

LOTUS OUTREACH
FINANCIAL STATEMENTS
DECEMBER 31, 2018



Leaf & Cole, LLP
Certified Public Accountants

**LOTUS OUTREACH
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13



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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leaf & Cole LLP

San Diego, California
August 16, 2019

LOTUS OUTREACH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
<u>Current Assets:</u> (Notes 2 and 4)		
Cash and cash equivalents	\$ 246,252	\$ 256,663
Contributions receivable	-	18,896
Prepaid expenses	<u>505</u>	<u>1,625</u>
TOTAL ASSETS	\$ <u>246,757</u>	\$ <u>277,184</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u> (Note 2)		
Accounts payable and accrued expenses	\$ <u>17,909</u>	\$ <u>23,566</u>
Total Liabilities	<u>17,909</u>	<u>23,566</u>
<u>Net Assets:</u> (Notes 2 and 5)		
Without donor restrictions	208,872	219,837
With donor restrictions	<u>19,976</u>	<u>33,781</u>
Total Net Assets	<u>228,848</u>	<u>253,618</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>246,757</u>	\$ <u>277,184</u>

The accompanying notes are integral part of the financial statements.

LOTUS OUTREACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>2018</u>	Total <u>2017</u>
<u>Revenue and Support:</u>				
Contributions and grants	\$ 138,846	\$ 272,210	\$ 411,056	\$ 445,521
In-kind donations	4,200	-	4,200	4,200
Other income	297	-	297	1,392
Investment income	171	-	171	194
Net assets released from restrictions	286,015	(286,015)	-	-
Total Revenue and Support	<u>429,529</u>	<u>(13,805)</u>	<u>415,724</u>	<u>451,307</u>
<u>Expenses:</u>				
Program Services	<u>341,063</u>	<u>-</u>	<u>341,063</u>	<u>396,944</u>
<u>Supporting Services:</u>				
Fundraising	74,705	-	74,705	59,893
General and administrative	24,726	-	24,726	18,640
Total Supporting Services	<u>99,431</u>	<u>-</u>	<u>99,431</u>	<u>78,533</u>
Total Expenses	<u>440,494</u>	<u>-</u>	<u>440,494</u>	<u>475,477</u>
Change in Net Assets	(10,965)	(13,805)	(24,770)	(24,170)
Net Assets at Beginning of Year	<u>219,837</u>	<u>33,781</u>	<u>253,618</u>	<u>277,788</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 208,872</u></u>	<u><u>\$ 19,976</u></u>	<u><u>\$ 228,848</u></u>	<u><u>\$ 253,618</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, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	Program Services	Supporting Services		Total 2018	Total 2017
		General and Administrative	Fundraising		
Bad debts	\$ -	\$ 4,585	\$ -	\$ 4,585	\$ 310,970
Bank fees	1,508	84	3,628	5,220	5,945
Conferences, meetings and training	-	-	125	125	-
Contract labor	83,809	-	-	83,809	75,520
Grants and contracts	240,050	-	-	240,050	-
Insurance	-	1,472	-	1,472	1,753
Legal	-	-	-	-	325
Memberships and dues	-	-	-	-	450
Office expenses	307	863	1,789	2,959	2,322
Other expenses	1,743	118	-	1,861	13,769
Postage and shipping	-	10	681	691	392
Printing	-	-	301	301	497
Professional services	-	15,660	-	15,660	15,516
Promotion and sponsored events	16	-	17,919	17,935	7,253
Salaries and consultants	-	641	49,654	50,295	37,166
Travel	6,907	-	5	6,912	3,599
Website	6,723	1,293	603	8,619	-
TOTAL EXPENSES	\$ 341,063	\$ 24,726	\$ 74,705	\$ 440,494	\$ 475,477

The accompanying notes are integral part of the financial statements.

LOTUS OUTREACH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (24,770)	\$ (24,170)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
(Increase) Decrease in:		
Contributions receivable	18,896	(18,896)
Prepaid expenses	1,120	(1,625)
Increase (Decrease) in:		
Accounts payable and accrued expenses	<u>(5,657)</u>	<u>(24,516)</u>
Net Cash Used in Operating Activities	<u>(10,411)</u>	<u>(69,207)</u>
Net Decrease in Cash and Cash Equivalents	(10,411)	(69,207)
Cash and Cash Equivalents at Beginning of Year	<u>256,663</u>	<u>325,870</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 246,252</u></u>	<u><u>\$ 256,663</u></u>

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

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

Note 1 - 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:

Blossom Bus

The Blossom Bus provides families with vehicles chauffeured by trustworthy drivers to safely deliver their daughters to secondary school and college. We currently transport over 300 girls to secondary school and 48 young women to college. Until proper secondary schools and colleges become available in all villages, the Blossom Bus aims to rescue girls at this transitional stage, leading the way in establishing female education as a norm rather than an anomaly.

