SUNFLOWER HOUSE, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2012 AND 2011

<u>CONTENTS</u>

Gottlieb, Flekier & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

To the Board of Directors
Sunflower House, Inc.

We have audited the accompanying financial statements of Sunflower House, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 financial statements referred to above present fairly, in all material respects, the financial position of Sunflower House, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gottlieb Flekier & Co., P.A.

GOTTLIEB, FLEKIER & CO., P.A.
Overland Park, KS
June 25, 2013

Sunflower House, Inc.
Statements of Financial Position
December 31, 2012 and 2011

Assets

	2012	2011
Current Assets:		
Cash and cash equivalents, less permanently restricted	$ 393,302	$ 239,221
Beneficial interest in assets held by Community Foundation	16,803	15,186
Accounts receivable	11,854	6,683
Grants receivable	251,135	216,520
Auction inventory	11,517	9,117
Prepaid expenses	4,236	3,800
Pledges receivable, net of an allowance for doubtful accounts of $10,090 and $2,300 at December 31, 2012 and 2011, respectively	99,602	79,219
Total Current Assets	788,449	569,746
Fixed Assets:		
Land and improvements	353,500	345,520
Building	2,093,774	2,068,756
Office equipment	539,131	543,656
Total Fixed Assets	2,986,405	2,957,932
Less accumulated depreciation	(1,043,980)	(1,003,075)
Net Fixed Assets	1,942,425	1,954,857
Other Assets:		
Permanently restricted cash and cash equivalents	113,381	113,381
Pledges receivable	78,516	66,897
Total Other Assets	191,897	180,278
Total Assets	$ 2,922,771	$ 2,704,881

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

Sunflower House, Inc.
Statements of Financial Position
December 31, 2012 and 2011

Liabilities and Net Assets

	2012	2011
Current Liabilities:		
Accounts payable	$ 20,459	$ 35,008
Accrued payroll liabilities	21,868	41,807
Deferred revenue	21,363	7,039
Total Current Liabilities	63,690	83,854
Total Liabilities	63,690	83,854
Net Assets:		
Unrestricted:		
Undesignated	1,980,149	1,753,779
Designated by the Board for endowment purposes	107,271	107,271
Total Unrestricted	2,087,420	1,861,050
Restricted:		
Temporarily restricted	658,280	646,596
Permanently restricted	113,381	113,381
Total Restricted	771,661	759,977
Total Net Assets	2,859,081	2,621,027
Total Liabilities and Net Assets	$ 2,922,771	$ 2,704,881

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

Sunflower House, Inc.
Statement of Activities
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:				
United Way	$ 128,098	$ -	$ -	$ 128,098
Grants	239,743	535,959	-	775,702
Special events	193,341	64,000	-	257,341
Contributions	190,212	124,208	-	314,420
Total Support	751,394	724,167	-	1,475,561
Revenue:				
Net gains on beneficial interest in assets held by Community Foundation	1,416	-	-	1,416
Interest income	395	-	-	395
Fee and other income	48,156	-	-	48,156
Total Revenue	49,967	-	-	49,967
Net Assets Released From Restriction	712,483	(712,483)	-	-
Total Support and Revenue	1,513,844	11,684	-	1,525,528
Expenses:				
Program Services:				
Education	286,569	-	-	286,569
Child assessment	673,078	-	-	673,078
Supporting Services:				
Fundraising	174,069	-	-	174,069
Cost of goods sold	77,684	-	-	77,684
Management/administrative	76,074	-	-	76,074
Total Expenses	1,287,474	-	-	1,287,474
Change in net assets	226,370	11,684	-	238,054
Net assets, beginning of year	1,861,050	646,596	113,381	2,621,027
Net assets, end of year	$ 2,087,420	$ 658,280	$ 113,381	$ 2,859,081

