

THE SUNDARI FOUNDATION, INC.
AND AFFILIATES
(D.B.A. THE LOTUS HOUSE)
(a nonprofit organization)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

THE SUNDARI FOUNDATION, INC.
AND AFFILIATES
(D.B.A. THE LOTUS HOUSE)
(a nonprofit organization)
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Sundari Foundation, Inc. and Affiliates (D.B.A. The Lotus House)
(a nonprofit organization)
Miami, Florida

We have audited the accompanying consolidated statements of financial position of The Sundari Foundation, Inc. and Affiliates (D.B.A. The Lotus House) (the "Organization") as of December 31, 2010 and 2009 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 of material misstatement. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial positions of The Sundari Foundation, Inc. and Affiliates (D.B.A. The Lotus House), as of December 31, 2010 and 2009 and the consolidated changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Alberni Caballero & Company LLP

Coral Gables, Florida
June 30, 2011

THE SUNDARI FOUNDATION, INC. AND AFFILIATES
(D.B.A. THE LOTUS HOUSE)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash	\$ 1,140,835	\$ 1,522,561
Investments	927,996	3,704
Accounts receivable	28,857	41,024
Prepaid expenses	19,616	23,318
Deposit	150,000	-
By and About Women Portfolios	<u>830,000</u>	<u>850,000</u>
	<u>3,097,304</u>	<u>2,440,607</u>
Property, furniture and equipment, net	<u>1,551,368</u>	<u>1,557,255</u>
Other assets	<u>7,891</u>	<u>7,559</u>
Total assets	<u>\$ 4,656,563</u>	<u>\$ 4,005,421</u>
<u>Liabilities</u>		
Accounts payable and accrued expenses	<u>\$ 20,297</u>	<u>\$ 20,213</u>
Total liabilities	<u>20,297</u>	<u>20,213</u>
<u>Net Assets</u>		
Unrestricted	<u>4,636,266</u>	<u>3,985,208</u>
Total liabilities and net assets	<u>\$ 4,656,563</u>	<u>\$ 4,005,421</u>

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

THE SUNDARI FOUNDATION, INC. AND AFFILIATES
(D.B.A. THE LOTUS HOUSE)
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>Unrestricted</u>	
	<u>2010</u>	<u>2009</u>
Support and revenue		
Contributions	\$ 799,165	\$ 610,297
In-Kind donations	858,752	429,518
Special event	431,377	184,143
Grants revenue	315,410	381,120
Investment and other income	52,147	32,995
Thrift shop sales and donations	167,249	85,835
Unrealized gain on investments	50,330	987
Total support and revenue	<u>2,674,430</u>	<u>1,724,895</u>
Expenses		
Program services		
Conferences and meetings	7,790	3,598
Depreciation	53,113	46,948
Food and meals	185,379	176,098
Insurance	32,783	30,516
Materials and supplies	23,745	20,015
Office expenses	15,543	26,011
Professional fees	32,000	23,302
Public awareness/outreach	11,470	11,220
Rent	38,882	14,130
Repairs and maintenance	32,346	26,457
Salaries and related expenses	482,864	389,497
Supplies- Special Needs	163,540	185,277
Supportive services	80,745	82,015
Thrift shop donated goods	655,436	214,004
Utilities	68,111	65,832
Total program services	<u>1,883,747</u>	<u>1,314,920</u>
Supporting services		
Management and general		
Office expenses	23,243	16,624
Professional fees	55,411	70,723
Salaries and related expenses	19,233	10,692
Total management and general	<u>97,887</u>	<u>98,039</u>
Fundraising		
Production costs	-	400
Resource and grant development	12,539	10,499
Salaries and related expenses	18,986	10,692
Special event	10,213	31,395
Total fundraising	<u>41,738</u>	<u>52,986</u>
Total supporting services	<u>139,625</u>	<u>151,025</u>
Total expenses	<u>2,023,372</u>	<u>1,465,945</u>
Change in Net Assets	<u>651,058</u>	<u>258,950</u>
Net Assets at the beginning of the year	<u>3,985,208</u>	<u>3,726,258</u>
Net Assets at the end of the year	<u>\$ 4,636,266</u>	<u>\$ 3,985,208</u>

