

**THE SUNDARI FOUNDATION, INC.
AND AFFILIATES
(D.B.A. THE LOTUS HOUSE)
(a nonprofit organization)
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

**THE SUNDARI FOUNDATION, INC.
AND AFFILIATES
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CONSOLIDATED FINANCIAL STATEMENTS
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DECEMBER 31, 2016 AND 2015**

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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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Sundari Foundation, Inc. and Affiliates (D.B.A The Lotus House) (the Foundation) which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, and cash flows for the years 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 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, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alberni Caballero & Fierman, LLP

Alberni Caballero & Fierman, LLP
Coral Gables, Florida
July 31, 2017

THE SUNDARI FOUNDATION, INC. AND AFFILIATES
(D.B.A. THE LOTUS HOUSE)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash	\$ 2,018,238	\$ 1,260,496
Accounts receivable	590,713	369,645
Prepaid expenses	44,107	36,371
Due from affiliate	<u>2,516</u>	<u>-</u>
Total current assets:	<u>2,655,574</u>	<u>1,666,512</u>
Non-current assets:		
Furniture, equipment and leasehold improvements, net	233,868	215,962
Other assets	<u>22,450</u>	<u>9,672</u>
Total non-current assets:	<u>256,318</u>	<u>225,634</u>
Total assets	<u>\$ 2,911,892</u>	<u>\$ 1,892,146</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 119,848	\$ 45,534
Due to affiliate	<u>500,000</u>	<u>266</u>
Total current liabilities:	<u>619,848</u>	<u>45,800</u>
Total liabilities	<u>619,848</u>	<u>45,800</u>
<u>NET ASSETS</u>		
Unrestricted	<u>2,292,044</u>	<u>1,846,346</u>
Total liabilities and net assets	<u>\$ 2,911,892</u>	<u>\$ 1,892,146</u>

The accompanying notes are an integral part of these consolidated 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, 2016 AND 2015

	<u>Unrestricted</u>	
	<u>2016</u>	<u>2015</u>
SUPPORT AND REVENUE:		
Contributions	\$ 696,675	\$ 624,698
In-Kind donated goods	1,173,012	1,193,262
In-Kind rent and services	444,642	415,200
Special events	287,600	253,770
Grants revenue	3,624,868	1,895,355
Investment and other income	10,378	722
Thrift shop sales	<u>128,687</u>	<u>164,643</u>
Total support and revenue	<u>6,365,862</u>	<u>4,547,650</u>
EXPENSES:		
Program services:		
Conferences and meetings	6,948	8,581
Depreciation	33,837	33,078
Food and meals	457,206	340,653
Insurance	19,476	60,684
Materials and supplies	30,511	14,525
Office expenses	34,541	22,059
Public awareness/outreach	180,635	116,317
Rent	444,642	421,112
Repairs and maintenance	77,494	89,623
Salaries and related expenses	2,271,141	1,647,546
Supplies- Special Needs from Thrift Shop	795,278	731,782
Supportive services	786,734	332,352
Thrift shop donated goods	377,735	461,479
Utilities	<u>199,373</u>	<u>139,481</u>
Total program services	<u>5,715,551</u>	<u>4,419,272</u>
Supporting services:		
Management and general:		
Office expenses	23,507	22,829
Professional fees	88,800	88,964
Salaries and related expenses	<u>13,363</u>	<u>10,098</u>
Total management and general	<u>125,670</u>	<u>121,891</u>
Fundraising:		
Salaries and related expenses	30,363	44,510
Special event	<u>48,580</u>	<u>66,214</u>
Total fundraising	<u>78,943</u>	<u>110,724</u>
Total supporting services	<u>204,613</u>	<u>232,615</u>
Total expenses	<u>5,920,164</u>	<u>4,651,887</u>
Change in Net Assets	445,698	(104,237)
NET ASSETS, beginning of year	<u>1,846,346</u>	<u>1,950,583</u>
NET ASSETS, end of year	<u>\$ 2,292,044</u>	<u>\$ 1,846,346</u>

