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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

THE SUNDARI FOUNDATION, INC.
AND AFFILIATE
(D.B.A. THE LOTUS HOUSE)
(a nonprofit organization)
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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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, 2007 and 2006 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, 2007 and 2006 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 & Castellanos LLP

Coral Gables, Florida
April 23, 2008

THE SUNDARI FOUNDATION, INC. AND AFFILIATE
(D.B.A. THE LOTUS HOUSE)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	2007	2006
Assets		
Cash	$ 1,022,737	$ 583,948
Accounts receivable	50,786	355,186
Unconditional promises to give	-	519,793
Prepaid Expenses	15,069	16,564
	1,088,592	1,475,491
Property, furniture and equipment, net	1,507,385	514,562
Other Assets	4,159	2,294
Total assets	$ 2,600,136	$ 1,992,347
Liabilities		
Accounts payable and accrued expenses	$ 42,738	$ 5,819
Refundable advances	18,251	-
Total liabilities	60,989	5,819
Net Assets		
Unrestricted	2,539,147	1,214,092
Temporarily restricted	-	772,436
Total net assets	2,539,147	1,986,528
Total liabilities and net assets	$ 2,600,136	$ 1,992,347

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, 2007 AND 2006

	Unrestricted	Temporarily Restricted	2007 Total	2006 Total
Support and revenue				
Contributions	$ 493,841	$ -	$ 493,841	$ 576,876
In-Kind donations	985,380	-	985,380	95,654
Special event	151,169	-	151,169	103,745
Grants revenue	298,006	-	298,006	1,246,901
Investment and other income	25,140	-	25,140	14,918
Net assets released from restrictions:			-	
Satisfaction of purpose restrictions	321,859	(321,859)	-	-
Total support and revenue	2,275,395	(321,859)	1,953,536	2,038,094
Expenses				
Program services				
Depreciation	24,702	-	24,702	7,147
Food and meals	127,984	-	127,984	43,259
Grants to other organizations	17,696	-	17,696	21,796
Insurance	37,105	-	37,105	17,246
Materials and supplies	31,745	-	31,745	29,676
Office expenses	38,327	-	38,327	3,140
Professional fees	143,429	-	143,429	136,420
Property taxes	34,933	-	34,933	-
Rent	71,827	-	71,827	54,880
Repairs and maintenance	49,071	-	49,071	12,433
Salaries and related expenses	249,544	-	249,544	76,341
Utilities	41,841	-	41,841	22,684
Total program services	868,204	-	868,204	425,022
Supporting services				
Management and general				
Depreciation	494	-	494	146
Insurance	757	-	757	334
Marketing and development	12,559	-	12,559	6,641
Office expenses	2,051	-	2,051	8,874
Professional fees	39,367	-	39,367	16,525
Property taxes	713	-	713	-
Rent	1,466	-	1,466	1,120
Repairs and maintenance	1,001	-	1,001	1,205
Salaries and related expenses	7,231	-	7,231	-
Utilities	854	-	854	1,096
Total management and general	66,493	-	66,493	35,941
Fundraising				
Marketing expenses	-	-	-	591
Resource and grant development	15,643	-	15,643	77,820
Other expenses	-	-	-	270
Total fundraising	15,643	-	15,643	78,681
Total supporting services	82,136	-	82,136	114,622
Total expenses	950,340	-	950,340	539,644
Write-off of unconditional promise to give	-	(450,577)	(450,577)	-
Change in Net Assets	1,325,055	(772,436)	552,619	1,498,450
Net Assets at the beginning of the year	1,214,092	772,436	1,986,528	488,078
Net Assets at the end of the year	$ 2,539,147	$ -	$ 2,539,147	$ 1,986,528

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, 2007 AND 2006

	2007	2006
Cash Flows from Operating Activities		
Change in net assets	$ 552,619	$ 1,498,450
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,196	7,293
Non-cash in-kind contributions	(931,900)	-
Write-off of unconditioanal promise to give	450,577	-
(Increase) decrease in:		
Accounts receivable	304,400	(236,819)
Unconditional promises to give	69,216	(271,125)
Prepaid expenses	1,495	(16,564)
Other assets	(1,865)	(2,294)
Increase (decrease) in:		
Accounts payable and accrued expenses	36,919	5,191
Refundable advances	18,251	(29,068)
Sales tax payable	-	(9,506)
Net cash provided by operating activities:	524,908	945,558
Cash Flows from Investing Activities		
Acquisition of property and equipment	(86,119)	(494,355)
Net cash (used in) investing activities:	(86,119)	(494,355)
Net Increase In Cash	438,789	451,203
Cash at the beginning of the year	583,948	132,745
Cash at the end of the year	$ 1,022,737	$ 583,948

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

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. <u>Basis of Presentation</u>

The financial statements include the accounts of the Organization and its affiliated supporting organization, The Lotus Endowment Fund, Inc.; which was formed, primarily to operate for the benefit of the Organization.

