

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

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AND AFFILIATES
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(a nonprofit organization)
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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 statement of financial position of The Sundari Foundation, Inc. and Affiliates (D.B.A. The Lotus House) (the "Organization") as of December 31, 2011 and the related consolidated statement of activities and cash flows 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 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 position of The Sundari Foundation, Inc. and Affiliates (D.B.A. The Lotus House), as of December 31, 2011 and the consolidated changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Alberni Caballero & Company, LLP

Alberni Caballero & Company, LLP
Coral Gables, Florida
July 19, 2012

THE SUNDARI FOUNDATION, INC. AND AFFILIATES
(D.B.A. THE LOTUS HOUSE)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

| <u>Assets</u> | | |
|--|--|---------------------|
| Cash | | \$ 1,259,011 |
| Accounts receivable | | 67,686 |
| Prepaid expenses | | <u>27,078</u> |
| | | <u>1,353,775</u> |
| Property, furniture and equipment, net | | <u>259,202</u> |
| Other assets | | <u>8,057</u> |
| Total assets | | <u>\$ 1,621,034</u> |
| <u>Liabilities</u> | | |
| Accounts payable and accrued expenses | | <u>\$ 20,883</u> |
| Total liabilities | | <u>20,883</u> |
| <u>Net Assets</u> | | |
| Unrestricted | | <u>1,600,151</u> |
| Total liabilities and net assets | | <u>\$ 1,621,034</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 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>Unrestricted</u> |
|---|---------------------|
| Support and revenue | |
| Contributions | \$ 666,131 |
| In-Kind donations | 954,564 |
| Special event | 562,644 |
| Grants revenue | 255,233 |
| Investment and other income | 19,256 |
| Thrift shop sales and donations | 185,857 |
| Total support and revenue | <u>2,643,685</u> |
| Expenses | |
| Program services | |
| Conferences and meetings | 5,536 |
| Depreciation | 34,127 |
| Food and meals | 212,908 |
| Insurance | 32,848 |
| Materials and supplies | 57,193 |
| Office expenses | 18,027 |
| Public awareness/outreach | 18,970 |
| Rent | 256,598 |
| Repairs and maintenance | 34,694 |
| Salaries and related expenses | 576,543 |
| Supplies- Special Needs | 130,749 |
| Supportive services | 95,407 |
| Thrift shop donated goods | 604,651 |
| Utilities | 84,602 |
| Total program services | <u>2,162,853</u> |
| Supporting services | |
| Management and general | |
| Office expenses | 31,590 |
| Professional fees | 43,305 |
| Salaries and related expenses | 22,888 |
| Total management and general | <u>97,783</u> |
| Fundraising | |
| Resource and grant development | 3,798 |
| Salaries and related expenses | 22,871 |
| Special event | 94,793 |
| Total fundraising | <u>121,462</u> |
| Total supporting services | <u>219,245</u> |
| Total expenses | <u>2,382,098</u> |
| Change in Net Assets | <u>261,587</u> |
| Net Assets at the beginning of the year | <u>1,338,564</u> |
| Net Assets at the end of the year | <u>\$ 1,600,151</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 STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

| | |
|---|---------------------|
| Cash Flows from Operating Activities | |
| Change in net assets | \$ 261,587 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 34,127 |
| (Increase) decrease in: | |
| Accounts receivable | (38,829) |
| Prepaid expenses | (7,462) |
| Other assets | (166) |
| Increase (decrease) in: | |
| Accounts payable and accrued expenses | <u>589</u> |
| Net cash provided by operating activities: | <u>249,846</u> |
| Cash Flows from Investing Activities | |
| Acquisition of property and equipment | <u>(46,138)</u> |
| Net cash used in investing activities: | <u>(46,138)</u> |
| Net increase in Cash | 203,708 |
| Cash at the beginning of the year | <u>1,055,303</u> |
| Cash at the end of the year | <u>\$ 1,259,011</u> |

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

THE SUNDARI FOUNDATION, INC.
AND AFFILIATES
(D.B.A. THE LOTUS HOUSE)
(a nonprofit organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. NATURE OF ACTIVITIES

The Sundari Foundation, Inc. (D.B.A. The Lotus House) (the "Foundation") 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 Foundation operates the Lotus House Women's Shelter as a free, holistic, shelter and resource center, providing housing, meals, counseling, social services referrals and advocacy, educational advancement opportunities, life skills and job readiness training, enrichment activities and support services. The facilities include three residential buildings, a community center, a clinic, learning center, laundry and gardens. Lotus House serves over 100 women and children daily.

