

SUNFLOWER HOUSE, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2010

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Gottlieb, Flekier & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Jerrold L. Gottlieb • Steven M. Flekier • Danielle L. Bordman

Independent Auditors' Report

To the Board of Directors
Sunflower House, Inc.

We have audited the accompanying statement of financial position of Sunflower House, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, cash flows, and functional expenses 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 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 the 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 financial statements referred to above present fairly, in all material respects, the financial position of Sunflower House, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gottlieb Flekier & Co., P.A.

GOTTLIEB, FLEKIER & CO., P.A.
July 21, 2011

Sunflower House, Inc.
Statement of Financial Position
December 31, 2010

Assets

Current Assets:

Cash and cash equivalents	\$ 75,307
Beneficial interest in assets held by Community Foundation	15,591
Investments, less permanently restricted net assets	58,297
Accounts receivable	2,375
Grants receivable	192,423
Auction inventory	4,870
Prepaid expenses	4,481
Pledges receivable, net of an allowance for doubtful accounts of \$7,125	<u>90,905</u>
Total Current Assets	<u>444,249</u>

Fixed Assets:

Land	345,520
Building	2,068,756
Office equipment	<u>534,258</u>
Total Fixed Assets	2,948,534
Less accumulated depreciation	<u>(936,710)</u>
Net Fixed Assets	<u>2,011,824</u>

Other Assets:

Permanently restricted investments	123,547
Pledges receivable	<u>53,368</u>
Total Other Assets	<u>176,915</u>

Total Assets	<u><u>\$ 2,632,988</u></u>
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The accompanying notes are an integral part of these financial statements.

Sunflower House, Inc.
Statement of Financial Position
December 31, 2010

Liabilities and Net Assets

Current Liabilities:	
Accounts payable	\$ 13,973
Accrued payroll liabilities	36,636
Deferred revenue	15,321
Total Current Liabilities	<u>65,930</u>
 Total Liabilities	 <u>65,930</u>
 Net Assets:	
Unrestricted:	
Undesignated	1,740,533
Designated by the Board for endowment purposes	107,271
Total Unrestricted	<u>1,847,804</u>
Restricted:	
Temporarily restricted	595,707
Permanently restricted	123,547
Total Restricted	<u>719,254</u>
 Total Net Assets	 <u>2,567,058</u>
 Total Liabilities and Net Assets	 <u><u>\$ 2,632,988</u></u>

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

Sunflower House, Inc.
Statement of Activities
For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:				
United Way	\$ 140,388	\$ -	\$ -	\$ 140,388
Grants	285,162	314,638	-	599,800
Special events	125,878	36,500	-	162,378
Contributions	168,934	117,273	-	286,207
Total Support	<u>720,362</u>	<u>468,411</u>	<u>-</u>	<u>1,188,773</u>
Revenue:				
Net gains on investments and beneficial interest in assets held by Community Foundation	24,567	-	-	24,567
Interest income	2,198	-	-	2,198
Fee and other income	39,029	-	-	39,029
Insurance claim income	31,992	-	-	31,992
Total Revenue	<u>97,786</u>	<u>-</u>	<u>-</u>	<u>97,786</u>
Net Assets Released From Restriction	<u>756,087</u>	<u>(691,087)</u>	<u>(65,000)</u>	<u>-</u>
Total Support and Revenue	<u>1,574,235</u>	<u>(222,676)</u>	<u>(65,000)</u>	<u>1,286,559</u>
Expenses:				
Program Services:				
Education	381,262	-	-	381,262
Child assessment	768,563	-	-	768,563
Supporting Services:				
Fundraising	258,346	-	-	258,346
Cost of goods sold	89,431	-	-	89,431
Management/administrative	88,547	-	-	88,547
Total Expenses	<u>1,586,149</u>	<u>-</u>	<u>-</u>	<u>1,586,149</u>
Change in net assets	(11,914)	(222,676)	(65,000)	(299,590)
Net assets, beginning of year	<u>1,859,718</u>	<u>818,383</u>	<u>188,547</u>	<u>2,866,648</u>
Net assets, end of year	<u>\$ 1,847,804</u>	<u>\$ 595,707</u>	<u>\$ 123,547</u>	<u>\$ 2,567,058</u>

