,736	\$ 685,380	\$ 558,669

The accompanying notes to the financial statements are an intergral part of this statement.

Sunshine Center, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021
(with comparative totals as of December 31, 2020)

	2021								2020		
	Day-Habilitation	Supportive Employment	Community Support	Family Support	Case Management	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses	Total Expenses
Salaries	\$ 191,321	\$ 16,150	\$ 33,952	\$ 17,318	\$ -	\$ 258,741	\$ 16,606	\$ 9,485	\$ 26,091	\$ 284,832	\$ 295,755
Payroll Taxes	14,285	1,104	2,311	1,177	-	18,877	1,223	774	1,997	20,874	21,708
Employee Benefits	25,776	2,892	6,083	3,105	-	37,855	2,977	1,701	4,678	42,533	45,019
Pension Contribution	5,027	564	1,186	606	-	7,383	581	332	913	8,295	8,246
Worker's Compensation	1,837	206	433	221	-	2,697	212	121	333	3,030	3,072
	<u>238,246</u>	<u>20,916</u>	<u>43,965</u>	<u>22,427</u>	<u>-</u>	<u>325,553</u>	<u>21,599</u>	<u>12,413</u>	<u>34,012</u>	<u>359,565</u>	<u>373,800</u>
Accounting	-	-	-	-	-	-	11,173	-	11,173	11,173	450
Advertising	-	-	-	-	-	-	-	-	-	-	-
Awards	-	-	-	-	-	-	-	-	-	-	-
Bad Debt	2,901	-	-	-	-	2,901	-	-	-	2,901	5,408
Client Enrichment	314	-	-	-	-	314	-	-	-	314	1,125
Conference and Training	342	68	37	41	-	488	184	10	194	682	1,530
Contract Labor	-	-	-	-	-	-	-	-	-	-	-
Depreciation	18,219	-	1,140	569	-	19,928	2,277	569	2,846	22,774	27,473
Dues and Subscriptions	3,596	-	204	204	-	4,004	82	-	82	4,086	908
Equipment	932	12	12	47	-	1,003	117	47	164	1,167	1,313
Insurance	12,782	399	399	399	-	13,979	1,597	399	1,996	15,975	13,035
Miscellaneous	125	-	-	-	-	125	-	135	135	260	449
Occupancy	24,360	-	761	1,522	-	26,643	3,045	761	3,806	30,449	26,063
Postage and Delivery	238	-	-	-	-	238	62	217	279	517	325
Printing and Publications	458	-	-	-	-	458	-	346	346	804	637
Professional Fees	-	-	-	-	-	-	-	-	-	-	256
Sales Tax	42	-	-	-	-	42	-	-	-	42	56
Supplies	5,959	32	32	32	-	6,055	389	32	421	6,476	5,387
Telephone	2,407	86	86	344	-	2,923	344	172	516	3,439	3,246
Travel	1,984	-	999	-	-	2,983	15	30	45	3,028	2,335
In-Kind Contributions	11,736	-	-	-	-	11,736	-	5,523	5,523	17,259	19,058
Total Expenses	\$ 324,840	\$ 21,513	\$ 47,635	\$ 25,585	\$ -	\$ 419,373	\$ 40,884	\$ 20,654	\$ 61,538	\$ 480,910	\$ 482,853

The accompanying notes to the financial statements are an integral part of this statement.

Sunshine Center, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021
(with comparative totals as of December 31, 2020)

	2021	2020
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 126,711	\$ (105,579)
Adjustments to Reconcile Changes in Net Assets to Cash Provided (Used) by Operating Activities		
Depreciation	22,774	27,473
Loss on Disposition of Assets	-	-
(Increase) Decrease in Pledges Receivable	(3,121)	(1,460)
(Increase) Decrease in Program Service Fees Receivable	3,213	2,984
(Increase) Decrease in Prepaid Expenses	(2,964)	(1,428)
Increase (Decrease) in Accounts Payable	12,258	20,830
Increase (Decrease) in Payroll Tax Liabilities	1,761	-
Increase (Decrease) in PPP Loan	(66,800)	66,800
	93,833	9,620
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(19,476)	(42,671)
Net Cash Used by Investing Activities	(19,476)	(42,671)
Net Increase (Decrease) in Cash and Cash Equivalents	74,357	(33,051)
Beginning Cash and Cash Equivalents	362,528	395,579
Ending Cash and Cash Equivalents	\$ 436,885	\$ 362,528
Supplemental Disclosure of Cash Flow Information:		
Interest	\$ -	\$ -
Income Taxes	\$ -	\$ -

The accompanying notes to the financial statements are an integral part of this statement.

