Financial Statements

Sunshine Center, Inc.
December 31,2022

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Sunshine Center, Inc.

Table of Contents

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, 2022, 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, 2022, 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.

Report on Summarized Comparative Information

We have previously audited the Sunshine Center, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Katherine Overbeck Maxwell, CPA, PLLC
Galveston, Texas
January 3, 2024

Sunshine Center, Inc.
Statement of Financial Position
December 31, 2022
(with comparative totals as of December 31, 2021)

	2022	2021
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 275,055	$ 436,885
Pledges Receivable	277,137	4,876
Program Service Fees Receivable	9,162	775
Prepaid Expenses	12,732	11,985
Total Current Assets	574,086	454,521
Property and Equipment, Net	225,426	267,159
ROU Assets-Operating Leases	1,866	-
Total Assets	**$ 801,378**	**$ 721,680**
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 5,152	$ 34,647
Payroll Taxes Liabilities	4,908	1,653
Operating Lease Liability	1,866	-
Total Current Liabilities	11,926	36,300
Net Assets		
Without Donor Restrictions	651,965	648,279
Without Donor Restrictions (Board Designated)	26,425	26,365
With Donor Restrictions	111,062	10,736
Total Net Assets	789,452	685,380
Total Liabilities and Net Assets	**$ 801,378**	**$ 721,680**

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, 2022
(with comparative totals as of December 31, 2021)

	2022			2021
	Without Donor Restriction	**With Donor Restriction**	**Totals**	**Totals**
Revenues and Other Support:				
Contributions and Grants	$ 301,264	$ 125,000	$ 426,264	$ 441,945
Program Service	88,005	-	88,005	65,738
United Way (Mainland and Galveston)	58,943	-	58,943	65,738
Contributions In-Kind	10,283	-	10,283	17,259
Sales of Materials	278	-	278	1,816
Investment Income	59	-	59	108
Other Income	863	-	863	442
Special Events	12,566	-	12,566	14,576
Loss on Disposition of Assets	(5,393)		(5,393)	-
Net Assets Released from Restriction	24,674	(24,674)	-	-
Total Revenue and Other Support	**491,542**	**100,326**	**591,868**	**607,622**
Expenses:				
Program Services				
Day-Habilitation	337,455	-	337,455	324,640
Supportive Employment	17,123	-	17,123	21,513
Community Support	35,359	-	35,359	47,635
Family Support	23,042	-	23,042	25,585
Total Program Services	**412,979**	**-**	**412,979**	**419,373**
Support Services				
Management and General	45,973	-	45,973	40,884
Fundraising	28,844	-	28,844	20,654
Total Support Services	**74,817**	**-**	**74,817**	**61,538**
Total Expenses	**487,796**	**-**	**487,796**	**480,911**
Changes in Net Assets	**3,746**	**100,326**	**104,072**	**126,711**
Net Assets, Beginning of Year	**674,644**	**10,736**	**685,380**	**558,669**
Net Assets, End of Year	**$ 678,390**	**$ 111,062**	**$ 789,452**	**$ 685,380**

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, 2022
(with comparative totals as of December 31, 2021)

	2022									2021
	Day-Habilitation	Supportive Employment	Community Support	Family Support	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses	Total Expenses
Salaries	$ 189,320	$ 10,866	$ 21,748	$ 16,882	$ 238,816	$ 18,305	$ 16,282	$ 34,587	$ 273,403	$ 284,832
Payroll Taxes	18,109	1,114	1,990	1,579	22,792	1,693	1,532	3,225	26,017	20,874
Employee Benefits	30,400	1,868	4,072	2,031	38,371	2,355	1,957	4,312	42,683	42,533
Pension Contribution	4,633	520	1,093	558	6,804	535	306	841	7,645	8,295
Worker's Compensation	2,246	150	150	150	2,696	150	150	300	2,996	3,030
	244,708	14,518	29,053	21,200	309,479	23,038	20,227	43,265	352,744	359,565
Accounting	-	-	-	-	-	9,829	-	9,829	9,829	11,173
Awards	56	-	-	-	56	-	-	-	56	-
Bad Debt	204	-	665	-	869	-	-	-	869	2,901
Client Enrichment	1,020	-	-	-	1,020	-	-	-	1,020	314
Conference and Training	364	303	71	4	742	71	-	71	813	682
Depreciation	29,071	908	910	908	31,797	3,634	908	4,542	36,339	22,774
Dues and Subscriptions	825	-	-	-	825	92	-	92	917	4,085
Equipment	1,043	13	13	39	1,108	130	65	195	1,303	1,167
Insurance	8,889	318	635	318	10,160	1,905	635	2,540	12,700	15,975
Miscellaneous	938	-	-	-	938	695	1,842	2,537	3,475	264
Occupancy	28,229	-	353	353	28,935	5,293	1,059	6,352	35,287	30,449
Postage and Delivery	200	-	-	-	200	42	30	72	272	517
Printing and Publications	1,153	16	16	33	1,218	163	244	407	1,625	804
Professional Fees	6	-	-	-	6	299	-	299	305	-
Sales Tax	124	-	-	-	124	-	19	19	143	42
Supplies	6,686	-	-	-	6,686	174	104	278	6,964	6,478
Telephone	2,621	-	-	187	2,808	562	374	936	3,744	3,439
Travel	4,326	1,047	3,643	-	9,016	46	46	92	9,108	3,027
In-Kind Contributions	6,992	-	-	-	6,992	-	3,291	3,291	10,283	17,259
Total Expenses	**$ 337,455**	**$ 17,123**	**$ 35,359**	**$ 23,042**	**$ 412,979**	**$ 45,973**	**$ 28,844**	**$ 74,817**	**$ 487,796**	**$ 480,915**