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

THE SUNDARI FOUNDATION, INC. AND AFFILIATES
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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 445,698	\$ (104,237)
Depreciation	33,837	33,078
(Increase) decrease in:		
Accounts receivable	(221,068)	(267,838)
Prepaid expenses	(7,736)	2,443
Due from affiliate	(2,516)	-
Other assets	(12,778)	614
Increase in:		
Accounts payable and accrued expenses	74,314	(5,825)
Due to affiliate	499,734	-
Net cash provided by (used in) operating activities	<u>809,485</u>	<u>(341,765)</u>
Cash flows from investing activities:		
Acquisition of furniture and equipment	<u>(51,743)</u>	<u>(48,369)</u>
Net cash provided by (used in) investing activities	<u>(51,743)</u>	<u>(48,369)</u>
Net increase (decrease) in Cash	757,742	(390,134)
Cash, beginning of year	<u>1,260,496</u>	<u>1,650,630</u>
Cash, end of year	<u>\$ 2,018,238</u>	<u>\$ 1,260,496</u>

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

**THE SUNDARI FOUNDATION, INC.
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(a nonprofit organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 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 Foundation'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 250 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.

In 2007, the Lotus Endowment Fund, Inc. (the "Endowment"), a 501(c)(3) non-profit, Type II 509(a)(3), 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 does not control the Endowment.

In 2015, the Lotus Supporting Foundation, Inc. (the "Supporting Foundation"), a 501(c)(3) non-profit, Type II 509(a)(3), 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 Supporting Foundation are also board members of the Foundation however they do not constitute the majority of the Foundation's board; therefore the Foundation does not control the Supporting Foundation.

The Foundation, Lotus House Thrift LLC, and Lotus Wellness Center, LLC will be collectively referred to as the Foundation in the consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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.

B. Financial Statement Presentation

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. There were no temporarily restricted net assets as of December 31, 2016.

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. There were no permanently restricted net assets as of December 31, 2016.

C. Principles of Consolidation

Generally accepted accounting principles require the Foundation to consolidate entities in which it has control and an economic interest when that control is evidenced through a majority ownership or voting interest. The Sundari Foundation, Inc., has an economic interest and control of the board of The Lotus House Thrift, LLC, and The Lotus Wellness Center, LLC and therefore consolidation is required. All material intra-organizational accounts and transactions have been eliminated in the accompanying consolidated financial statements.

D. Cash

For purposes of the statement of financial position and statement of cash flows, cash consists of cash and other highly liquid resources.

E. Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management believes that all receivables, are collectible within one year, therefore, the Foundation 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, 2016 and 2015.

F. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Contributions (Continued)

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

G. Furniture, Equipment and Leasehold Improvements

The Foundation capitalizes all expenditures for furniture, equipment and leasehold improvements in excess of \$500 at cost. Contributed furniture 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 furniture and equipment are recorded as unrestricted support.

Furniture, equipment, and leasehold improvements of the Foundation 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.

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. Functional Allocation of Expenses

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

J. Income Taxes

The Foundation is tax-exempt under Section 501(c) (3) of the Internal Revenue Code and is subject to a tax on income from any unrelated business. The Foundation did not have any unrelated business income for the years ended December 31, 2016 and 2015.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Income Taxes (Continued)

The Foundation adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition, results of operations or cash flows. Accordingly, the Foundation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016 or 2015.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to 2013. The Foundation's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

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.

NOTE 3 – CONCENTRATION OF CREDIT RISK

Credit Risk

The Foundation maintains its cash balances in a financial institution. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016, there was an uninsured cash balances of \$1,006,568. The Foundation believes that the risk of loss with respect to financial institutions has been reduced by choosing strong institutions with which to do business.