The Organization's program has been presented in accordance with the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

The Organization follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. In addition, the Organization recognizes only those contributed services that are provided by individuals possessing "specialized skills".

b. <u>Basis of Consolidation</u>

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. Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.

d. 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.

e. Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management believes that all receivables, are collectible within one year, therefore, the Organization has not included a provision for uncollectible accounts. Any accounts deemed uncollectible will be charged to expense when the determination is made. There were no uncollectible accounts during the years ended December 31, 2007 and 2006.

f. Property, Furniture and Equipment

The Organization capitalizes all expenditures in excess of $500 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Property, Furniture and Equipment of the Organization are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
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.

g. Impairment of Long-Lived Assets to be Disposed Of

The Organization reviews the recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. The Organization believes no impairments of its long-lived assets existed at December 31, 2007 and 2006.

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 volunteers and professionals. Management estimates that $55,380 and $95,654 were received in contributed services during 2007 and 2006; respectively.

i. 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.

j. Fair Value of Financial Instruments

The estimated fair values for financial instruments under SFAS No. 107, "*Disclosures about Fair Market Value of 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, receivables and accounts payable, approximates the carrying value in the financial statements at December 31, 2007 and 2006.

k. 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.

l. 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.

m. Comparative Financial Information and Reclassifications

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Certain amounts in the 2006 financial statement presentation have been reclassified to conform to the 2007 presentation.

3. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

During 2006, the Organization received grants for programs that have not yet started or the organization has not met the requirements as mandated by the grant provider. These funds were temporarily restricted until the Organization commences the program or the services are provided as required by the grant. At December 31, 2006, $252,643 of grants revenue was temporarily restricted. During 2007, services were provided as required by the grants and the funds were released from temporarily restricted to unrestricted support.

On November 1, 2005, (amended September 1, 2006) the Organization entered into a lease agreement with a related party which was recorded as an unconditional promise to give as of December 31, 2006 (See Note 6). The present value of the lease has been recorded as temporarily restricted contributions of $519,793. In 2006, the Organization released approximately $56,000 and $69,000 as rent expense from restrictions in accordance with the lease agreement during 2006 and 2007; respectively. On December 20, 2007, the landlord terminated the lease with the Organization and donated the land and building to the Endowment to benefit the Organization as described below. See note 7 regarding the write-off of the unconditional promise to give which had been recorded for the free use of facilities.

	2006
Government and foundation grants	$252,643
Donation of use of facilities	519,793
	$772,436

4. ACCOUNTS RECEIVABLE

The breakdown of accounts receivable as of December 31, 2007 and 2006 are as follows:

	2007	2006
Contributions	$ -	$ 1,300
Special Events	4,085	48,053
Grants	46,701	305,833
	$50,786	$355,186

5. PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment at December 31, 2007 and 2006:

	2007	2006
Land	$285,000	$ -
Buildings	1,075,124	430,124
Vehicles	26,827	26,827
Building improvements	91,338	12,684
Furniture and equipment	61,585	52,220
	1,539,874	521,855
Less: Accumulated depreciation	(32,489)	(7,293)
	$1,507,385	$514,562

Depreciation expense related to property, furniture and equipment amounted to $25,196 and $7,293 for the years ended December 31, 2007 and 2006; respectively.

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: 7 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 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 Foundation currently operates such a shelter (the Lotus House).

6. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2006, are as follows:

Receivable in less than one year	$ 60,203
Receivable in one to ten years	643,045
Total unconditional promises to give	703,248
Less discounts to net present value	(183,455)
Net unconditional promises to give	$519,793

The discount rate used on the long-term promise to give was seven (7%) percent.

The receivable for the unconditional promise to give was written off on December 25, 2007, as the lease agreement for the use of facilities was terminated by the lessor (SEE NOTE 3). The amount written off was $450,577, which is the balance as of December 31, 2006 of $519,793 less rent charged to expense for the current year of $69,216.

7. 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. (See Note 6)

On December 25, 2007, the landlord terminated the lease with the Organization and donated the land and building to the Endowment to benefit the Organization as described NOTES 3 and 5 above.

On December 25, 2007, the Endowment leased the donated facilities to the Organization for a period of fifty (50) years with automatic one year renewals after the initial term for $1 per year. The Organization is responsible for the payment of all real estate taxes, insurance, utilities and repairs and maintenance of the facilities.

Under the terms of the lease, the facilities must be used solely and exclusively for the establishment and continuous operation of 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.

There were no interorganizational charges associated with this lease during 2007.

8. 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.

9. CONCENTRATION OF CREDIT RISK

As of December 31, 2007 and 2006, there was $831,195 and $479,281; respectively, of deposits in excess of the $100,000 amount insured by the Federal Deposit Insurance Corporation. The Organization maintains its cash with high quality financial institutions, which the Organization believes limits these risks.