Sunshine Center, Inc.
Notes to the Financial Statements
December 31, 2021

Note 1 – Description of the Organization

Sunshine Center, Inc. (the Organization) is a private, non-profit organization and an agency of the Mainland United Way and the United Way of Galveston, established in 1953 that provides essential services to developmentally disabled adults. The Organization's revenues are derived primarily through grants, awards, contributions and program service fees collected from governmental agencies or sub-recipients of governmental agency funds. The Organization strives to meet the developing needs of its client population by providing quality innovative programming with a professional, committed and compassionate staff in a safe and secure environment.

The Organization's program includes day-habilitation, community and family support, family outreach and support, supportive employment, and case management.

Day-Habilitation

This program provides an environment conducive to a variety of specific personal goals. Clients have the opportunity to participate in multiple activities in three areas: the ceramics shop, the greenhouse, or the enrichment center. Day-habilitation provides services to assist in the acquisition, retention, and /or improvement in adaptive skills necessary for continued community living. The Organization's staff works with clients using a horticulture model, a ceramics project, a non-traditional learning center and an occupational therapist enabling them to master additional skills such as decision-making, punctuality, problem solving, following multiple instructions, and working individually and collectively on projects.

Community Support

Community Support trains individuals to establish and maintain a home, achieve educational and employment goals, access community resources and pursue leisure activities in their community. This service is provided in the individual's home and surrounding community.

Family Outreach and Support

Includes a Family Support Group, open to individuals who live in Galveston County and have an adult family member with a developmental disability. This program also offers education, referrals, assistance accessing resources and other support as needed.

Supportive Employment

This program assists clients who seek employment in the community. The employment specialist identifies employment opportunities, assists with applications and interviews, and provides on-the-job training until the client performs at a work level comparable to his or her non-disabled peers. Support and training are provided for the life of the job.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Sunshine Center, Inc.
Notes to the Financial Statements
December 31, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing clinic services and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. Currently, the Organization reports only operating activities.

Cash and Cash Equivalents

The Organization's cash consists of cash on deposit with banks and cash on hand and certificates of deposit. Although certificates of deposit maturing in excess of ninety days from inception are generally not considered to be cash or cash equivalents, any penalties for early withdrawal would not have a material effect on the financial statements.

Concentrations of Credit Risk

The Organization maintains its accounts with financial institutions which it believes limits the risk of loss of funds over the insurance limit. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. These deposits may exceed the amount of insurance provided on such deposits at times during the year. The Organization's bank balances at December 31, 2021 and 2020, totaled \$436,885 and \$362,528, respectively. At December 31, 2021, the Organization had an excess deposit of \$137,249 not covered by federal insurance. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Sunshine Center, Inc.
Notes to the Financial Statements
December 31, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Pledges and Program Service Fee Receivable

The Organization records grants, awards, and contributions as revenues when the commitments are made. Program service fees from governmental agencies or sub-recipients of governmental agency funds are recorded as exchange transactions since these funds are dependent upon contract service agreements and are usually based upon monthly requests. Receivables for exchange transactions are recorded as revenues as determined by those amounts receivable at year end.

Pledges receivable is comprised of amounts awarded due from a variety of grantors. The amounts are due within one year of the financial statement date and are believed to be fully collectible.

Program service fees receivable represent amounts due on exchange agreements for which the Organization has performed services. Management believes the amounts are fully collectible.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to seven years. The Organization's policy is to capitalize equipment acquired for greater than \$1,500 and expense normal repairs and maintenance as incurred.

