

LOTUS OUTREACH
FINANCIAL STATEMENTS
DECEMBER 31, 2012



Leaf & Cole, LLP
Certified Public Accountants

**LOTUS OUTREACH
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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, 2012, 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, 2012, 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 2011 financial statements, and our report dated July 26, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leaf & Cole LLP

San Diego, California
July 19, 2013

LOTUS OUTREACH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

ASSETS		
	<u>2012</u>	<u>2011</u>
<u>Assets:</u> (Notes 1 and 2)		
Cash and cash equivalents	\$ 210,547	\$ 296,497
Contributions receivable, net	68,398	99,122
Prepaid expenses	<u>-</u>	<u>316</u>
TOTAL ASSETS	\$ <u>278,945</u>	\$ <u>395,935</u>
 LIABILITIES AND NET ASSETS		
<u>Liabilities:</u> (Note 1)		
Accounts payable and accrued expenses	\$ <u>1,456</u>	\$ <u>22,266</u>
Total Liabilities	<u>1,456</u>	<u>22,266</u>
<u>Net Assets</u> (Notes 1 and 3)		
Unrestricted	32,129	253,953
Temporarily restricted	<u>245,360</u>	<u>119,716</u>
Total Net Assets	<u>277,489</u>	<u>373,669</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>278,945</u>	\$ <u>395,935</u>

The accompanying notes are integral part of the financial statements.

LOTUS OUTREACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
<u>Revenue and Support:</u>				
Contributions	\$ 94,606	\$ 423,529	\$ 518,135	\$ 597,149
Special events	-	45,815	45,815	-
In-kind donations	18,644	-	18,644	16,442
Other income	2,375	-	2,375	757
Interest income	377	-	377	795
Net assets released from restrictions	343,700	(343,700)	-	-
Total Revenue and Support	<u>459,702</u>	<u>125,644</u>	<u>585,346</u>	<u>615,143</u>
<u>Expenses:</u>				
Program Services	<u>520,682</u>	<u>-</u>	<u>520,682</u>	<u>404,874</u>
Supporting Services:				
Fundraising	127,820	-	127,820	61,358
General and administrative	27,286	-	27,286	29,009
Total Supporting Services	<u>155,106</u>	<u>-</u>	<u>155,106</u>	<u>90,367</u>
Total Program and Supporting Services	<u>675,788</u>	<u>-</u>	<u>675,788</u>	<u>495,241</u>
Special Events	<u>5,738</u>	<u>-</u>	<u>5,738</u>	<u>-</u>
Total Expenses	<u>681,526</u>	<u>-</u>	<u>681,526</u>	<u>495,241</u>
Change in Net Assets	(221,824)	125,644	(96,180)	119,902
Net Assets at Beginning of Year	<u>253,953</u>	<u>119,716</u>	<u>373,669</u>	<u>253,767</u>
NET ASSETS AT END OF YEAR	<u>\$ 32,129</u>	<u>\$ 245,360</u>	<u>\$ 277,489</u>	<u>\$ 373,669</u>

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

LOTUS OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u> <u>2012</u>	<u>Total</u> <u>2011</u>
Grants and contracts	\$ 453,807	\$ -	\$ -	\$ 453,807	\$ 315,807
Salaries	9,672	6,448	93,099	109,219	61,167
Contract labor	49,000	-	-	49,000	69,472
Professional services	-	15,360	-	15,360	12,902
Promotion and sponsored events	-	-	11,315	11,315	654
Travel	3,135	100	4,432	7,667	9,976
Payroll taxes	759	506	6,257	7,522	5,113
Bank fees	2,264	563	3,255	6,082	3,691
Office expenses	1,353	260	2,054	3,667	7,217
Insurance	-	3,255	-	3,255	2,014
Printing	364	68	2,366	2,798	3,901
Other expenses	244	212	1,879	2,335	1,500
Conferences, meetings and training	-	-	1,835	1,835	859
Postage and shipping	-	70	1,328	1,398	582
Memberships and dues	84	444	-	528	386
	<u>84</u>	<u>444</u>	<u>-</u>	<u>528</u>	<u>386</u>
TOTAL PROGRAM AND					
SUPPORTING SERVICES	<u>\$ 520,682</u>	<u>\$ 27,286</u>	<u>\$ 127,820</u>	<u>\$ 675,788</u>	<u>\$ 495,241</u>

The accompanying notes are integral part of the financial statements.