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

Sunshine Center, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2022
(with comparative totals as of December 31, 2021)

	2022	2021
Cash Flows from Operating Activities:		
Changes in Net Assets	$ 104,072	$ 126,711
Adjustments to Reconcile Changes in Net Assets to Cash Provided (Used) by Operating Activities		
Depreciation	36,339	22,774
Loss on Disposition of Assets	5,393	-
(Increase) Decrease in Pledges Receivable	(272,261)	(3,121)
(Increase) Decrease in Program Service Fees Receivable	(8,387)	3,213
(Increase) Decrease in Prepaid Expenses	(747)	(2,964)
Increase (Decrease) in Accounts Payable	(29,494)	12,258
Increase (Decrease) in Payroll Tax Liabilities	3,255	1,761
Increase (Decrease) in PPP Loan	-	(66,800)
Net Cash Provided (Used) by Operating Activities	**(161,830)**	**93,833**
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	-	(19,476)
Net Cash Used by Investing Activities	**-**	**(19,476)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(161,830)**	**74,357**
Beginning Cash and Cash Equivalents	**436,885**	**362,528**
Ending Cash and Cash Equivalents	**$ 275,055**	**$ 436,885**

Supplemental Disclosure of Cash Flow Information:		
Interest	$ -	$ -
Income Taxes	$ -	$ -

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

Sunshine Center, Inc.
Notes to the Financial Statements
December 31, 2022

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 support and 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, vegetable garden, 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, and a non-traditional learning center 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:

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, 2022 and 2021, totaled $275,055 and $436,885, respectively. At December 31, 2022, the Organization had an excess deposit of $25,054 not covered by federal insurance. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

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 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.

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 and program services. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

Effective January 1, 2022, the Organization has adopted the provisions of FASB ASC Topic 842 (ASU 2016-02), *Leases*. ASC 842 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases, except for those with a lease term of twelve months or less. Leases are classified as either finance leases or operating leases. The Organization has elected to record in its financial statements the effect of FASB ASC 842 as of the beginning of the year of adoption, which is January 1, 2022.

Accordingly, the Organization has recognized the right-of-use-asset and lease liability measured under FASB ASC 842 in its statement of financial position as of the adoption date.

Leases (Topic 842) Discount Rate for Lessees That Are Not Public Business Entities (ASU-2021-09)— Topic 842 currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The amendments in this Update allow those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply a risk-free rate. The amendments require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election.

Note 3 – Availability of Financial Assets

The following reflects the Organization's financial assets for the years ended December 31, 2022 and 2021, respectively.

	2022	2021
Financial assets at year-end:		
Cash and cash equivalent	$ 275,054	$ 436,885
Pledges receivable	277,137	4,876
Program service fees receivable	9,162	775
Total financial assets	561,353	442,536
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(111,062)	(10,736)
Less net assets with purpose restriction to be met in less than a year	111,062	10,736
Quasi endowment established by the board	(26,425)	(26,365)
Financial assets available to meet general expenditures over the next twelve months	**$ 534,928**	**$ 416,171**

Note 3 – Availability of Financial Assets (Continued)

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.

Note 4 – Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2022 and 2021:

	2022	2021
Unrestricted: Undesignated Cash	$ 138,493	$ 398,857
Unrestricted: Board-Designated Endowment CD	26,425	26,365
Restricted for Client Enrichment	5,262	11,663
Restricted for a wheelchair-accessible Van	100,000	
Restricted for the capital Improvement	5,800	
Total	**$ 275,981**	**$ 436,885**

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 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:

	2022	2021
Property and Equipment		
Building and Improvements	$ 599,605	$ 599,605
Furniture and Fixtures	30,416	35,809
Machinery and Equipment	17,807	17,807
Transportation Equipment	32,568	32,568
Less: Accumulated Depreciation	(454,970)	(418,631)
Property and Equipment, net	**$ 225,426**	**$ 267,158**

For the years ended December 31, 2022, and 2021, depreciation expenses totaled $36,339 and $22,774, respectively. There was A/C disposed in 2022 total cost $5,393.

Sunshine Center, Inc.
Notes to the Financial Statements
December 31, 2022

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 2023, a 3% employer contribution was made on salaries. The Organization's total contribution was $7,645 and $8,295 as of December 31, 2022, and 2021, respectively.

Note 7 – Concentrations

The Organization relies on contributions from a limited number of contributors to fund operations. For the year ended December 31, 2022, approximately 81% 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, 2022 and 2021:

	2022	2021
Specific Purpose		
Wheelchair-accessible van	$ 100,000	$ -
Capital Improvements	5,800	(927)
Client Enrichment	5,262	11,663
Total	**$ 111,062**	**$ 10,736**

Net Assets without donor restrictions for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Undesignated	$651,965	$648,279
Quasi Endowment	26,425	26,365
Total	**$678,390**	**$674,644**

Note 9 – Lease

The Association entered into a contract to lease office equipment under a 5-year lease agreement that was renewed January 30, 2020. Lease expense incurred under this lease agreement was $905.88 during the year ended December 31, 2022.

Right-of-Use (ROU)assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term.

Lease liabilities are initially and subsequently recognized based on the present value of the future lease payments. The Association has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The risk-free rate has been applied to the office rent.

Note 10 – 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, 2021, from which the summarized information was derived.

Note 11 – Subsequent Events

Management has evaluated subsequent events through January 3, 2024, the date the financial statements were available to be issued.