Compensated Absences

The Organization has not accrued compensated absences, as that amount cannot be reasonably estimated and is considered immaterial.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets release from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Sunshine Center, Inc.
Notes to the Financial Statements
December 31, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

In-kind Donations

The Organization recognizes contributions of services received if the services (a) create or enhance non-financial assets or (b) require specialized skill, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The contributions of services include occupational therapy services, professional IT services, master gardener consultant, art teacher and strategic planning consultant for the day-habilitation program. These costs are included in day-habilitation expenses in the statement of activities.

Several volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Occupancy expenses are allocated on the basis of square footage. All other expenses are allocated on the basis of estimates of time and effort.

Advertising

The Organization uses advertising to promote its fundraising events. All advertising is expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Currently, the Organization files information return Form 990 "Return of Organizations Exempt from Income Tax" with the Internal Revenue Service.

Sunshine Center, Inc.
Notes to the Financial Statements
December 31, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 3 – Availability of Financial Assets

The following reflects the Organization's financial assets for the years ended December 31, 2021 and 2020, respectively.

Cash and cash equivalent	\$ 436,885	\$ 362,528
Pledges receivable	4,876	1,755
Program service fees receivable	775	3,988
Total financial assets	442,536	368,271
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(10,736)	(18,110)
Less net assets with purpose restriction to be met in less than a year	10,736	18,110
Quasi endowment established by the board	(26,365)	(26,257)
Financial assets available to meet general expenditures over the next twelve months	\$ 416,171	\$ 342,014

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

The Organization's goal is generally to maintain financial assets to meet operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments such as certificates of deposit.

Sunshine Center, Inc.
Notes to the Financial Statements
December 31, 2021

Note 4 – Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unrestricted: Undesignated Cash	\$ 398,857	\$ 323,065
Unrestricted: Board-Designated Endowment CD	26,365	26,257
Donor Restricted Cash	-	-
Restricted for Client Enrichment	11,663	13,206
Total	<u>\$ 436,885</u>	<u>\$ 362,528</u>

Unrestricted cash represents cash available for daily operating expenses as needed. The endowment CD represents cash designated by the Board of Directors and available to the Organization at the Board's discretion. Cash restricted for client enrichment represents the organization's scout troop funds and funds raised from the sale of herbs from the greenhouse, ceramics shop or by donations designated for client enrichment. These funds are held in a separate bank account and used specifically for client enrichment activities such as Boy/Girl Scout related activities and community outings. The Organization maintains cash balances at several financial institutions located in Galveston County.

Note 5 – Property and Equipment

Property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Property and Equipment		
Building and Improvements	\$ 599,605	\$ 587,950
Furniture and Fixtures	35,809	27,989
Machinery and Equipment	17,807	17,807
Transportation Equipment	32,568	32,569
Less: Accumulated Depreciation	(418,631)	(395,857)
Property and Equipment, net	<u>\$ 267,158</u>	<u>\$ 270,458</u>

For the years ended December 31, 2021 and 2020, depreciation expense totaled \$22,774 and \$27,473, respectively. There was no property disposed of in 2021.

Note 6 – Retirement Contributions

The Organization has a savings incentive match (SIMPLE IRA) plan for employees. An employee is eligible to participate in the plan after one-year employment. In 2021, a 3% employer contribution was made on salaries. The Organization's total contribution was \$8,295 and \$8,246 as of December 31, 2021 and 2020, respectively.

Sunshine Center, Inc.
Notes to the Financial Statements
December 31, 2021

Note 7 – Concentrations

The Organization relies on contributions from a limited number of contributors to fund operations. For the year ended December 31, 2021, approximately 72% of total revenue and other support came from major contributing organizations, including Mainland United Way. Any significant reduction in the contribution level from these organizations could have a severe impact on the operation of the Organization in the near term.

Note 8 – Net Assets

Net Assets with donor restrictions were as follows for the year ended December 31, 2021 and 2020:

	2021	2020
Specific Purpose		
Program Support Coordinator	\$ -	\$ -
Capital Improvements	(927)	4,905
Client Enrichment	11,663	13,206
Total	\$ 10,736	\$ 18,110

Net Assets without donor restrictions for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Undesignated	\$651,870	\$514,302
Quasi Endowment	26,365	26,257
Total	\$678,235	\$540,559

Note 9 – Prior-Period Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Note 10 – Subsequent Events

Management has evaluated subsequent events through February 20, 2023, the date the financial statements were available to be issued.