

SUNFLOWER HOUSE, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021



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**SUNFLOWER HOUSE, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sunflower House, Inc.
Shawnee, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sunflower House, Inc. (a nonprofit organization) (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sunflower House, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunflower House, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sunflower House, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunflower House, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Overland Park, Kansas
December 8, 2022

**SUNFLOWER HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 1,037,575	\$ 72,427	\$ 1,110,002	\$ 961,923	\$ 74,795	\$ 1,036,718
Beneficial Interest in Assets Held by Community Foundation	45,800	113,381	159,181	68,957	113,381	182,338
Investment Securities	312,011	-	312,011	498,876	-	498,876
Accounts Receivable	40	-	40	35,110	-	35,110
Grants Receivable	55,870	84,194	140,064	63,145	67,631	130,776
Auction Inventory	-	-	-	407	-	407
Prepaid Expenses	21,810	-	21,810	10,212	-	10,212
Pledges Receivable, Net of an Allowance for Doubtful Accounts at June 30, 2021 and 2020 of \$-0-	14,865	-	14,865	11,600	-	11,600
Total Current Assets	1,487,971	270,002	1,757,973	1,650,230	255,807	1,906,037
FIXED ASSETS						
Land and Improvements	402,936	-	402,936	402,936	-	402,936
Building	2,459,355	-	2,459,355	2,355,997	-	2,355,997
Website Development	36,375	-	36,375	36,375	-	36,375
Office Equipment	460,430	-	460,430	425,417	-	425,417
Total Fixed Assets	3,359,096	-	3,359,096	3,220,725	-	3,220,725
Less: Accumulated Depreciation	(1,601,367)	-	(1,601,367)	(1,511,463)	-	(1,511,463)
Net Fixed Assets	1,757,729	-	1,757,729	1,709,262	-	1,709,262
OTHER ASSETS						
Grants Receivable	85,000	15,000	100,000	-	-	-
Total Other Assets	85,000	15,000	100,000	-	-	-
Total Assets	\$ 3,330,700	\$ 285,002	\$ 3,615,702	\$ 3,359,492	\$ 255,807	\$ 3,615,299

See accompanying Notes to Financial Statements.

SUNFLOWER HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

	2022		2021	
	Without Donor Restrictions	With Donor Restriction	Without Donor Restrictions	With Donor Restriction
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 49,722	\$ -	\$ 163,338	\$ -
Accrued Payroll Liabilities	60,874	-	55,678	-
Current Portion of Capital Lease Obligation	9,502	-	8,995	-
Total Current Liabilities	120,098	-	228,011	-
LONG TERM LIABILITIES				
Capital Lease Obligation, Net of Current Portion	5,383	-	16,132	-
Note Payable, Net of Current Portion	-	-	180,900	-
Total Long Term Liabilities	5,383	-	197,032	-
Total Liabilities	125,481	-	425,043	-
NET ASSETS				
Without Donor Restrictions	3,205,219	-	2,934,449	-
With Donor Restrictions	-	285,002	-	255,807
Total Net Assets	3,205,219	285,002	2,934,449	255,807
Total Liabilities and Net Assets	\$ 3,330,700	\$ 285,002	\$ 3,359,492	\$ 255,807

See accompanying Notes to Financial Statements.