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

Sunflower House, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2010

Cash Flows from Operating Activities:	
Changes in net assets	\$ (299,590)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	66,354
Bad debt	31,492
Gain on disposal of fixed assets	(2)
Changes in:	
Grants receivable	236,943
Pledges receivable	(4,917)
Accounts receivable	(64)
Prepaid expenses	(2,356)
Auction inventory	683
Accounts payable and accrued liabilities	(46,347)
Deferred revenue	(617)
Net Cash Used in Operating Activities	<u>(18,421)</u>
Cash Flows from Investing Activities:	
Purchase of fixed assets	(5,865)
Withdrawal of investments	175,000
Reinvestment of investment income	(58,620)
Net Cash Provided by Investing Activities	<u>110,515</u>
Cash Flows from Financing Activities:	
Net payments on line of credit	(100,000)
Net Cash Used in Financing Activities	<u>(100,000)</u>
Net decrease in cash and cash equivalents	(7,906)
Cash and cash equivalents, beginning of year	<u>83,213</u>
Cash and cash equivalents, end of year	<u><u>\$ 75,307</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	<u><u>\$ 4,222</u></u>

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

Sunflower House, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2010

	Program Services		Supporting Services				Total
	Education	Child Assessment	Fundraising	Cost of Goods Sold	Management / Administrative		
Dues and subscriptions	\$ 254	\$ 5,784	\$ 1,805	\$ -	\$ 2,395	\$	\$ 10,238
Bad debt	914	-	30,578	-	-		31,492
Data processing	5,756	8,224	1,645	-	822		16,447
Employee benefits	27,535	35,505	9,053	-	4,673		76,766
Special events	-	-	-	89,431	-		89,431
Insurance	9,127	13,152	2,608	-	6,247		31,134
Interest expense	1,478	2,111	422	-	211		4,222
Maintenance	28,603	37,372	7,889	-	3,274		77,138
Media purchases	392	-	-	-	63		455
Mileage	5,412	3,145	809	-	185		9,551
Miscellaneous	3,485	5,266	1,190	-	1,465		11,406
Supplies	6,984	30,447	23,749	-	8,990		70,170
Payroll taxes	15,684	28,865	9,562	-	3,328		57,439
Personnel	213,112	384,621	126,025	-	43,962		767,720
Postage/shipping	888	1,320	2,848	-	773		5,829
Printing	2,654	5,248	8,118	-	716		16,736
Professional services	15,753	140,280	13,017	-	4,988		174,038
Public relations	2,382	65	1,603	-	51		4,101
Staff development	2,410	14,626	2,594	-	1,300		20,930
Telephone	6,066	7,392	944	-	472		14,874
Travel	270	386	77	-	38		771
Utilities	8,452	11,070	2,415	-	1,207		23,144
Recognition	427	507	4,759	-	70		5,763
Depreciation	23,224	33,177	6,636	-	3,317		66,354
Total	<u>\$ 381,262</u>	<u>\$ 768,563</u>	<u>\$ 258,346</u>	<u>\$ 89,431</u>	<u>\$ 88,547</u>	<u>\$</u>	<u>\$ 1,586,149</u>

The accompanying notes are an integral part of these financial statements.
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Sunflower House, Inc.
Notes to Financial Statements
December 31, 2010

Note A – Summary of Significant Accounting Policies

Organization

Sunflower House, Inc. (the Organization) was formed to help prevent child physical and sexual abuse in Johnson County and Wyandotte County, Kansas. Its current programs include:

Education: Staff and volunteers provide community education and outreach programs to schools, service organizations, parent groups, religious organizations and professional associations. This education includes child personal safety training, training on how to recognize and report child abuse, training on the practices of child-friendly investigation of abuse allegations for professionals in law enforcement, child protection, medical, mental health and prosecution.

Child Assessment: Staff work with professionals in law enforcement, child protection, medical, mental health and prosecution to enhance the investigation of abuse allegations in a neutral child-friendly setting. These services include child-friendly investigative interviews, child-friendly medical exams, family advocacy and support, and information and referral.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions whose restrictions are met in the same reporting period may be shown as unrestricted contributions.

Cash Equivalents

Cash equivalents for purposes of the statement of cash flows consists of unrestricted cash on hand, cash in operating bank accounts and money market accounts.

Investments

The Organization's investments in marketable securities are carried in the financial statements at fair market value based on quoted market prices for those investments. Realized and unrealized gains and losses are included in revenue. The average cost method is used to determine the cost of securities.