Sunflower House, Inc.
Statement of Activities
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:				
United Way	$ 133,367	$ -	$ -	$ 133,367
Grants	249,088	540,673	-	789,761
Special events	147,672	12,500	-	160,172
Contributions	191,547	89,900	-	281,447
Total Support	721,674	643,073	-	1,364,747
Revenue:				
Net gains on beneficial interest in assets held by Community Foundation	8,550	-	-	8,550
Interest income	366	-	-	366
Fee and other income	36,711	-	-	36,711
Insurance claim income	1,000	-	-	1,000
Total Revenue	46,627	-	-	46,627
Net Assets Released From Restriction	586,600	(576,434)	(10,166)	-
Total Support and Revenue	1,354,901	66,639	(10,166)	1,411,374
Expenses:				
Program Services:				
Education	298,235	-	-	298,235
Child assessment	683,629	-	-	683,629
Supporting Services:				
Fundraising	196,435	-	-	196,435
Cost of goods sold	88,668	-	-	88,668
Management/administrative	90,438	-	-	90,438
Total Expenses	1,357,405	-	-	1,357,405
Change in net assets	(2,504)	66,639	(10,166)	53,969
Net assets, beginning of year	1,863,554	579,957	123,547	2,567,058
Net assets, end of year	$ 1,861,050	$ 646,596	$ 113,381	$ 2,621,027

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

Sunflower House, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	$ 238,054	$ 53,969
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	66,190	66,365
Bad debt	16,195	9,510
Net appreciation (depreciation) of investment securities	(1,416)	390
Realized loss on sale of equity securities	-	127
Changes in:		
Permanently restricted cash	-	(113,381)
Grants receivable	(34,615)	(24,097)
Pledges receivable	(48,197)	(11,353)
Accounts receivable	(5,171)	(4,308)
Prepaid expenses	(436)	681
Auction inventory	(2,400)	(4,247)
Accounts payable and accrued payroll liabilities	(34,488)	26,206
Deferred revenue	14,324	(8,282)
Net Cash Provided by (Used In) Operating Activities	208,040	(8,420)
Cash Flows from Investing Activities:		
Purchase of fixed assets	(53,758)	(9,398)
Withdrawal of investments	-	190,910
Reinvestment of investment income	(201)	(9,178)
Net Cash Provided by (Used In) Investing Activities	(53,959)	172,334
Net increase in cash and cash equivalents	154,081	163,914
Cash and cash equivalents, beginning of year	239,221	75,307
Cash and cash equivalents, end of year	$ 393,302	$ 239,221
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ -	$ 819

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

Sunflower House, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2012

	Program Services		Supporting Services			
	Education	Child Assessment	Fundraising	Cost of Goods Sold	Management / Administrative	Total
Dues and subscriptions	$ 56	$ 5,000	$ 636	$ -	$ 124	$ 5,816
Bad debt	-	-	16,195	-	-	16,195
Data processing	534	1,363	7,319	-	4,204	13,420
Employee benefits	17,934	28,953	3,736	-	3,080	53,703
Special events	-	-	-	77,684	-	77,684
Insurance	8,195	12,147	2,295	-	10,430	33,067
Maintenance	20,418	33,349	6,308	-	1,831	61,906
Media purchases	136	47	5	-	3	191
Mileage and travel	4,760	3,538	749	-	2,058	11,105
Miscellaneous	372	332	2,694	-	2,849	6,247
Supplies	8,188	18,156	27,331	-	310	53,985
Payroll taxes	10,694	26,189	5,464	-	2,864	45,211
Personnel	151,293	346,305	70,920	-	38,182	606,700
Postage/shipping	773	997	3,565	-	367	5,702
Printing	3,851	2,925	5,225	-	304	12,305
Professional services	13,558	121,802	4,066	-	3,398	142,824
Public relations	2,711	1,573	3,399	-	336	8,019
Staff development	4,768	15,532	1,015	-	143	21,458
Telephone	4,970	5,493	501	-	884	11,848
Utilities	9,484	13,548	2,709	-	1,355	27,096
Recognition	707	2,734	3,318	-	43	6,802
Depreciation	23,167	33,095	6,619	-	3,309	66,190
Total	$ 286,569	$ 673,078	$ 174,069	$ 77,684	$ 76,074	$ 1,287,474

