

LOTUS OUTREACH
FINANCIAL STATEMENTS
DECEMBER 31, 2014



Leaf & Cole, LLP
Certified Public Accountants

**LOTUS OUTREACH
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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Lotus Outreach

Report on the Financial Statements

We have audited the accompanying financial statements of Lotus Outreach, which comprise the statement of financial position as of December 31, 2014, and the related statements 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lotus Outreach as of December 31, 2014, 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.

Report on Summarized Comparative Information

We have previously audited Lotus Outreach's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leaf & Cole LLP

San Diego, California
July 26, 2015

LOTUS OUTREACH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013)

ASSETS		
	<u>2014</u>	<u>2013</u>
<u>Assets:</u> (Notes 1, 2, 3 and 4)		
Cash and cash equivalents	\$ 198,714	\$ 134,361
Contributions receivable, net	24,352	36,992
Investments	<u>-</u>	<u>5,364</u>
TOTAL ASSETS	\$ <u>223,066</u>	\$ <u>176,717</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities:</u> (Note 1)		
Accounts payable and accrued expenses	\$ 12,104	\$ 530
Total Liabilities	<u>12,104</u>	<u>530</u>
<u>Net Assets</u> (Notes 1 and 5)		
Unrestricted	178,500	80,258
Temporarily restricted	<u>32,462</u>	<u>95,929</u>
Total Net Assets	<u>210,962</u>	<u>176,187</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>223,066</u>	\$ <u>176,717</u>

The accompanying notes are integral part of the financial statements.

LOTUS OUTREACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Total <u>2014</u>	Total <u>2013</u>
<u>Revenue and Support:</u>				
Contributions and grants	\$ 263,961	\$ 314,004	\$ 577,965	\$ 474,820
In-kind donations	4,375	-	4,375	7,200
Other income	1,578	-	1,578	1,600
Investment income	28	-	28	157
Net assets released from restrictions	<u>377,471</u>	<u>(377,471)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>647,413</u>	<u>(63,467)</u>	<u>583,946</u>	<u>483,777</u>
<u>Expenses:</u>				
Program Services	<u>428,432</u>	<u>-</u>	<u>428,432</u>	<u>428,868</u>
Supporting Services:				
Fundraising	87,488	-	87,488	125,589
General and administrative	<u>33,251</u>	<u>-</u>	<u>33,251</u>	<u>30,622</u>
Total Supporting Services	<u>120,739</u>	<u>-</u>	<u>120,739</u>	<u>156,211</u>
Total Expenses	<u>549,171</u>	<u>-</u>	<u>549,171</u>	<u>585,079</u>
Change in Net Assets	98,242	(63,467)	34,775	(101,302)
Net Assets at Beginning of Year	<u>80,258</u>	<u>95,929</u>	<u>176,187</u>	<u>277,489</u>
NET ASSETS AT END OF YEAR	<u>\$ 178,500</u>	<u>\$ 32,462</u>	<u>\$ 210,962</u>	<u>\$ 176,187</u>

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

LOTUS OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013)

	Program Services	Supporting Services		Total 2014	Total 2013
		General and Administrative	Fundraising		
Grants and contracts	\$ 348,068	\$ -	\$ -	\$ 348,068	\$ 352,331
Salaries	11,380	4,596	65,646	81,622	114,431
Contract labor	58,148	-	-	58,148	57,690
Professional services	-	14,686	-	14,686	17,610
Legal	-	8,892	-	8,892	-
Insurance	300	3,417	3,510	7,227	8,414
Bank fees	1,859	15	5,105	6,979	6,794
Payroll taxes	632	387	5,368	6,387	9,389
Travel	5,730	116	196	6,042	7,892
Other expenses	1,821	367	1,213	3,401	2,686
Office expenses	494	275	2,141	2,910	3,486
Promotion and sponsored events	-	-	2,253	2,253	510
Postage and shipping	-	-	1,023	1,023	1,403
Printing	-	-	859	859	2,208
Memberships and dues	-	500	99	599	-
Conferences, meetings and training	-	-	75	75	235
TOTAL EXPENSES	\$ 428,432	\$ 33,251	\$ 87,488	\$ 549,171	\$ 585,079

The accompanying notes are integral part of the financial statements.

LOTUS OUTREACH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013)

	<u>2014</u>	<u>2013</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 34,775	\$ (101,302)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated corporate stock	-	(7,362)
Realized and unrealized losses (gains) on investments	64	(34)
(Increase) Decrease in:		
Contributions receivable, net	12,640	31,406
Increase (Decrease) in:		
Accounts payable and accrued expenses	<u>11,574</u>	<u>(926)</u>
Net Cash Provided by (Used in) Operating Activities	<u>59,053</u>	<u>(78,218)</u>
<u>Cash Flows From Investing Activities:</u>		
Sales of investments	<u>5,300</u>	<u>2,032</u>
Net Cash Provided by Investing Activities	<u>5,300</u>	<u>2,032</u>
Net Increase (Decrease) in Cash and Cash Equivalents	64,353	(76,186)
Cash and Cash Equivalents at Beginning of Year	<u>134,361</u>	<u>210,547</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 198,714</u></u>	<u><u>\$ 134,361</u></u>

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

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013)

Note 1 - Organization and Significant Accounting Policies:

Organization

Lotus Outreach is a nonprofit organization, incorporated in California in 2002, dedicated to ensuring the education, health and safety of vulnerable women and children in the developing world. Lotus Outreach's purpose is to create a more just, peaceful world where all people--regardless of nationality, ethnicity, religion, and gender--can lead rich, meaningful lives that are free of physical and structural violence.

Lotus Outreach's pursuit of this mission is manifested in the following core program areas:

- Improving access to quality education for marginalized youth.
- Economic empowerment of parents and young women.
- Human trafficking and gender-based violence prevention and aftercare.
- Improving health and sanitation for vulnerable communities.

