

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

THE SUNDARI FOUNDATION, INC.
AND AFFILIATE
(D.B.A. THE LOTUS HOUSE)
(a nonprofit organization)
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Sundari Foundation, Inc. and Affiliate (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 Affiliate (D.B.A. The Lotus House) (the "Organization") as of December 31, 2009 and 2008 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 Affiliate (D.B.A. The Lotus House), as of December 31, 2009 and 2008 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
May 17, 2010

THE SUNDARI FOUNDATION, INC. AND AFFILIATE
(D.B.A. THE LOTUS HOUSE)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash	\$ 1,522,561	\$ 1,173,676
Accounts receivable	41,024	78,511
Investments	3,704	1,985
Prepaid expenses	23,318	25,036
By and About Women Portfolios	<u>850,000</u>	<u>900,000</u>
	<u>2,440,607</u>	<u>2,179,208</u>
Property, furniture and equipment, net	<u>1,557,255</u>	<u>1,568,981</u>
Other assets	<u>7,559</u>	<u>3,226</u>
Total assets	<u>\$ 4,005,421</u>	<u>\$ 3,751,415</u>
<u>Liabilities</u>		
Accounts payable and accrued expenses	<u>\$ 20,213</u>	<u>\$ 25,157</u>
Total liabilities	<u>20,213</u>	<u>25,157</u>
<u>Net Assets</u>		
Unrestricted	<u>3,985,208</u>	<u>3,726,258</u>
Total liabilities and net assets	<u>\$ 4,005,421</u>	<u>\$ 3,751,415</u>

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

THE SUNDARI FOUNDATION, INC. AND AFFILIATE
(D.B.A. THE LOTUS HOUSE)
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>Unrestricted</u>	
	<u>2009</u>	<u>2008</u>
Support and revenue		
Contributions	\$ 470,297	\$ 384,115
In-Kind donations	429,518	1,116,290
Special event	184,143	423,330
Grants revenue	521,120	408,056
Investment and other income	32,995	56,603
Thrift shop sales and donations	85,835	-
Unrealized gain (loss) on investments	987	(2,640)
Total support and revenue	<u>1,724,895</u>	<u>2,385,754</u>
Expenses		
Program services		
Conferences and meetings	3,598	5,744
Depreciation	46,948	38,562
Food and meals	176,098	132,160
Grants to other organizations	-	4,250
Insurance	30,516	30,623
Materials and supplies	20,015	13,157
Office expenses	26,011	15,005
Professional fees	23,302	17,317
Public awareness/outreach	11,220	25,613
Rent	14,130	2,866
Repairs and maintenance	26,457	33,730
Salaries and related expenses	389,497	413,070
Supplies- Special Needs	185,277	92,767
Supportive services	82,015	67,396
Utilities	65,832	69,785
Thrift shop donated goods	214,004	-
Total program services	<u>1,314,920</u>	<u>962,045</u>
Supporting services		
Management and general		
Office expenses	16,624	16,432
Professional fees	70,723	53,157
Salaries and related expenses	10,692	7,219
Total management and general	<u>98,039</u>	<u>76,808</u>
Fundraising		
Production costs	400	58,187
Salaries and related expenses	10,692	7,219
Special event	31,395	78,731
Resource and grant development	10,499	15,653
Total fundraising	<u>52,986</u>	<u>159,790</u>
Total supporting services	<u>151,025</u>	<u>236,598</u>
Total expenses	<u>1,465,945</u>	<u>1,198,643</u>
Change in Net Assets	<u>258,950</u>	<u>1,187,111</u>
Net Assets at the beginning of the year	<u>3,726,258</u>	<u>2,539,147</u>
Net Assets at the end of the year	<u>\$ 3,985,208</u>	<u>\$ 3,726,258</u>

