

SUNFLOWER HOUSE, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

**SUNFLOWER HOUSE, INC.
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YEAR ENDED JUNE 30, 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sunflower House, Inc.
Shawnee, Kansas

We have audited the accompanying financial statements of Sunflower House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' 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 from 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 auditors' 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Sunflower House, Inc.

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 June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Overland Park, Kansas
September 26, 2017

**SUNFLOWER HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 172,082
Beneficial interest in assets held by Community Foundation, less permanently restricted	34,498
Investment securities	90,966
Accounts receivable	3,261
Grants receivable	173,140
Auction inventory	1,114
Prepaid expenses	8,759
Pledges receivable, net of an allowance for doubtful accounts of \$4,400	30,950
Total Current Assets	<u>514,770</u>

FIXED ASSETS

Land and improvements	397,344
Building	2,287,775
Website development	36,375
Office equipment	379,479
Total Fixed Assets	<u>3,100,973</u>
Less accumulated depreciation	<u>(1,171,982)</u>
Net Fixed Assets	<u>1,928,991</u>

OTHER ASSETS

Permanently restricted beneficial interest in assets held by Community Foundation	113,381
Pledges receivable	50,935
Total Other Assets	<u>164,316</u>
Total Assets	<u>\$ 2,608,077</u>

See accompanying Notes to financial statements.

SUNFLOWER HOUSE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 27,246
Accrued payroll liabilities	30,936
Deferred revenue	1,350
Total Current Liabilities	<u>59,532</u>
 Total Liabilities	 <u>59,532</u>

NET ASSETS

Unrestricted	<u>2,025,852</u>
Restricted:	
Temporarily restricted	409,312
Permanently restricted	113,381
Total Restricted	<u>522,693</u>
 Total Net Assets	 <u>2,548,545</u>
 Total Liabilities and Net Assets	 <u>\$ 2,608,077</u>

See accompanying Notes to financial statements.

**SUNFLOWER HOUSE INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT				
United Way	\$ 113,737	\$ -	\$ -	\$ 113,737
Grants	752,778	233,700	-	986,478
Special Events, Net of Cost of Goods Sold of \$86,074	176,078	-	-	176,078
Contributions	234,297	-	-	234,297
Total Support	<u>1,276,890</u>	<u>233,700</u>	<u>-</u>	<u>1,510,590</u>
REVENUE				
Realized and Unrealized Gains (Losses) on Beneficial Interest in Assets Held by Community Foundation, Net	12,112	-	-	12,112
Realized and Unrealized Gains (Losses) on Investment Securities	3,579	-	-	3,579
Interest and Dividend Income	7,448	-	-	7,448
Fee and Other Income	45,808	-	-	45,808
Total Revenue	<u>68,947</u>	<u>-</u>	<u>-</u>	<u>68,947</u>
Net Assets Released From Restriction due to Satisfaction of Purpose	215,760	(215,760)	-	-
Net Assets Released From Restriction due to Passage of Time	66,265	(66,265)	-	-
Total Support and Revenue	<u>1,627,862</u>	<u>(48,325)</u>	<u>-</u>	<u>1,579,537</u>
EXPENSES				
Program Services:				
Education	313,418	-	-	313,418
Child Assessment	929,654	-	-	929,654
Supporting Services:				
Fundraising	163,850	-	-	163,850
Management/Administrative	87,501	-	-	87,501
Total Expenses	<u>1,494,423</u>	<u>-</u>	<u>-</u>	<u>1,494,423</u>
CHANGE IN NET ASSETS	133,439	(48,325)	-	85,114
Net Assets, Beginning of Year	1,892,413	457,637	113,381	2,463,431
NET ASSETS, END OF YEAR	<u>\$ 2,025,852</u>	<u>\$ 409,312</u>	<u>\$ 113,381</u>	<u>\$ 2,548,545</u>

See accompanying Notes to financial statements.