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

Sunflower House, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2011

	Program Services		Supporting Services			
	Education	Child Assessment	Fundraising	Cost of Goods Sold	Management / Administrative	Total
Dues and subscriptions	$ 41	$ 4,906	$ 906	$ -	$ 586	$ 6,439
Bad debt	-	-	9,510	-	-	9,510
Data processing	2,967	5,530	2,536	-	474	11,507
Employee benefits	21,820	29,719	9,173	-	5,298	66,010
Special events	-	-	-	88,668	-	88,668
Insurance	7,997	11,749	2,499	-	5,379	27,624
Interest expense	-	-	-	-	819	819
Maintenance	18,354	23,014	9,103	-	1,749	52,220
Media purchases	427	19	-	-	-	446
Mileage and travel	4,359	4,002	1,344	-	2,124	11,829
Miscellaneous	2,311	4,879	773	-	1,513	9,476
Supplies	2,205	16,155	22,038	-	5,306	45,704
Payroll taxes	11,848	27,446	6,994	-	5,276	51,564
Personnel	165,137	371,522	103,276	-	47,212	687,147
Postage/shipping	1,201	1,815	2,764	-	363	6,143
Printing	3,303	4,143	6,812	-	592	14,850
Professional services	12,985	106,295	3,791	-	6,746	129,817
Public relations	652	894	2,434	-	450	4,430
Staff development	3,659	12,962	366	-	487	17,474
Telephone	5,508	6,366	742	-	669	13,285
Utilities	10,174	14,534	2,906	-	1,454	29,068
Recognition	59	4,497	1,831	-	623	7,010
Depreciation	23,228	33,182	6,637	-	3,318	66,365
Total	$ 298,235	$ 683,629	$ 196,435	$ 88,668	$ 90,438	$ 1,357,405

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

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.

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.

Note A – Summary of Significant Accounting Policies (Continued)

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, 2012 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, 2009.

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 over the estimated useful lives of the respective assets, which is generally five to seven years for office equipment and fifteen to 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 years ended December 31, 2012 and 2011 is $66,190 and $66,365, respectively.

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, 2012 were approximately $21,000 of donated supplies and wish list items (used for child assessment), approximately $5,700 of donated legal services (used for child assessment), approximately $4,500 of donated equipment usage (used for education) and approximately $7,100 of donated video production (used for fundraising). Additionally, approximately $21,000 of auction items were donated for the valentine gala fundraiser during 2012, and the Organization received approximately $4,100 of donated IT support and $3,000 of donated fish tank maintenance services.

Note A – Summary of Significant Accounting Policies (Continued)

Contributed Services and Goods (continued)
Contributed products and services recognized as revenue during the year ended December 31, 2011 were approximately $25,500 of donated supplies and wish list items (used for child assessment), $5,000 of donated legal services (used for child assessment), and approximately $4,500 of donated equipment usage (used for education). Additionally, approximately $33,000 of auction items was donated for the valentine gala fundraiser during 2011.

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. At December 31, 2012 and 2011, the Organization had an allowance for doubtful accounts of $10,090 and $2,300, respectively, which is net against pledges receivable on the Statements of Financial Position. Pledges receivable have various due dates, generally over 1-5 years, depending on the nature of the pledge. Pledges that are past due are considered delinquent and are written off as uncollectible at the time management determines that collection is unlikely.

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. At December 31, 2012 and 2011, the Organization determined that no allowance for doubtful accounts was necessary for accounts receivable. Accounts receivable are generally due within 90 days. Accounts receivable that are past due are considered delinquent and are written off as uncollectible at the time management determines that collection is unlikely.

Grants Receivable
The Organization receives various grants receivable from private foundations and carries these net of an allowance for doubtful accounts. The allowance for doubtful accounts is evaluated periodically based on history of past write-offs and collections. At December 31, 2012 and 2011, the Organization determined that no allowance for doubtful accounts was necessary for grants receivable.

Note A – Summary of Significant Accounting Policies (Continued)

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, 2012 and 2011, the Organization had no cash and deposits exceeding the insured limit.

Note C – Commitments and Contingencies

In 2011, the Organization did not maintain cash and investments in an amount necessary to comply with donor-imposed restrictions. As of December 31, 2011, Sunflower House had approximately $30,000 in cash and cash equivalents less than the amount required to comply with donor-imposed restrictions. As of December 31, 2012, Sunflower House has cash and cash equivalents on hand that is greater than the amount necessary to comply with donor imposed restrictions.

Note D – 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, 2012 and 2011, is approximately $14,000 per year.

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

Year Ended December 31,		
2013	$	9,720
2014		8,910
	$	18,630

Note E – 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 2011, capital campaign donors released a total of $10,166 of permanently restricted contributions. At December 31, 2012 and 2011, net assets permanently restricted for the endowment are $113,381.