LOTUS OUTREACH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (96,180)	\$ 119,902
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
(Increase) Decrease in:		
Contributions receivable, net	30,724	(8,030)
Prepaid expenses	316	(56)
Increase (Decrease) in:		
Accounts payable and accrued expenses	<u>(20,810)</u>	<u>(45,929)</u>
Net Cash (Used in) Provided by Operating Activities	<u>(85,950)</u>	<u>65,887</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(85,950)	65,887
Cash and Cash Equivalents at Beginning of Year	<u>296,497</u>	<u>230,610</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 210,547</u></u>	<u><u>\$ 296,497</u></u>

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

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

Note 1 - Organization and Significant Accounting Policies:

Organization

Lotus Outreach is a 501(c)(3) 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 of 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, 2012
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

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 (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.

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.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

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

Significant Accounting Policies (Continued)

Fair Value Measurements

Lotus Outreach has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement 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). Lotus Outreach had no financial instruments at December 31, 2012 and 2011.

Allowance for Doubtful Accounts

Management believes that all contributions receivable were fully collectible; therefore, no allowance for doubtful accounts was recorded as of December 31, 2012 and 2011.

Contributions

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 and Support

Lotus Outreach has received donations for accounting, legal and information technology services. The professional services are recorded at their fair value and totaled \$6,000 and \$16,442 for the years ended December 31, 2012 and 2011, respectively and have been included in revenue and expenses for the years then ended.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

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

Significant Accounting Policies (Continued)

Donated Services and Support (Continued)

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, 2012 and 2011 did not meet the requirements above, therefore no amounts were recognized in the financial statements.

Lotus Outreach received in-kind donations of \$12,644 and \$-0- for the years ended December 31, 2012 and 2011, respectively, which have been included in revenue and expenses.

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.

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, 2012, 2011, 2010 and 2009 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.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

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

Significant Accounting Policies (Continued)

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. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of the maturity. The following is a composition of the combined amounts appearing in the statements of cash flows at December 31:

	<u>2012</u>	<u>2011</u>
Cash and money market funds	\$ 206,634	\$ 292,589
Certificates of deposit	<u>3,913</u>	<u>3,908</u>
Total Cash and Cash Equivalents	<u>\$ 210,547</u>	<u>\$ 296,497</u>

Comparative Totals for December 31, 2011

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, 2011, from which the summarized comparative information was derived.

Subsequent Events

Lotus Outreach has evaluated subsequent events through July 19, 2013, 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.

Reclassification

Lotus Outreach has reclassified certain prior year information to conform with the current year presentation.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

Note 2 - Contributions Receivable:

Contributions receivable consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Current:		
Due in less than one year	\$ <u>38,626</u>	\$ <u>79,313</u>
Noncurrent:		
Due in one to five years	30,000	20,000
Less: Discounts to present value	<u>(228)</u>	<u>(191)</u>
Total Noncurrent, Net	<u>29,772</u>	<u>19,809</u>
Total Contributions Receivable, Net	<u>\$ 68,398</u>	<u>\$ 99,122</u>

The contributions receivable have been discounted to their present value using a discount rate of .36% and .35% at December 31, 2012 and 2011, respectively.

Note 3 - Temporarily Restricted Net Assets:

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

	<u>2012</u>	<u>2011</u>
Blossom Bus	\$ 66,966	\$ 46,946
Girls' Access to Education - Siem Reap	41,271	12,381
Girls' Access to Education - Women and Youth Scholarship Initiative	35,518	-
Lotus Pedals	34,706	8,547
Time Restrictions	19,808	34,808
Child Labor Scholarships	12,401	10,798
Safe Migration and Reduction of Trafficking	8,723	-
Girls' Access to Education - Banteay Meanchey	7,465	-
Wells Project	6,850	-
Counseling and Reintegration Project - Cambodia	5,714	-
Buddah Smiles	5,443	-
Girls' Access to Education - Phnom Penh	495	495
Integrated Rural Development	-	5,741
Total Temporarily Restricted Net Assets	<u>\$ 245,360</u>	<u>\$ 119,716</u>

Net assets totaling \$343,700 were released from donor restrictions due to the satisfaction of purpose or time restrictions during the years ended December 31, 2012.