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

THE SUNDARI FOUNDATION, INC. AND AFFILIATE
(D.B.A. THE LOTUS HOUSE)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 258,950	\$ 1,187,111
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,948	38,562
Non-cash in-kind contributions	-	(1,004,625)
Unrealized loss on investments	(987)	2,640
(Increase) decrease in:		
Accounts receivable	37,487	(27,725)
Prepaid expenses	1,718	(9,967)
Other assets	(4,333)	933
Increase (decrease) in:		
Accounts payable and accrued expenses	(4,944)	(17,581)
Refundable advances	-	(18,251)
Net cash provided by operating activities:	<u>334,839</u>	<u>151,097</u>
 Cash Flows from Investing Activities		
Proceeds from sale of porftolios	50,000	100,000
Net proceeds from sale/purchase of investements	(732)	-
Acquisition of property and equipment	<u>(35,222)</u>	<u>(100,158)</u>
Net cash (used in) investing activities:	<u>14,046</u>	<u>(158)</u>
 Net Increase In Cash	348,885	150,939
 Cash at the beginning of the year	<u>1,173,676</u>	<u>1,022,737</u>
Cash at the end of the year	<u>\$ 1,522,561</u>	<u>\$ 1,173,676</u>

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

THE SUNDARI FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. NATURE OF ACTIVITIES

The Sundari Foundation, Inc. (D.B.A. The Lotus House) (the Organization) 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 disadvantage 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.

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 Organization) and The Lotus Endowment Fund, Inc. (the Endowment). 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. Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

g. 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, 2009 and 2008.

h. 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.

i. 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, 2009 and 2008.

j. 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 2009 and 2008; 5 and 10 portfolios were sold at the \$10,000 totaling \$50,000 and \$100,000 in sales proceeds; respectively.

k. 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.

l. 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, By and About Women Portfolios, receivables and accounts payable, approximate the carrying value in the financial statements at December 31, 2009 and 2008.

m. 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.

n. 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.

o. Reclassifications

Certain amounts in the 2008 financial statement presentation have been reclassified to conform to the 2009 presentation.

3. ACCOUNTS RECEIVABLE

The breakdown of accounts receivable as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Others	\$25,408	\$7,701
Special Events	-	14,469
Grants	<u>15,615</u>	<u>56,341</u>
	<u>\$41,024</u>	<u>\$78,511</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 15 portfolios as of December 31, 2009 for \$150,000 and 85 portfolios valued at \$850,000 remain for sale.

5. PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land	\$455,760	\$455,760
Buildings	904,364	904,364
Vehicles	58,178	26,827
Building improvements	150,193	150,193
Furniture and equipment	<u>106,757</u>	<u>102,886</u>
	1,675,252	1,640,030
Less: Accumulated depreciation	<u>(117,997)</u>	<u>(71,049)</u>
	<u>\$1,557,255</u>	<u>\$1,568,981</u>

Depreciation expense related to property, furniture and equipment amounted to \$46,948 and \$38,562 for the years ended December 31, 2009 and 2008; respectively.

During 2008, the cost of land was increased by \$170,760 and the cost of buildings was decreased by \$170,760 to correct the allocation of the purchase price of the 226 N.W. 16th Street building.

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")

The value of the donated building; which was appraised at \$645,000 and the value of the land which was appraised at \$285,000 have been recorded as increases to unrestricted support in the Endowment's financial statements since there were no restrictions on the use of the properties placed on the Endowment.

The donated assets have also been reported as increases in unrestricted support in the consolidated financial statements of the Organization. The restrictions placed on use of the property by the Endowment on the Organization are not considered temporary or permanent restrictions since the likelihood that the properties will not be used as a shelter for women and children are remote. The Organization currently operates such a shelter (the Lotus House).

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 2009 and 2008, 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, 2009 and 2008 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, 2009</u>				
Securities	\$ 3,704	\$ 3,704	\$ —	\$ —
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>
<u>December 31, 2008</u>				
Securities	\$ 1,985	\$ 1,985	\$ —	\$ —
By and About Women Portfolios	<u>900,000</u>	<u>—</u>	<u>—</u>	<u>900,000</u>
Total	<u>\$ 901,985</u>	<u>\$ 1,985</u>	<u>\$ —</u>	<u>\$ 900,000</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 2009, the Endowment sold 5 portfolios for a total of \$50,000.

10. SUBSEQUENT EVENTS

Management evaluated subsequent events from January 1, 2010 through May 17, 2010, the date the financial statements were available to be published. No events were identified during this review of subsequent events that required adjustment to or disclosure within these financial statements.