**SUNFLOWER HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 85,114
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	94,085
Bad Debt	13,125
Donated Fixed Assets	(13,023)
Donated Stock	(11,842)
Realized and Unrealized (Gains) Losses on Investment Securities, Net	(3,579)
Realized and Unrealized (Gains) Losses on Beneficial Interest in Assets Held by Community Foundation	(12,112)
Changes in:	
Grants Receivable	(15,825)
Pledges Receivable	(12,738)
Accounts Receivable	(2,091)
Prepaid Expenses	1,472
Auction Inventory	(960)
Accounts Payable and Accrued Liabilities	(24,840)
Deferred Revenue	1,350
Net Cash Provided by Operating Activities	<u>98,136</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(109,771)
Reinvestment of Investment Income, Net of Fees	(1,391)
Proceeds from Sale of Investment Securities	11,572
Net Cash Used in Investing Activities	<u>(99,590)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,454)
Cash and Cash Equivalents, Beginning of Year	<u>173,536</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 172,082</u></u>

See accompanying Notes to financial statements.

**SUNFLOWER HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	Program Services		Supporting Services		Total
	Education	Child Assessment	Fundraising	Management / Administrative	
Dues and Subscriptions	\$ 976	\$ 3,088	\$ 6,954	\$ 29	\$ 11,047
Bad Debt	-	-	13,125	-	13,125
Data Processing	461	272	397	64	1,194
Employee Benefits	23,296	32,761	3,833	4,379	64,269
Insurance	7,844	21,378	3,396	2,346	34,964
Maintenance	16,529	34,188	6,812	2,230	59,759
Mileage and Travel	4,280	3,181	1,289	470	9,220
Miscellaneous	596	4,206	20,779	2,065	27,646
Supplies	11,099	38,261	9,492	686	59,538
Payroll Taxes	12,550	31,382	4,456	2,130	50,518
Personnel	188,299	426,479	60,957	31,085	706,820
Postage/Shipping	838	2,372	3,469	318	6,997
Printing	1,746	1,597	6,249	158	9,750
Professional Services	2,754	221,090	496	31,171	255,511
Public Relations	756	732	2,960	-	4,448
Staff Development	8,554	19,179	3,707	40	31,480
Telephone	3,856	8,673	826	1,013	14,368
Utilities	7,519	20,858	3,419	2,393	34,189
Volunteer Recognition	767	2,565	1,825	338	5,495
Depreciation	20,698	57,392	9,409	6,586	94,085
Total Expenses by Function	313,418	929,654	163,850	87,501	1,494,423
Donated Auction Items	-	-	17,158	-	17,158
Facility and Production	-	-	33,662	-	33,662
Event Planning	-	-	10,200	-	10,200
Catering	-	-	25,054	-	25,054
Total Costs Netted Against Revenue	-	-	86,074	-	86,074
Total Expenses	\$ 313,418	\$ 929,654	\$ 249,924	\$ 87,501	\$ 1,580,497

See accompanying Notes to financial statements.

**SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 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, family advocacy and support, child and family therapy, 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 and 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.

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 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 June 30, 2017 for the Organization. If applicable, the Organization will recognize interest and penalties related to the underpayment of income taxes in the period incurred. The Organization is not at the present time under examination by any taxing authority.

Fixed Assets

The Organization capitalizes assets costing greater than \$3,500 with a useful life of more than one year. 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; fifteen to thirty-nine years for building and land improvements; and three years for website development. 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 period ended June 30, 2017 is \$94,085.

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 June 30, 2017 were approximately \$14,600 of donated supplies and wish list items (used for child assessment), approximately \$44,000 of auction items used for the valentine gala fundraiser, approximately \$2,000 of donated fish tank maintenance services, and approximately \$13,000 of donated furniture and equipment (used for child assessment).

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 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. Management 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 June 30, 2017, the Organization had an allowance for doubtful accounts of \$4,400, which is net against pledges receivable on the Statement 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 June 30, 2017, 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 and public agencies 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 June 30, 2017, the Organization determined that no allowance for doubtful accounts was necessary for grants receivable.

Estimates

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

**SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 LEASE COMMITMENTS

The Organization leases office equipment under operating leases, with various expiration dates through 2020. Rent expense for this equipment for the year ended June 30, 2017 is approximately \$27,000.