Note F – Pledges Receivable

Contributors to the Organization have unconditionally promised to give as follows:

	December 31, 2012	December 31, 2011
Receivable in less than one year, net of allowance	$ 99,602	$ 79,219
Receivable in one to five years	78,516	66,897
Total Unconditional Promises to Give	$ 178,118	$ 146,116

The Organization has 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, 2012 or 2011 as they are contingent upon the death of the donor and probate of the estate.

Note G – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31, 2012 and 2011:

	2012	2011
Restricted as to use:		
Capital campaign	$ 189,184	$ 210,711
Child assessment	177,351	183,148
Education programming	18,387	39,806
Life coaching and best year yet initiatives	-	3,104
Technology upgrades	-	350
Volunteering improvements	-	10,000
Restricted as to time	273,358	199,477
Total Temporarily Restricted Net Assets	$ 658,280	$ 646,596

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

At December 31, 2012 and 2011 the Organization's beneficial interest in net assets held by the Foundation totaled $16,803 and $15,186, respectively.

Note I – 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 2012 or 2011.

Note J - Concentrations

In 2012, approximately 10% of the Organization's support was derived from the Victims of Crime Act government grant and approximately 11% was derived from the State of Kansas Children's Advocacy Centers government grant. Additionally, approximately 17% of the Organization's support was derived from two foundations in 2012.

In 2011, approximately 24% of the Organization's support was derived from both the Victims of Crime Act government grant and State of Kansas Children's Advocacy Centers government grants, with approximately 12% of support coming from each. Additionally, approximately 10% of the Organization's support was derived from a single foundation in 2011.

Note K – Line of Credit

The Organization has a revolving promissory note agreement with Country Club Bank (the Bank) for advances up to $200,000 which matures on September 30, 2013. Under the agreement, interest accrues on the unpaid balance of the note at the prime rate minus .5% (with a minimum rate of 5%) (5% at December 31, 2012 and 2011).

The line of credit is secured by all property of Sunflower House. The Organization is required to submit internally compiled annual financial statements to the Bank within 90 days of the Organization's fiscal year end. At December 31, 2012, the Organization has no balance outstanding on this line of credit.

Note L - 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:

- 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.

Note L - Fair Value Measurements (Continued)

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

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.

The following tables sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2012 and 2011:

	Assets at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by Community Foundation	$ -	$ -	$ 16,803	$ 16,803

	Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by Community Foundation	$ -	$ -	$ 15,186	$ 15,186

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the years ended December 31, 2012 and 2011:

	Beneficial Interest in Assets Held by Community Foundation
Balance, December 31, 2010	$ 15,591
Interest and dividends	361
Net losses	(516)
Administrative fees	(250)
Total Assets at Fair Value as of December 31, 2011	15,186
Interest and dividends	389
Net gains	1,479
Administrative fees	(251)
Total Assets at Fair Value as of December 31, 2012	$ 16,803

Note M - 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.

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.

Note M – Endowment (Continued)

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.

Note M – Endowment (Continued)

Endowment net asset composition by type of fund at December 31, 2012:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 113,381	$ 113,381
Board-designated endowment funds	107,271	-	107,271
	$ 107,271	$ 113,381	$ 220,652

Endowment net asset composition by type of fund at December 31, 2011:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 113,381	$ 113,381
Board-designated endowment funds	107,271	-	107,271
	$ 107,271	$ 113,381	$ 220,652

Composition of and changes in endowment net assets for the years ended December 31, 2012 and 2011 were as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, December 31, 2010	$ 107,271	$ 123,547	$ 230,818
Release from restriction	-	(10,166)	(10,166)
Endowment net assets, December 31, 2011	107,271	113,381	220,652
Endowment net assets, December 31, 2012	$ 107,271	$ 113,381	$ 220,652

Note N – Subsequent Events

Management has evaluated subsequent events through June 25, 2013, the date which the financial statements were available for issue.

The line of credit described in Note L was renewed subsequent to December 31, 2012 with substantially the same terms. The new line of credit expires September 30, 2013. No borrowings on the line of credit occurred subsequent to year end through the date of this report.

In April 2013, the Board released the board restricted endowment funds of $107,271. The funds are now available for general use.