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

THE SUNDARI FOUNDATION, INC. AND AFFILIATES
(D.B.A. THE LOTUS HOUSE)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 651,058	\$ 258,950
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,113	46,948
Unrealized gain on investments	(50,330)	(987)
(Increase) decrease in:		
Accounts receivable	12,167	37,487
Prepaid expenses	3,702	1,718
Deposit	(150,000)	-
Other assets	(332)	(4,333)
Increase (decrease) in:		
Accounts payable and accrued expenses	84	(4,944)
Net cash provided by operating activities:	<u>519,462</u>	<u>334,839</u>
Cash Flows from Investing Activities		
Proceeds from sale of portfolios	20,000	50,000
Purchase of investments	(873,962)	(732)
Acquisition of property and equipment	<u>(47,226)</u>	<u>(35,222)</u>
Net cash (used in) provided by investing activities:	<u>(901,188)</u>	<u>14,046</u>
Net (decrease) increase in Cash	(381,726)	348,885
Cash at the beginning of the year	<u>1,522,561</u>	<u>1,173,676</u>
Cash at the end of the year	<u>\$ 1,140,835</u>	<u>\$ 1,522,561</u>

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

THE SUNDARI FOUNDATION, INC.
AND AFFILIATES
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(a nonprofit organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. NATURE OF ACTIVITIES

The Sundari Foundation, Inc. (D.B.A. The Lotus House) (the "Sundari") is a 501(c)(3) non-profit corporation organized under the laws of the State of Florida in June 2004. The Organization's mission is the education, advancement and social inclusion of poor, disadvantaged, and homeless women and children.

The Organization was organized for charitable and educational purposes, including specifically, providing relief to homeless, poor, distressed and disadvantaged women and children. In March 2006, the Organization opened the Lotus House Women's Shelter (The Lotus House) with a 34-bed residential facility providing free transitional housing and comprehensive support services for homeless women. With the acquisition of an additional building in December 2006, the Organization expanded the shelter to include a "maternity" wing, opening the new building in March of 2007 which provided an additional 16 beds for homeless women who are pregnant and their infants.

The Lotus Endowment Fund, Inc. (the "Endowment") is a non-profit corporation organized under the laws of the State of Florida on December 20, 2007. The Endowment was created to operate exclusively for the benefit of The Sundari Foundation, Inc. The Endowment is not authorized to benefit any other organization other than the Organization or upon dissolution at a time when the Organization no longer exists, one or more not-for-profit funds, foundations, trusts, corporations or other organizations to be devoted to similar purposes as the Organization and which are exempt from United States income taxes as a Code Section 501(c)(3) charitable organization.

The Lotus House Thrift, LLC (the "Lotus House Thrift") is a non-profit corporation organized under the laws of the State of Florida in July 2010. The Lotus House Thrift, LLC was organized exclusively for charitable and educational purposes, including such purposes, the making of distributions to organizations that qualify as exempt organizations under Code Section 501(c)(3), including specifically The Sundari Foundation, Inc., and further including specifically providing relief for homeless, poor, distressed and disadvantaged women and children. The sole member of the Lotus House Thrift, LLC is The Sundari Foundation, Inc.

The Wynwood Art Fair, LLC (the "Wynwood") is a non-profit corporation organized under the laws of the State of Florida in July 2010. The Wynwood Art Fair, LLC was organized exclusively for charitable and educational purposes, including such purposes, the making of distributions to organizations that qualify as exempt organizations under Code Section 501(c)(3), including specifically The Sundari Foundation, Inc., and further including specifically providing relief for homeless, poor, distressed and disadvantaged women and children. The sole member of the Wynwood Art Fair, LLC is The Sundari Foundation, Inc.

The Lotus Wellness Center, LLC (the "Lotus Wellness Center") is a non-profit corporation organized under the laws of the State of Florida in September 2010. The Lotus Wellness Center, LLC was organized exclusively for charitable and educational purposes, including such purposes, the making of distributions to organizations that qualify as exempt organizations under Code Section 501(c)(3), including specifically The Sundari Foundation, Inc., and further including specifically providing relief for homeless, poor, distressed and disadvantaged women and children. The sole member of the Lotus Wellness Center, LLC is The Sundari Foundation, Inc. The Lotus Wellness Center had no financial activity during the year ended December 31, 2010.

Sundari, the Endowment, Lotus House Thrift, Wynwood and the Lotus Wellness Center will be collectively referred to as the Organization in the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Net assets and revenues, gains, or losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - Includes amounts which have no external restrictions and which are available for support of current operations.