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

<u>Year Ended June 30,</u>		
2018	\$	21,456
2019		21,456
2020		8,220
		<u>51,132</u>
	\$	<u>51,132</u>

NOTE 3 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. At June 30, 2017, net assets permanently restricted for the endowment are \$113,381.

NOTE 4 PLEDGES RECEIVABLE

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

	<u>June 30, 2017</u>
Receivable in Less Than One Year, Net of Allowance	\$ 30,950
Receivable in One to Five years	50,935
Total Unconditional Promises to Give	<u>\$ 81,885</u>

The Organization has been informed by multiple donors naming Sunflower House, Inc. as a charitable foundation in their wills or trusts. Since these gifts are either revocable, or the charity named can be changed by the donor, they are not reflected within the accompanying financial statements due to their conditional nature.

**SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30, 2017:

Restricted As To Use		
Capital Campaign for Repairs and Maintenance	\$	142,508
Child Assessment		42,568
Education Programming		43,077
Staff Development		3,125
Restricted As To Time		178,034
Total Temporarily Restricted Net Assets	\$	<u>409,312</u>

NOTE 6 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 June 30, 2017 the Organization's beneficial interest in net assets held by the Foundation totaled \$147,879.

NOTE 7 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 2017.

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 CONCENTRATIONS

During the year ended June 30, 2017, approximately 32% of the Organization's support was derived from the Victims of Crime Act government grant. Additionally, approximately 54% of the Organization's receivables are due from four grants.

NOTE 9 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, 2017. Under the agreement, interest accrues on the unpaid balance of the note at the prime rate, but not less than 5%.

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 June 30, 2017, the Organization has no balance outstanding on this line of credit.

NOTE 10 INVESTMENTS

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statement of activities. The Finance Committee of the Organization, following Board policy, is responsible for ensuring the investments are appropriately diversified. The Finance Committee also determines the investments to be set aside as Board restricted, or Board designated operating reserves, and approves all transfers from these investments to other funds to support the Organization.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk association with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 INVESTMENTS (CONTINUED)

Investments at June 30, 2017 are comprised of the following at fair value:

Mutual Funds	\$	21,328
Preferred Stocks		69,638
		90,966
	\$	90,966

Investment returns consist of the following for the year ended June 30, 2017:

Interest and Dividends	\$	4,430
Realized Gains (Losses), Net		(270)
Unrealized Gains (Losses), Net		3,849
Total Investment Returns	\$	8,009
 Total Investment Fees	 \$	 24

NOTE 11 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.

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

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:

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.

Investment Securities: Publicly traded stocks, and mutual funds are valued at unadjusted, quoted market prices in active markets at June 30, 2017.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017:

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by Community Foundation	\$ -	\$ -	\$ 147,879	\$147,879
Investment securities	90,966	-	-	90,966
	<u>\$ 90,966</u>	<u>\$ -</u>	<u>\$ 147,879</u>	<u>\$238,845</u>

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the period ended June 30, 2017:

	Beneficial Interest in Assets Held by Community Foundation
Balance, July 1, 2016	\$ 134,377
Interest and dividends	3,018
Net gains (losses)	11,893
Administrative fees	(1,409)
Balance, June 30, 2017	<u>\$ 147,879</u>

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 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 donor restricted funds of \$113,381. Net assets associated with endowment funds 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 Organization is willing to accept risk necessary to achieve the target return on investments. Risks of the portfolio are managed through asset 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
JUNE 30, 2017

NOTE 12 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 principal, and to fund agency operations with investment income up to \$25,000, which is further limited to keeping the corpus of the donor restricted assets intact. As the earnings on the endowment are minor, the Organization deems earnings as automatically appropriated each year.

**SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund at June 30, 2017:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 113,381	\$ 113,381
	\$ -	\$ 113,381	\$ 113,381

NOTE 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2017, the date which the financial statements were available for issue.

The Organization renewed the line of credit discussed in Note 9 through January 15, 2018 with substantially the same terms.