SUNFLOWER HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

2022

	Program Services		Supporting Services			Total
	Education	Child Assessment	Community Relations	Fundraising	Management / Administrative	
Special Events	\$ -	\$ -	\$ -	\$ 80,994	\$ -	\$ 80,994
Dues and Subscriptions	1,003	3,160	248	784	571	5,766
Data Processing	2,084	6,563	515	1,629	1,186	11,977
Employee Benefits	15,800	40,048	3,142	9,939	7,235	76,164
Insurance	6,337	29,672	2,328	7,364	5,361	51,062
Interest Expense	462	1,259	-	210	168	2,099
Maintenance	10,593	30,189	-	4,767	7,415	52,964
Mileage and Travel	1,372	4,320	339	1,072	781	7,884
Miscellaneous	301	994	-	8,336	2,523	12,154
Supplies	8,015	25,243	1,981	6,265	4,560	46,064
Payroll Taxes	10,498	33,062	2,594	8,205	5,973	60,332
Personnel	150,125	472,807	37,100	117,339	85,416	862,787
Postage/Shipping	595	1,873	147	465	338	3,418
Printing	1,395	4,393	345	1,090	794	8,017
Professional Services	7,240	242,274	-	4,676	5,823	260,013
Property Tax	230	657	-	125	161	1,173
Public Relations	1,212	1,492	-	6,400	240	9,344
Staff Development	1,419	8,886	-	254	185	10,744
Telephone	1,401	3,992	-	630	980	7,003
Utilities	5,325	15,176	-	2,396	3,728	26,625
Volunteer Recognition	1,472	8,149	-	2,383	1,423	13,427
Depreciation	19,110	54,461	-	8,599	13,376	95,546
Total Expenses by Function	245,989	988,670	48,739	273,922	148,237	1,705,557
Less: Expenses Included with Revenues on the Statement of Activities	-	-	-	80,994	-	80,994
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 245,989	\$ 988,670	\$ 48,739	\$ 192,928	\$ 148,237	\$ 1,624,563

See accompanying Notes to Financial Statements.

SUNFLOWER HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	2021				Total
	Program Services		Supporting Services		
	Education	Child Assessment	Community Relations	Fundraising	
Special Events	-	-	-	62,096	62,096
Dues and Subscriptions	1,332	4,195	329	1,040	7,655
Bad Debt	-	-	-	-	3,431
Data Processing	1,349	4,248	333	1,054	7,751
Employee Benefits	19,116	60,204	4,724	14,941	109,861
Insurance	6,184	19,478	1,528	4,834	35,543
Interest Expense	-	-	-	-	1,638
Maintenance	11,089	31,604	-	4,990	55,445
Mileage and Travel	745	2,347	184	582	4,282
Miscellaneous	31,076	83,682	-	23,012	149,444
Supplies	10,314	32,482	2,549	8,061	59,274
Payroll Taxes	10,088	31,771	2,493	7,885	57,977
Personnel	144,748	455,873	35,771	113,136	831,885
Postage/Shipping	759	2,389	187	593	4,360
Printing	1,339	4,218	331	1,047	7,697
Professional Services	6,349	267,065	-	3,019	292,404
Property Tax	230	657	-	104	1,152
Public Relations	663	1,527	-	15,941	18,131
Staff Development	310	32,773	-	368	33,451
Telephone	1,415	4,034	-	637	7,077
Utilities	10,157	28,947	-	4,571	50,785
Volunteer Recognition	800	2,480	-	1,326	6,251
Depreciation	17,504	49,888	-	7,877	87,522
Total Expenses by Function	275,567	1,119,862	48,429	277,114	1,895,112
Less: Expenses Included with Revenues on the Statement of Activities	-	-	-	62,096	62,096
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 275,567	\$ 1,119,862	\$ 48,429	\$ 215,018	\$ 1,833,016

See accompanying Notes to Financial Statements.

SUNFLOWER HOUSE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 299,965	\$ 313,777
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	95,546	87,522
Bad Debt	-	3,431
Forgiveness of PPP Loan	(180,900)	-
Realized and Unrealized (Gains) Losses on Investment Securities, Net	61,158	(7,552)
Realized and Unrealized (Gains) Losses on Beneficial Interest in Assets Held by Community Foundation	24,617	(32,933)
Changes in:		
Grants Receivable	(109,288)	22,846
Pledges Receivable	(3,265)	37,094
Accounts Receivable	35,070	(33,452)
Prepaid Expenses	(11,598)	(588)
Auction Inventory	407	(407)
Accounts Payable and Accrued Liabilities	(108,420)	126,015
Net Cash Provided by Operating Activities	<u>103,292</u>	<u>515,753</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(144,013)	(68,222)
Purchase of Investment Securities	(139,067)	(23,263)
Reinvestment of Investment Income, Net of Fees	(11,594)	(19,109)
Proceeds from Sale of Investment Securities	274,908	-
Net Cash Used by Investing Activities	<u>(19,766)</u>	<u>(110,594)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Liabilities	(10,242)	(8,514)
Net Cash Used by Financing Activities	<u>(10,242)</u>	<u>(8,514)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	73,284	396,645
Cash and Cash Equivalents - Beginning of Year	<u>1,036,718</u>	<u>640,073</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,110,002</u>	<u>\$ 1,036,718</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid during the Year for Interest	<u>\$ 2,098</u>	<u>\$ 1,638</u>