Sunflower House, Inc.
Notes to Financial Statements
December 31, 2010

Note A – Summary of Significant Accounting Policies (Continued)

Auction Inventory

Auction inventory consists of donated or purchased items to be auctioned off at the Organization's Valentine Gala fundraiser. The inventory is carried at the fair value as of the date of donation or cost if the item was purchased.

Income Taxes

No provision for income taxes is included in the Statement of Activities since the organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization accounts for income taxes in accordance with FASB ASC 740, *Accounting for Income Taxes*, which provides guidance on how to measure and account for various tax positions. The Organization has determined that no material unrecognized tax benefits or liabilities exist as of December 31, 2010 for the Organization. If applicable, the Organization will recognize interest and penalties related to the underpayment of income taxes in the year incurred. The Organization is not at the present time under examination by any taxing authority. Effectively, all years for federal and state income examination are closed for any year ended prior to December 31, 2007.

Fixed Assets

Fixed assets are carried at cost if purchased, and fair value as of the contribution date if contributed. Depreciation is provided for using the straight-line method for building and land improvements and straight-line and accelerated methods for office equipment over the estimated useful lives of the respective assets, which is generally five to seven years for office equipment and thirty-nine years for building and land improvements. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. When fixed assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenue or expenses. Depreciation expense for the year ended December 31, 2010 is \$66,354.

Contributed Services and Goods

Various individuals and organizations have made significant contributions of their time and products for the benefit of Sunflower House, Inc. The Organization records contributed services and goods as revenue and assets or expenses if the services or goods create or enhance a non-financial asset or when the contributions are goods and services that would typically need to be purchased by the Organization if such goods and services had not been contributed.

Contributed products and services recognized as revenue during the year ended December 31, 2010 were approximately \$29,000 of donated laboratory services (used for child assessment), \$35,500 of donated supplies and wish list items (used for child assessment), \$11,000 of donated repairs related to water damage, and approximately \$4,500 of donated equipment (used for administrative). Additionally, approximately \$41,000 of auction items were donated for the valentine gala fundraiser during 2010.

Sunflower House, Inc.
Notes to Financial Statements
December 31, 2010

Note A – Summary of Significant Accounting Policies (Continued)

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Pledges Receivable

The Organization carries its pledges receivable net of an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its pledges receivable and establishes an allowance for doubtful accounts, based on history of past write-offs and collections. Pledges are written off as uncollectible at the time management determines that collection is unlikely. At December 31, 2010, the Organization had an allowance for doubtful accounts of \$7,125, which is net against pledges receivable on the Statement of Financial Position.

Accounts Receivable

The Organization carries its accounts receivable net of an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on history of past write-offs and collections. Accounts are written off as uncollectible at the time management determines that collection is unlikely. At, December 31, 2010, the Organization determined that no allowance for doubtful accounts was necessary for accounts receivable.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B – Concentration of Credit Risk

Sunflower House, Inc. maintains cash balances at four institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2010, the Organization had no cash and deposits exceeding the insured limit.

Sunflower House, Inc.
Notes to Financial Statements
December 31, 2010

Note C – Commitments and Contingencies

In 2010, the Organization did not maintain cash and investments in an amount necessary to comply with donor-imposed restrictions. As of December 31, 2010, Sunflower House has approximately \$100,000 in cash and investments less than the amount required to comply with donor-imposed restrictions.

Note D - Investments

Investments held by Sunflower House, Inc. at December 31, 2010:

Equity securities	<u>\$ 181,844</u>
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Note E – Lease Commitments

The Organization leases copiers and postage machines under operating leases, with various expiration dates through 2014. Rent expense for this equipment for the year ended December 31, 2010, is approximately \$15,000.

Future minimum lease payments required under these operating leases are as follows:

Year Ended December 31,	
2011	\$ 12,600
2012	9,720
2013	9,720
2014	8,910
	<u>\$ 40,950</u>

Note F – Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions for general endowment funds that are required by the donor to be invested into perpetuity. The income from such investments is unrestricted. During 2010, four capital campaign donors released a total of \$65,000 of permanently restricted contributions. At December 31, 2010, net assets permanently restricted for the endowment are \$123,547.