NOTE 4 – ACCOUNTS RECEIVABLE

The breakdown of accounts receivable which are all due in less than one (1) year as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Others	\$ 2,245	\$ 3,610
Grants	<u>588,468</u>	<u>366,035</u>
	<u>\$ 590,713</u>	<u>\$ 369,645</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 – FURNITURE, EQUIPMENT AND LEASHOLD IMPROVEMENTS

Property, furniture and equipment at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Vehicles	\$ 144,514	\$ 110,363
Leasehold improvements	157,525	157,525
Furniture and equipment	<u>223,413</u>	<u>205,821</u>
	525,452	473,709
Less: Accumulated Depreciation	<u>(291,584)</u>	<u>(257,747)</u>
	<u>\$ 233,868</u>	<u>\$ 215,962</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$33,837 and \$33,078, respectively.

NOTE 6 – CONTINGENCIES

The Foundation 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 Foundation's management deems the contingency remote since, in their opinion, the Foundation has fully complied with the provisions of the grants.

NOTE 7 – IN KIND DONATIONS

The Foundation records various types of in-kind support, including services, furniture, clothes, supplies and other tangible assets. GAAP requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During 2016 and 2015, \$1,617,654 and \$1,764,129 were recognized, respectively.

Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets.

NOTE 8 – DONATED FACILITIES

In December 2007, the Foundation executed a lease for donated facilities with Lotus Endowment Fund, Inc. (the Endowment) 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 2010, February 2011, December 2012, April 2013, December 2013, December 2015 and January 2016 to add additional facilities. In September 2016, the Endowment transferred land to Lotus Village Development which consisted of eleven parcels of property now bearing the consolidated address of 217 NW 15th Street, Miami FL. for the purpose of developing the construction and development of comprehensive homeless services facility together with health clinic and the childcare center.

Under the terms of the lease, the Foundation 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 Foundation, and for no other use or purpose. If the facilities are used for any other purpose, the lease will automatically terminate.

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NOTE 8 – DONATED FACILITIES (Continued)

The lease agreement may be terminated by the Foundation by providing 60 day notice to the Endowment. The Endowment may terminate the lease if the Foundation violates the terms of the lease more specifically the permitted use of the facilities described in the lease agreement. It is due to these provisions that the lease is considered an annual donation to the Foundation and not a long term promise to give. On September 16, 2016 the aforementioned lease for the facility was terminated as to the transfer properties and a new lease was entered into in connection with the new market tax credit financing between Lotus Village Development LLC as lessor and Sundari Foundation as lessee.

The Foundation has recorded an in-kind contribution and rent expense of \$444,642 and \$415,200 for the use of the facilities under the lease agreement for the years ended December 31, 2016 and 2015, respectively. This amount approximates the fair market value of rent expense.

In connection with the transfer on September 23, 2016, by Lotus Endowment to its subsidiary, Lotus Village Development, LLC, of the eleven parcels of property, now bearing the consolidated address of 217 NW 15th Street, Miami, Florida for redevelopment, Lotus Village Development, LLC entered into a new lease with the Foundation for the property to use and operate the same as a comprehensive homeless services facility, including a homeless shelter with amenities, health clinic and childcare center. The new lease commenced September 16, 2016 and expires December 1, 2045, subject to renewal. Rent commences the later of occupancy of the new facilities or June 1, 2018. The Foundation is required to pay annual basic rent in the following quarterly installment amounts: (i) \$49,000 on June 1, 2018 (or such lesser prorated applicable quarterly amount if the Occupancy Date occurs after February 28, 2018) and each Due Date thereafter through December 1, 2022; (ii) \$60,000 on March 1, 2023 and each Due Date thereafter through December 1, 2023; (iii) \$98,500 on March 1, 2024 and each Due Date thereafter through December 1, 2025; (iv) \$157,000 on March 1, 2026 and each Due Date thereafter through December 1, 2026; and (v) \$332,000 on March 1, 2017 and each Due Date thereafter until the end of the Lease; in addition to utilities, taxes, insurance and other operating costs.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events from January 1, 2017 through July 31, 2017, the date that the financial statements were available to be issued. No events were identified during this review of subsequent events that required adjustment to or disclosure within these financial statements.