See accompanying Notes to Financial Statements.

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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.

Community Relations: Staff provide public relations, community outreach, and networking to the general public to promote understanding of the services provided by the Organization. These costs are not included in the above programs as they do not relate directly to education or child assessment.

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.

Cash and Cash Equivalents

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

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, 2022 and 2021 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.

**SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

The Organization capitalizes assets costing greater than \$5,000 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 5 to 7 years for office equipment; 15 to 39 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 years ended June 30, 2022 and 2021 is \$95,546 and \$87,522, 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 nonfinancial 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. The Organization receives items to be sold at its annual auction. Contributed auction items are valued at the gross selling price received. The Organization receives contributed legal services that are reported using current rates for similar legal services.

Contributed products and services recognized as revenue during the years ended June 30, 2022 and 2021 were:

	2022	2021
Auction Items for Valentine Gala	\$ 16,302	\$ 19,462
Legal Services	3,045	1,260
Total	\$ 19,347	\$ 20,722

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

Pledges receivable are generally due within one year and are stated at the pledged amount. The carrying amount of pledges receivable is reduced by the amount of a discount related to those pledges that are to be collected over a period longer than one year.

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable (Continued)

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. The Organization had an allowance for doubtful accounts of \$-0- and \$-0- for each of the years ended June 30, 2022 and 2021, respectively. Pledges receivable have various due dates, generally over 1 to 3 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, 2022 and 2021, 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, 2022 and 2021, the Organization determined that no allowance for doubtful accounts was necessary for grants receivable.

Revenue Recognition

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advance in the statement of financial position. The Organization received cost-reimbursable grants of \$572,688 and \$193,260 that have not been recognized at June 30, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions. Contributions whose restrictions are met in the same period may be shown as contributions without donor restrictions.

New Accounting Pronouncement Effective in Future Accounting Period

In February 2016, FASB issued ASU 2016-02 *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Organization for the year ending June 30, 2023. Management will be evaluating the effects of this new standard.

Adoption of New Accounting Standard

In September 2020, FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. This update increases the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The Organization adopted this standard in 2022.

NOTE 2 CAPITAL LEASE OBLIGATION

The Organization entered into a capital lease for office equipment during the year ended June 30, 2019 valued at approximately \$46,000. The lease expires in 2024. The assets and liabilities under this capital lease are recorded at the present value of the future minimum lease payments. The assets are amortized over their useful lives. Depreciation expense for the year ended June 30, 2022 and 2021 was approximately \$8,800 for both years.

At June 30, 2022 and 2021 the Organization's accumulated depreciation on the capital lease totaled \$31,535 and \$22,734, respectively.

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 CAPITAL LEASE OBLIGATION (CONTINUED)

Future minimum lease payments required under this capital lease is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 9,502
2024	5,383
Total Minimum Lease Payments	<u>\$ 14,885</u>

NOTE 3 PLEDGES RECEIVABLE

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

	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2021</u>
Receivable in Less Than One Year, Net of Allowance	<u>\$ 14,865</u>	<u>\$ 11,600</u>
Total Unconditional Promises to Give	<u>\$ 14,865</u>	<u>\$ 11,600</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.