Temporarily Restricted - Includes amounts which have donor-restrictions that can be fulfilled by actions of the Endowment pursuant to those restrictions or restrictions that expire by the passage of time.

Permanently Restricted - Includes amounts that are subject to restrictions of the gift instruments requiring in perpetuity that the principal be invested and only the income be used.

b. Basis of Consolidation

The consolidated financial statements include the accounts of The Sundari Foundation, Inc., The Lotus House Thrift, LLC, The Wynwood Art Fair, LLC, The Lotus Wellness Center, LLC and The Lotus Endowment Fund, Inc. The organizations have common control since officers of the Organization's Board of Directors sit on the Endowment's Board of Directors. There is also an element of economic interest since the Endowment holds significant resources that must be used only for purposes of the Organization. In accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 94-3, consolidation is required. All material interorganizational transactions have been eliminated.

c. Cash and Cash equivalents

The Organization considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

d. Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

e. Contributions

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Time- restricted and purpose-restricted contributions are required to be reported as temporarily restricted support, unless the donor expressly stipulates otherwise. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.

f. Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management believes that all receivables, are collectible within one year, therefore, the Organization has not included a provision for uncollectible accounts. Any accounts deemed uncollectible will be charged to expense when the determination is made. There were no uncollectible accounts during the years ended December 31, 2010 and 2009.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Property, Furniture and Equipment

The Organization capitalizes all expenditures in excess of \$500 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Property, Furniture and Equipment of the Organization are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Leasehold improvements	5-10
Vehicles	5
Furniture and equipment	3-10

Repairs and maintenance are expensed as incurred. Improvements which increase the life of the assets are capitalized. The carrying amount of assets sold is retired and the related accumulated depreciation is eliminated in the year of disposal and the resulting gain or loss is credited or charged to operations.

h. Impairment of Long-Lived Assets to be Disposed Of

The Organization reviews the recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. The Organization believes no impairments of its long-lived assets existed at December 31, 2010 and 2009.

i. Donated Goods and Services

Contributions of donated noncash assets are recorded at their fair values in the period received.

Donated services consist of the estimated value of contributed services. The amount of donated services includes support provided by volunteers and professionals.

The By and About Women portfolios were valued at their estimated fair market value. The Endowment received 100 portfolios which were valued at \$10,000 which is the estimated fair value based on sales of the portfolios. During 2010 and 2009; 2 and 5 portfolios were sold at the \$10,000 totaling \$20,000 and \$50,000 in sales proceeds; respectively.

j. Income Taxes

The Organization and the Endowment have been granted exemptions from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and have been determined not to be private foundations under Section 509(a)(3) of the Code. As such, no provision for income taxes is reflected in the financial statements.

k. Fair Value of Financial Instruments

The estimated fair values for financial instruments are determined at discreet points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The estimated fair values of the Organization's financial instruments, which include all cash, investments, By and About Women Portfolios, receivables and accounts payable, approximate the carrying value in the financial statements at December 31, 2010 and 2009.

l. Functional Allocation of Expenses

The costs of providing the program activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Use of Estimates

The preparation of financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of receivables, and the useful lives and impairment of tangible assets. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

n. Reclassifications

Certain amounts in the 2009 financial statement presentation have been reclassified to conform to the 2010 presentation.

3. ACCOUNTS RECEIVABLE

The breakdown of accounts receivable as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Others	\$1,088	\$25,408
Grants	27,769	15,615
	<u>\$28,857</u>	<u>\$41,024</u>

4. BY AND ABOUT WOMEN PORTFOLIOS

By and About Women is a special, limited edition, portfolio of art and poetry by women artists from around the world and the creative writing group of the Lotus House Women's Shelter. The artwork for the portfolios was donated to the Endowment and the donations were recorded at the estimated fair market value of \$10,000 per portfolio. A total of 100 portfolios were donated for a total contribution of \$1,000,000. The Endowment has sold 17 portfolios as of December 31, 2010 for \$150,000 and 83 portfolios valued at \$830,000 remain for sale.

5. PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$455,760	\$455,760
Buildings	904,364	904,364
Vehicles	58,178	58,178
Building improvements	177,293	150,193
Furniture and equipment	<u>126,883</u>	<u>106,757</u>
	1,722,478	1,675,252
Less: Accumulated depreciation	<u>(171,110)</u>	<u>(117,997)</u>
	<u>\$1,551,368</u>	<u>\$1,557,255</u>

Depreciation expense related to property, furniture and equipment amounted to \$53,113 and \$46,948 for the years ended December 31, 2010 and 2009; respectively.