From one year to the next, Lotus Outreach programs reach over 30,000 marginalized women and children in some of the poorest regions of Asia. Current Lotus Outreach programs include:

Girls' Access of Education (GATE) - Cambodia

Provides educational scholarships to over 600 at-risk and exploited young girls in Phnom Penh, Siem Reap and Banteay Meanchey.

GATE Women and Youth Scholarships Initiative (GATEways) - Cambodia

Provides scholarships to over 100 promising young graduates of GATE to ensure they can pursue their studies at the tertiary level.

Lotus Tutors - India

Provides after school education and tutoring to children of illiterate dalits - or "untouchables" - who labor in the dangerous rock quarries to Tamil Nadu.

Lotus Education as a Right Network (LEARN) - India

Utilizes community mobilization, legal advocacy and public interest litigation to expand access to quality public education for thousands of marginalized children in rural Haryana.

Rural and Marginalized Community Access to Education, Health and Food Security - Cambodia

An integrated social development program that provides microloans and agriculture/farming resources to over 5,000 rural villagers residing in the remote villages of the Cardamon Mountain Range.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Organization (Continued)

Safe Migration and Reduction of Trafficking (SMART) - Cambodia

A mobile anti-trafficking program which moves from point-to-point along the porous Thai-Cambodian border to educate at-risk migrant laborers and street children on the dangers of human trafficking.

Counseling and Reintegration Project - Cambodia

Provides trauma counseling, life start-up support and small business grants to hundreds of victims of human trafficking, sexual abuse and domestic violence residing in a women's shelter in rural Cambodia.

Education Scholarships for Child Laborers - India

Provides scholarship support and enrollment assistance for over 700 migrant child laborers living in brick factory compounds.

Significant Accounting Policies

Method of Accounting

The financial statements of Lotus Outreach have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of Lotus Outreach and/or the passage of time. When a donor stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by Lotus Outreach. The income from these assets is available for either general operations or specific programs as specified by the donor.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

Lotus Outreach had no financial instruments at December 31, 2014. Lotus Outreach's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis at December 31, 2013:

- Investments in corporate stocks are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all contributions receivable were fully collectible; therefore, no allowance for doubtful contributions receivable was recorded at of December 31, 2014 and 2013.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a promise to give in writing to Lotus Outreach that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets. When the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Donated Services

Lotus Outreach has received donations for accounting services. The professional services are recorded at their fair value and totaled \$4,375 and \$7,200 for the years ended December 31, 2014 and 2013, respectively and has been included in revenue and expenses for the years then ended.

In addition, many individuals volunteer their time and perform a variety of tasks that assist Lotus Outreach with specific programs and various assignments. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by these volunteers, for the years ended December 31, 2014 and 2013 did not meet the requirements above, therefore no amounts were recognized in the financial statements.

Allocated Expenses

Lotus Outreach allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized and estimates made by Lotus Outreach's management.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013)

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Income Taxes

Lotus Outreach is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Lotus Outreach is not a private foundation.

Lotus Outreach's Return of Organization Exempt from Income Tax for the years ended December 31, 2014, 2013, 2012 and 2011 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

Lotus Outreach maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. Lotus Outreach has not experienced any losses in such accounts. Lotus Outreach believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Lotus Outreach considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Comparative Totals for December 31, 2013

The financial statements include certain prior year summarized comparative information in total but not by net asset class. This summarized information is for comparative purposes only, and accordingly, such information should be read in conjunction with Lotus Outreach's financial statements for the year ended December 31, 2013, from which the summarized comparative information was derived.

Subsequent Events

Lotus Outreach has evaluated subsequent events through July 26, 2016, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013)

Note 2 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at December 31, 2013:

	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Balance at December 31, 2013</u>
Corporate Stock:				
Domestic: Basic materials	\$ 5,364	\$ -	\$ -	\$ 5,364
	<u>\$ 5,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,364</u>

Note 3 - Investments:

Investments consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Corporate stock	\$ -	\$ 5,364
Total Investments	<u>\$ -</u>	<u>\$ 5,364</u>

The following schedule summarizes the investment income for the years ended December 31:

	<u>Unrestricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Interest and dividend income	\$ 92	\$ 92	\$ 123
Realized and unrealized (losses) gains	(64)	(64)	34
Total Investment Income	<u>\$ 28</u>	<u>\$ 28</u>	<u>\$ 157</u>

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013)

Note 4 - Contributions Receivable:

Contributions receivable consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Current:		
Due in less than one year	\$ <u>24,352</u>	\$ <u>22,046</u>
Noncurrent:		
Due in one to five years	-	15,000
Less: Discounts to present value	<u>-</u>	<u>(54)</u>
Total Noncurrent, Net	<u>-</u>	<u>14,946</u>
Total Contributions Receivable, Net	<u>\$ 24,352</u>	<u>\$ 36,992</u>

The contributions receivable have been discounted to their present value using a discount rate of .36% at December 31, 2013.

Note 5 - Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Blossom Bus	\$ 11,677	\$ -
Lotus Pedals	11,195	-
Counseling and Reintegration Project - Cambodia	9,590	-
Girls' Access to Education - Siem Reap	-	30,000
Wells Project	-	19,309
Time Restrictions	-	14,946
Child Labor Scholarships	-	13,731
Nonformal Education	-	8,000
Buddah Smiles	-	5,443
Integrated Rural Development	<u>-</u>	<u>4,500</u>
Total Temporarily Restricted Net Assets	<u>\$ 32,462</u>	<u>\$ 95,929</u>

Net assets totaling \$377,471 were released from donor restrictions due to the satisfaction of purpose or time restrictions during the year ended December 31, 2014.