The Foundation's wholly owned subsidiary, Lotus House Thrift LLC, receives in-kind donations from the community which serve the shelter's needs and provides free clothing and furnishings to the women and children served by Lotus House. Lotus House Thrift also functions as a job readiness training site and work program for the women served by Lotus House.

The Foundation's wholly owned subsidiary, Lotus Wellness Center, LLC, is a free, "Good Samaritan" health clinic providing women's wellness exams and basic health care screenings for women who are indigent and uninsured, including women of Lotus House and from the surrounding neighborhoods. It is staffed by volunteers.

The Foundation's wholly owned subsidiary, Art Live Fair, LLC (fka Wynwood Art Fair, LLC), is a community outreach initiative through the arts that invites broad community participation and builds greater awareness of the special needs of women and children who are homeless, the unique ways Lotus House serves those needs, and how the community can make a difference.

In 2007, the Lotus Endowment Fund, Inc. (the "Endowment"), a 501(c)(3) non-profit, Type II 509(a)(3), supporting foundation, was formed and is operated exclusively to benefit the Foundation and its initiatives, including the Lotus House Women's Shelter. A majority of the board members of the Endowment are also board members of the Foundation however they do not constitute the majority of the Foundation's board; therefore the Foundation supervises but does not control the Endowment. The Endowment owns all of the land and buildings utilized by the Foundation for the Lotus House and leases them to the Foundation for a dollar per year under a fifty (50) year lease, that renews in perpetuity, so long as the facilities are used by the Foundation to provide free shelter for women and children (See Note 5 "Related Party Transactions"). As of December 31, 2011 the Endowment reported assets of \$3,529,381 which are restricted to benefit exclusively the Foundation and its initiatives. Audited financial statements for the Endowment can be obtained by contacting the Endowment's administrative offices.

The Foundation, Lotus House Thrift LLC, Lotus Wellness Center, LLC and Art Live Fair, LLC (fka Wynwood Art Fair, LLC) 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 consolidated 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 accompanying consolidated financial statements include the accounts of The Sundari Foundation, Inc., The Lotus House Thrift, LLC, Art Live Fair, LLC (fka Wynwood Art Fair, LLC), The Lotus Wellness Center, LLC and present the consolidated financial position and changes in net assets and cash flows of the Organization. All material intra-organizational accounts and transactions have been eliminated.

c. Cash

For purposes of the statement of cash flows, cash included demand deposits.

d. 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.

e. 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 year ended December 31, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. 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> |
|-------------------------|--------------|
| 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.

g. 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, 2011.

h. 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.

i. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") is classified by the Internal Revenue Service as a public supported organization. The Organization had no unrelated business income as of December 31, 2011. As such, no provision for income taxes is reflected in the financial statements.

The Organization's federal exempt organization business income tax returns (Form 990) for 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

j. 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.

k. Use of Estimates

The preparation of consolidated 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.

3. ACCOUNTS RECEIVABLE

The breakdown of accounts receivable as of December 31, 2011 is as follows:

| | |
|--------|------------------|
| Others | \$ 7,336 |
| Grants | <u>60,350</u> |
| | <u>\$ 67,686</u> |

4. PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment at December 31, 2011:

| | |
|--------------------------------|-------------------|
| Vehicles | \$ 81,701 |
| Building improvements | 157,525 |
| Furniture and equipment | <u>143,114</u> |
| | 382,340 |
| Less: Accumulated depreciation | <u>(123,138)</u> |
| | <u>\$ 259,202</u> |

Depreciation expense related to property, furniture and equipment amounted to \$34,127 for the year ended December 31, 2011.

5. 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. The lease agreement was amended on August 31, 2010 and February 1, 2011 to add additional facilities.

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.

The Organization has recorded an in-kind contribution and rent expense of \$166,575 for the use of the facilities under the lease agreement for the year ended December 31, 2011. This amount approximates the fair market value of rent expense.

6. 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.

7. 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.

8. SUBSEQUENT EVENTS

Management evaluated subsequent events from January 1, 2012 through July 19, 2012, the date that the financial statements were available to be published.

Subsequent to year the Wynwood Art Fair, LLC changed its name to Art Live Fair, LLC.