On December 25, 2007, the Endowment received a donation of land and buildings from an unaffiliated for-profit company owned by the founder and president of the Organization. Also, on December 25, 2007, the Endowment entered into a lease with the Organization for the use of those facilities, which limited the use of those facilities to serve as a shelter for women and children. (See Note 6 "Related Party Transactions")

6. RELATED PARTY TRANSACTIONS

On November 1, 2005, the Organization entered into a lease agreement for facilities owned by the Organization's President/Founder. On September 1, 2006, the lease agreement was amended to expand the premises included in the original lease agreement and extended the terms from 5 to 10 years. The lease agreement, as amended, expires on November 1, 2015 and calls for yearly payments of one (\$1) dollar, plus additional rental payments which include certain operating expenses of the facilities and real estate taxes.

The lease was recorded as an unconditional promise to give at the net present value of the lease payments based on what the fair market rent would be on similar facilities as of December 31, 2006. On December 25, 2007, the landlord and tenant terminated the lease with the Organization and the landlord donated the land and building to the Endowment. The Organization then wrote-off the balance remaining on the unconditional promise to give of \$450,477.

The Endowment then executed a lease for the donated facilities with the Organization for a period of fifty (50) years with automatic one year renewals after the initial term for \$1 per year.

Under the terms of the lease, the Organization is responsible for the payment of all real estate taxes, insurance, utilities and repairs and maintenance of the facilities. The facilities must be used solely and exclusively for the establishment and continuous operation of a non-profit, gender specific, free housing for homeless and formerly homeless women, d/b/a The Lotus House and/or Lotus House Women's Shelter, by the Organization, and for no other use or purpose. If the facilities are used for any other purpose, the lease will automatically terminate.

The lease agreement may be terminated by the Organization by providing 60 days notice to the Endowment. The Endowment may terminate the lease if the Organization violates the terms of the lease more specifically the permitted use of the facilities described in the lease agreement.

No interorganizational charges associated with this lease have been charged or recorded for 2010 and 2009, since the operations of the Organization and the Endowment are consolidated for financial statement presentation.

7. CONTINGENCIES

The Organization received certain grants revenues, which require compliance with certain provisions stated in the instrument of the grant. Failure to comply with these provisions could result in a request for the return of funds to the grantor. Although, this is a possibility, the Organization's management deems the contingency remote since, in their opinion, the Organization has fully complied with the provisions of the grants.

8. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which at times may exceed the federally insured limits. The Organization has not experienced any losses in such accounts. The Organization maintains its cash with high quality financial institutions, which the Organization believes limits these risks.

9. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2010</u>				
Mutual Funds	\$ 807,546	\$ 807,546	\$ —	\$ —
Securities	120,450	120,450	—	—
By and About Women Portfolios	<u>830,000</u>	<u>—</u>	<u>—</u>	<u>830,000</u>
Total	<u>\$ 1,757,996</u>	<u>\$ 927,996</u>	<u>\$ —</u>	<u>\$ 830,000</u>
<u>December 31, 2009</u>				
Mutual Funds	\$ 756	\$ 756	\$ —	\$ —
Securities	2,948	2,948	—	—
By and About Women Portfolios	<u>850,000</u>	<u>—</u>	<u>—</u>	<u>850,000</u>
Total	<u>\$ 853,704</u>	<u>\$ 3,704</u>	<u>\$ —</u>	<u>\$ 850,000</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

<u>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</u>	
By and About Women Portfolios	
January 1, 2009	\$900,000
Sales	<u>(50,000)</u>
December 31, 2009	850,000
Sales	<u>(20,000)</u>
December 31, 2010	<u>\$830,000</u>

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Fair value for the By and About Women Portfolios (level 3) was based on the portfolio's estimated fair market value and on sales of the artwork, which have sold for \$10,000 per portfolio. There have been no changes in valuation techniques and related inputs. During 2010, the Endowment sold 2 portfolios for a total of \$20,000.

10. SUBSEQUENT EVENT

On December 17, 2010, the Endowment made a \$150,000 deposit with Miami Dade County Clerk of Courts in anticipation of bidding on a foreclosed property. Subsequent to year end the Endowment received notification that they were the successful bidder for the property in the amount of \$140,100. The Endowment received title to the property in January 2011.