Sunflower House, Inc.
Notes to Financial Statements
December 31, 2010

Note G – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31, 2010:

Restricted as to use:	
Capital campaign	\$ 235,252
Happy bear costumes and supplies	4,453
Child assessment	167,625
Education programming	31,500
Life coaching and best year yet initiatives	3,104
Restricted as to time	<u>153,773</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 595,707</u></u>

Note H – Pledges Receivable

As of December 31, 2010, contributors to the Organization have unconditionally promised to give as follows:

Receivable in less than one year, net of \$7,125 allowance	\$ 90,905
Receivable in one to five years	<u>53,368</u>
Total Unconditional Promises to Give at December 31, 2010	<u><u>\$ 144,273</u></u>

The Organization also received planned estate gifts of \$25,000 pledged for operating support of Sunflower House. These gifts are not included in pledges receivable as of December 31, 2010 as they are contingent upon the death of the donor and probate of the estate.

Note I – Beneficial Interest in Net Assets Held by Community Foundation

The Organization signed an agreement with the Greater Kansas City Community Foundation (the Foundation) to establish the Sunflower House Foundation Fund (the Fund), whereby the Organization originally transferred funds in the amount of \$64,038 to the Foundation. The original purpose of the Fund was to serve as an endowment for the Organization with the annual net income of the Fund to be distributed to the Organization.

During 2006, the Organization amended its Sunflower House Foundation Fund Establishment Document. The intent of the agreement is that the income and principal of the fund be unrestricted as to its use and be distributed to the Organization upon receipt of the written recommendation of not less than two Board officers.

Sunflower House, Inc.
Notes to Financial Statements
December 31, 2010

Note I – Beneficial Interest in Net Assets Held by Community Foundation (Continued)

However, the agreement states that the Community Foundation reserves the right to make the final decisions regarding distributions from the Fund.

At December 31, 2010 the Organization's beneficial interest in net assets held by the community foundation totaled \$15,591.

Note J – Pension Plan

The Organization sponsors a defined contribution plan, with a 401(k) feature, covering all employees who have completed one year of service and have reached the age of twenty-one. Matching contributions to the plan are discretionary. No match was made by the Organization in 2010.

Note K - Concentrations

In 2010, approximately 13% and 8% of the Organization's support was derived from the Victims of Crime Act government grant and State of Kansas Children's Advocacy Centers government grant, respectively. Additionally, approximately 5% of the Organization's support was derived from a single foundation in 2010.

Note L – Line of Credit

The Organization had a revolving promissory note agreement with Country Club Bank (the Bank) for advances up to \$200,000 which matured on December 28, 2010. Under the agreement, interest accrued on the unpaid balance of the note at the prime rate minus .5% (with a minimum rate of 5%) (5% at December 31, 2010). The line of credit was secured by all property of Sunflower House. The Organization was required to submit internally compiled annual financial statements to the Bank within 90 days of the Organization's fiscal year end. At December 31, 2010, the Organization has no balance outstanding on this line of credit.

Note M - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Sunflower House, Inc.
Notes to Financial Statements
December 31, 2010

Note M - Fair Value Measurements (Continued)

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date.
- Level 2: Directly or indirectly observable inputs as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data from actively quoted markets for substantially the full term of the financial instrument.
- Level 3: Unobservable inputs that are supported by little or no market activity and reflect the use of significant management judgment.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used needed to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Investments: Valued based on quoted market prices from various pricing services serving active markets.

Beneficial interest in assets held by Community Foundation: Valued at contract value, which approximates fair value. Contract value represents contributions made under the contract, plus investment income and appreciation (depreciation), less withdrawals and administrative expenses.

Auction inventory: Valued based upon the lower of estimated fair value as determined by the donor and corroborated by research of publicly available pricing at the time of donation and subsequent auction prices obtained.