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at June 30:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Capital Campaign for Repairs and Maintenance	\$ 17,246	\$ 76,839
Child Assessment	49,539	45,512
Education Programming	49,954	20,075
Administration and Development	24,882	-
Subject to Time Restrictions	30,000	-
Subject to Endowment Restriction	113,381	113,381
Total Net Assets with Donor Restrictions	<u>\$ 285,002</u>	<u>\$ 255,807</u>

Net assets released during the year ended June 30 include:

	<u>2022</u>	<u>2021</u>
Capital Campaign for Repairs and Maintenance	\$ 60,194	\$ 9,172
Child Assessment	124,041	149,912
Education Programming	67,008	151,413
Administration and Development	5,368	35,762
Time Restrictions	-	8,600
Total	<u>\$ 256,611</u>	<u>\$ 354,859</u>

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 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 without donor restrictions 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 Foundation reserves the right to make the final decisions regarding distributions from the Fund.

At June 30, 2022 and 2021 the Organization's beneficial interest in net assets held by the Foundation totaled \$159,181 and \$182,338, respectively.

NOTE 6 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 21. Matching contributions to the plan are discretionary. The Organization made \$17,725 worth of contributions in 2022 and \$16,882 for 2021.

NOTE 7 CONCENTRATIONS

Approximately 48% and 56% of the Organization's support was derived from the Victims of Crime Act government grant during the years ended June 30, 2022 and 2021, respectively.

At June 30, 2022, approximately 83% of the Organization's grant receivables are due from four grants. Approximately 63% of the Organization's receivables at June 30, 2021 were due from three grants and approximately 16% of the organization's accounts receivables were due to receivables from an insurance company.

NOTE 8 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 January 15, 2023. Under the agreement, interest accrues on the unpaid balance of the note at the prime rate, but not less than 5%.

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 LINE OF CREDIT (CONTINUED)

The line of credit is secured by all property of the Organization. The Organization is required to submit internally compiled quarterly financial statements while there is an outstanding borrowings under this line. The annual audit is due to the bank within 30 days of receipt and approval of the Board of Directors. At June 30, 2022 and 2021, the Organization has no balance outstanding on this line of credit.

NOTE 9 NOTE PAYABLE

During the year ended June 30, 2020 the Organization received a loan in the amount of \$180,900 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020, principal and interest payments will be required through the maturity date in April 2022. On July 14, 2021, the organization received full forgiveness of the balance of this loan and is recognized as revenue in the Fee and Other Income line on the Statement of Activities.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Company's financial position.

NOTE 10 INVESTMENTS

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statements 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.

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 INVESTMENTS (CONTINUED)

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 associated 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 statements of financial position. Investments at June 30, 2022 and 2021 are comprised of the following at fair value:

	<u>2022</u>	<u>2021</u>
Mutual Funds	\$ 269,468	\$ 312,253
Preferred Stocks	42,543	186,623
Total	<u>\$ 312,011</u>	<u>\$ 498,876</u>

Investment returns consist of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and Dividends	\$ 8,339	\$ 15,058
Realized Gains (Losses), Net	21,246	17,507
Unrealized Gains (Losses), Net	(107,022)	94,141
Total Investment Returns	<u>\$ (77,437)</u>	<u>\$ 126,706</u>

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.

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.

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2022 and 2021.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022 and 2021:

Assets at Fair Value as of June 30, 2022				
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets				
Held by Community Foundation	\$ -	\$ -	\$ 159,181	\$ 159,181
Mutual Funds	269,468	-	-	269,468
Preferred Stocks	42,543	-	-	42,543
Total	\$ 312,011	\$ -	\$ 159,181	\$ 471,192
Assets at Fair Value as of June 30, 2021				
	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets				
Held by Community Foundation	\$ -	\$ -	\$ 182,338	\$ 182,338
Mutual Funds	312,253	-	-	312,253
Preferred Stocks	186,623	-	-	186,623
Total	\$ 498,876	\$ -	\$ 182,338	\$ 681,214

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2022 and 2021:

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

	Beneficial Interest in Assets Held by Community Foundation
Balance - July 1, 2021	\$ 182,338
Interest and Dividends	3,256
Net Gains (Losses)	(24,618)
Administrative Fees	(1,795)
Balance - June 30, 2022	\$ 159,181
Balance - July 1, 2020	\$ 148,008
Interest and Dividends	3,060
Net Gains (Losses)	32,933
Administrative Fees	(1,663)
Balance - June 30, 2021	\$ 182,338

The following is a summary of market value technique for ending balances of assets and liabilities, measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30:

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs Value of Underlying Asset
	2022	2021		
Beneficial Interest In Community Foundations	\$ 159,181	\$ 182,338	Net asset Valuation	

NOTE 12 ENDOWMENT

Endowment Overview

The Sunflower House, Inc.'s board of directors (the Board) has fiduciary responsibility to its donors for the prudent management and use of agency assets. The Organization 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 Organization's Board that investments of its charitable assets be made to facilitate current and future charitable needs of the Organization.

Sunflower House, Inc.'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.

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

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 ENDOWMENT (CONTINUED)

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 Organization's 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 time frames, the Organization's 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, Inc. 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. The Organization's 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 Organization'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 net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

Policies for Appropriation of Endowment Assets

The Sunflower House, Inc.'s 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. The Organization's spending and investment policies work together to achieve this objective.

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 ENDOWMENT (CONTINUED)

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, Inc.'s 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, Inc.'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.

The endowment consists of \$113,381 of donor restricted funds held perpetually. The total balance of the endowment is \$113,381 for the years ended June 30, 2022, and 2021.

NOTE 13 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, equity securities, and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows which identify the sources and uses of the Organization's cash and the amount of cash generated or used by operations for the years ended June 30, 2022, and 2021.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

SUNFLOWER HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 LIQUIDITY AND AVAILABILITY (CONTINUED)

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 1,110,002	\$ 1,036,718
Accounts, Grants, and Pledges Receivable	254,969	177,486
Beneficial Interest in Assets Held by Community Foundation	159,181	182,338
Investment Securities	<u>312,011</u>	<u>498,876</u>
	1,836,163	1,895,418
Contractual or Donor Imposed Restrictions:		
Cash Restricted to Specific Uses	(72,427)	(74,795)
Grants Receivable Restricted to Specific Uses	(84,194)	(67,631)
Grants Not Receivable Within One Year	(100,000)	-
Endowment	<u>(113,381)</u>	<u>(113,381)</u>
Total Contractual or Donor Imposed Restrictions	<u>(370,002)</u>	<u>(255,807)</u>
Financial Assets to Meet Cash Needs for Expenditures Within One Year	<u>\$ 1,466,161</u>	<u>\$ 1,639,611</u>

NOTE 14 RISKS AND UNCERTAINTIES

The Organization maintains all its depository cash in commercial banks. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits held by these banks totaled \$661,727 at June 30, 2022.

NOTE 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 8, 2022, the date which the financial statements were available for issue.



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Board of Directors
Sunflower House, Inc.
Shawnee, Kansas

We have audited the financial statements of Sunflower House, Inc. as of and for the year ended June 30, 2022, and have issued our report thereon dated December 8, 2022. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit in our Statement of Work – Audit Services dated June 6, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sunflower House, Inc. are described in Note 1 to the financial statements.

As described in Note 1, the Organization adopted Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU) 2020-07 *Fair Value Measurement (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. This ASU increases the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

- Management's estimate of the allowance for receivables is based on historical collection rates and an analysis of the collectability of individual pledges, accounts and grants. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of depreciation is based on the estimated useful lives of the buildings, leasehold improvements, and office equipment. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation, square footage, full-time equivalents within each department, and total direct expenses. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2022.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants. We were informed by management that there were no consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each period prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information included in annual reports

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document. You are responsible to provide us the opportunity to review such documents before issuance.

* * *

This communication is intended solely for the information and use of the board of directors and management of Sunflower House, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Overland Park, Kansas
December 8, 2022