

LOTUS OUTREACH
FINANCIAL STATEMENTS
DECEMBER 31, 2011



Leaf & Cole, LLP
Certified Public Accountants

**LOTUS OUTREACH
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Independent Auditor's Report

To the Board of Directors
Lotus Outreach

We have audited the accompanying statement of financial position of Lotus Outreach as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Lotus Outreach's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Lotus Outreach at December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California
July 26, 2012

**LOTUS OUTREACH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011**

ASSETS

<u>Assets:</u> (Notes 1 and 2)	
Cash and cash equivalents	\$ 296,497
Contributions receivable, net	99,122
Prepaid expenses	<u>316</u>
TOTAL ASSETS	\$ <u><u>395,935</u></u>

LIABILITIES AND NET ASSETS

<u>Liabilities:</u> (Note 1)	
Accounts payable and accrued expenses	\$ <u>22,266</u>
Total Liabilities	<u>22,266</u>
 <u>Net Assets</u> (Notes 1 and 3)	
Unrestricted	253,953
Temporarily restricted	<u>119,716</u>
Total Net Assets	<u><u>373,669</u></u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>395,935</u></u>

The accompanying notes are integral part of the financial statements.

**LOTUS OUTREACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and Support:</u>			
Contributions	\$ 326,650	\$ 270,499	\$ 597,149
In-kind contributions	16,442	-	16,442
Interest income	795	-	795
Other income	757	-	757
Net assets released from restrictions	205,899	(205,899)	-
Total Revenue and Support	<u>550,543</u>	<u>64,600</u>	<u>615,143</u>
<u>Expenses:</u>			
Program Services	<u>404,874</u>	<u>-</u>	<u>404,874</u>
Supporting Services:			
Fundraising	61,358	-	61,358
General and administrative	29,009	-	29,009
Total Supporting Services	<u>90,367</u>	<u>-</u>	<u>90,367</u>
Total Expenses	<u>495,241</u>	<u>-</u>	<u>495,241</u>
Change in Net Assets	55,302	64,600	119,902
Net Assets at Beginning of Year	<u>198,651</u>	<u>55,116</u>	<u>253,767</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 253,953</u></u>	<u><u>\$ 119,716</u></u>	<u><u>\$ 373,669</u></u>

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

**LOTUS OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants and contracts	\$ 315,807	\$ -	\$ -	\$ 315,807
Contract labor	69,472	-	-	69,472
Salaries	9,175	6,117	45,875	61,167
Professional services	-	12,902	-	12,902
Travel	6,001	3,699	276	9,976
Advertising and marketing	1,058	529	3,703	5,290
Payroll taxes	767	511	3,835	5,113
Printing	-	1,152	2,749	3,901
Bank fees	1,170	334	2,187	3,691
Insurance	-	2,014	-	2,014
Office expenses	1,007	569	351	1,927
Other expenses	417	224	859	1,500
Conferences, meetings and training	-	760	99	859
Promotion and sponsored events	-	-	654	654
Postage and shipping	-	63	519	582
Memberships and dues	-	135	251	386
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 404,874</u></u>	<u><u>\$ 29,009</u></u>	<u><u>\$ 61,358</u></u>	<u><u>\$ 495,241</u></u>

The accompanying notes are integral part of the financial statements.

**LOTUS OUTREACH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Cash Flows From Operating Activities:</u>	
Change in net assets	\$ 119,902
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease in:	
Contributions receivable	(8,030)
Prepaid expenses	(56)
Increase (Decrease) in:	
Accounts payable and accrued expenses	<u>(45,929)</u>
Net Cash Provided by Operating Activities	<u>65,887</u>
Net Increase in Cash and Cash Equivalents	65,887
Cash and Cash Equivalents at Beginning of Year	<u>230,610</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<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, 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 reaches/has reached over 30,000 women and children in Asia through the following initiatives:

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 dozens of 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 or 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.

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.

**LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

Organization (Continued)

Non-Formal Education - Cambodia

Provides literacy classes, vocational training and life skills to sex workers and their children in order to help them find better opportunities.

Well Projects - Cambodia

Constructs water wells that serve entire villages in the drought-prone regions of rural Cambodia.

Phnong Education Initiative - Cambodia

Improves access to education for ethnic minorities in Mondulkiri through children's scholarships and teacher training.

The Blossom Bus - India

Provides daily transportation to and from school for adolescent minority girls who live too far from the nearest school house to walk each day.

Lotus Pedals - Cambodia

Provides heavy terrain bicycles to rural Cambodian girls that would not otherwise be able to traverse the considerable distance to the nearest school.

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.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

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). These standards do not change existing guidance as to whether or not an instrument is carried at fair value. Lotus Outreach had no financial instruments at December 31, 2011.

Allowance for Doubtful Accounts

Management believes that all accounts, contributions receivable were fully collectible; therefore, no allowance for doubtful accounts was recorded as of December 31, 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 that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. 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.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

Significant Accounting Policies (Continued)

Donated Services

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

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 year ended December 31, 2011 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.

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, 2011, 2010, 2009 and 2008 are subject to examination by the Internal Revenue Service and State taxing authorities, generally the 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, 2011**

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

Significant Accounting Policies (Continued)

Subsequent Events

Lotus Outreach has evaluated subsequent events through July 26, 2012, 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.

Note 2 - Contributions Receivable:

Contributions receivable consist of the following at December 31, 2011:

Current:		
Due in less than one year		\$ <u>79,313</u>
Noncurrent:		
Due in one to five years		20,000
Less: Discounts to present value		<u>(191)</u>
Total Noncurrent, Net		<u>19,809</u>
Total Contributions Receivable		<u><u>\$ 99,122</u></u>

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

Note 3 - Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of the following at December 31, 2011:

Blossom Bus	\$ 46,946
Time Restrictions	34,808
Girls' Access to Education - Siem Reap	12,381
Child Labor Scholarships	10,798
Lotus Pedals	8,547
Integrated Rural Development	5,741
Girls Access to Education - Phnom Penh	<u>495</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 119,716</u></u>

Net assets totaling \$205,899 were released from donor restrictions due to the satisfaction of purpose or time restrictions during the year ended December 31, 2011.