Sunflower House, Inc.
Notes to Financial Statements
December 31, 2010

Note M - Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2010:

	Assets at Fair Value as of December 31, 2010			Total
	Level 1	Level 2	Level 3	
Investments	\$ 181,844	\$ -	\$ -	\$ 181,844
Beneficial interest in assets held by Community Foundation	-	-	15,591	15,591
Auction inventory	-	-	4,870	4,870
	<u>\$ 181,844</u>	<u>\$ -</u>	<u>\$ 20,461</u>	<u>\$ 202,305</u>

Level 3 Gains and Losses:

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended December 31, 2010:

	Beneficial Interest in Assets Held by Community Foundation	Auction Inventory	Total
Balance, beginning of year	\$ 13,988	\$ 5,553	\$ 19,541
Interest and dividends	334	-	334
Net gains	1,519	-	1,519
Administrative fees	(250)	-	(250)
Donations/purchases of inventory items	-	7,805	7,805
Sale of inventory items	-	(8,488)	(8,488)
Total Assets at Fair Value	<u>\$ 15,591</u>	<u>\$ 4,870</u>	<u>\$ 20,461</u>

Sunflower House, Inc.
Notes to Financial Statements
December 31, 2010

Note N - Endowment

Endowment Overview

The Sunflower House Board of Directors has fiduciary responsibility to its donors for the prudent management and use of agency assets. Sunflower House seeks, invests and distributes funds to achieve its mission to prevent child abuse and neglect in our community, through child-centered programs and interventions. It is the intent of the Sunflower House Board of Directors that investments of its charitable assets be made to facilitate current and future charitable needs of Sunflower House.

Sunflower House's endowment includes both donor restricted funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions or in accordance with the Board's interpretation of relevant law.

Return Objectives and Risk Parameters

The investment objectives and primary purpose of the Sunflower House endowment is a combination of growth and income sufficient to meet the capital improvement and operational needs of the organization. The Board of Directors is willing to accept controlled risk for above average return on investments. Risk in the portfolio is managed through asset class diversification, balanced sector/security weighting, asset quality and investment prudence.

The primary long term investment objective of the investment portfolio is to seek competitive market returns so as to preserve and grow the capital funds and to provide cash flows to fund distributions. The investment program should be designed to participate in up markets and more importantly provide protection in down and sideways capital markets.

The Sunflower House Board of Directors recognizes that the return objectives may be difficult to achieve in the short term, but should be attainable over 10- or 15- year periods. Over shorter timeframes, the Sunflower House investment portfolio will seek to outperform a composite of market indices.

The Board of Directors recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. The investment portfolio is structured to maintain prudent levels of diversification. Diversification of assets is employed to ensure that adverse results from one asset class will not have an unduly detrimental effect on the investment portfolio. The Board of Directors interprets diversification to include diversification by type, by characteristic, and by number of investments, as well as by the hiring of manager(s) that employ different management styles.

Sunflower House, Inc.
Notes to Financial Statements
December 31, 2010

Note N – Endowment (Continued)

Interpretation of Laws Governing Donor Restricted Endowment Funds

Sunflower House follows the state of Kansas Uniform Prudent Management of Institutional Funds Act (UPMIFA) and its own governing documents. UPMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA. Sunflower House donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

The Board of Directors has determined that the majority of its contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Board of Directors. Under the terms of Sunflower House's governing documents, the Board of Directors has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

Policies for Appropriation of Endowment Assets

The Sunflower House Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of those endowment assets over the long-term. Sunflower House's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current absolute target return goal on an annualized basis is inflation plus 5%. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Sunflower House Board of Directors relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Board of Directors targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters. The spending policy calculates the amount of money annually distributed from Sunflower House's various endowed funds for grant making and administration. The Board's current spending policy is to fund capital improvements with investment income and or principle, and to fund agency operations with investment income up to \$25,000 with board approval, which is further limited to keeping the corpus of the donor restricted assets intact.

Sunflower House, Inc.
Notes to Financial Statements
December 31, 2010

Note N – Endowment (Continued)

Endowment net asset composition by type of fund at December 31, 2010:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 123,547	\$ 123,547
Board-designated endowment funds	107,271	-	107,271
	<u>\$ 107,271</u>	<u>\$ 123,547</u>	<u>\$ 230,818</u>

Composition of and changes in endowment net assets for the year ended December 31, 2010, were as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 107,271	\$ 188,547	\$ 295,818
Release from restriction	<u>-</u>	<u>(65,000)</u>	<u>(65,000)</u>
Endowment net assets, end of year	<u>\$ 107,271</u>	<u>\$ 123,547</u>	<u>\$ 230,818</u>

Note O – Subsequent Events

Management has evaluated subsequent events through July 21, 2011, the date which the financial statements were available for issue.

Subsequent to December 31, 2010, the Organization's line of credit with Country Club Bank was extended through August 31, 2011 and the Organization borrowed \$50,000.