Lotus Pedals

By providing bicycles with locks and repair kits, Lotus Pedals has changed the lives of hundreds of girls by supplying safe, reliable transportation. When girls stay in school, their achievements far exceed those of formal lessons: the gain confidence, access to academic communities, and the respect of their families and neighbors.

Girls Access to Education (GATE)

Provides scholarships to girls who are at-risk or are survivors of violence in order to keep them enrolled in school. Our goal is for these girls to attend school through the third year of high school, and further if possible.

CATALYST

A full scholarship (covering tuition, food, residence, utilities, class fees, and a daily allowance) costs approximately \$1,200 per girl, per year.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

Note 1 - Organization: (Continued)

Buddha Smiles (Lotus Tutors)

Buddha Smiles evening classes have been serving poor children of quarry labor, weaving artisans and subsistence farmers for more than 15 years. Buddha Smiles, is a network of local volunteer teachers that assist struggling primary school students with free after-school tutoring for less than \$15 per student per year.

STEP

Skills Training for Employment seeks to reduce poverty by providing income-generating skills to those who most need them. Women learn tailoring and men are taught electrical and mechanical skills. Without this ability to earn greater income these women and men would remain in poverty, eking out a living on \$4 per day as daily wage earners.

Getting Wells

Lotus Outreach has thus far constructed 74 pump wells that serve more than 10,000 villagers of the drought prone regions of rural Cambodia as well as provided education to recipient communities regarding water sanitation and hygiene.

CTC (Counseling and Reintegration)

The counseling and reintegration project supported by Lotus Outreach provides a safe haven for survivors of violence and guarantees the physical protection and emotional support and provides patients the sanctuary needed for recovery. At our shelter in Sisophon, near the Thai border, survivors are welcome to stay for up to one year, during which time they have access to individual and group counseling, literacy courses, vocational, training, life skills classes, legal services and reintegration assistance. Women are encouraged to retake control of their lives — to shed their sense of shame and see themselves as survivors rather than victims.

Khemar Pre-School

Provides early childhood development for the neediest children through games, nutrition, and education.

EQU+

The EQU+ after school program serves children of migrant labor by enrolling them in school and providing evening bridge classes to ensure they keep up at an age appropriate level. We are currently providing after school classes for 25 to 30 children under 14 years of age. The program also engages parents and seeks to establish formal relationships between parents and the schools their children are attending.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

Note 2 - Significant Accounting Policies:

Accounting Method

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

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 thereon 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.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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). Lotus Outreach had no financial instruments at December 31, 2018 and 2017.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

Note 2 - Significant Accounting Policies: (Continued)

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 as of December 31, 2018 and 2017.

Investment Income

Investment income consists of the following for the years ended December 31:

	2018		2017
	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Interest and dividend income	\$ 171	\$ 171	\$ 194
Total Investment Income	\$ 171	\$ 171	\$ 194

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 without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions. 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 Facilities

Lotus Outreach has received donations for accounting services. The professional services are recorded at their fair value and totaled \$4,200 and \$4,200 for the years ended December 31, 2018 and 2017, respectively and have been included in revenue and expenses for the years ended December 31, 2018 and 2017.

In addition, many individuals volunteer their time and perform a variety of tasks that assist Lotus Outreach with specific programs and various committee 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 volunteers for the years ended December 31, 2018 and 2017, did not meet the requirements above, therefore no amounts were recognized in the financial statements for volunteer time.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

Note 2 - Significant Accounting Policies: (Continued)

Functional Allocation of 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 based on 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. Lotus Outreach 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, 2018, 2017, 2016 and 2015 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, 2017

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, 2017, from which the summarized comparative information was derived.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

Note 2 - Significant Accounting Policies: (Continued)

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes that affected the Organization's financial statements include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Lotus Outreach has adopted this ASU as of and for the year ended December 31, 2018.

Subsequent Events

Lotus Outreach has evaluated subsequent events through August 16, 2019, 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 3 - Liquidity and Availability:

Lotus Outreach regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. Lotus Outreach considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Lotus Outreach considers all expenditures related to its ongoing programs as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure within one year are comprised of the following at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	\$ <u>246,252</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>246,252</u></u>

In addition to financial assets available to meet general expenditures over the next 12 months, Lotus Outreach operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 4 - Contributions Receivable:

Contributions receivable totaled \$-0- and \$18,896 at December 31, 2018 and 2017, respectively, and were due in less than one year.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

Note 5 - Net Assets With Donor Restrictions:

Net assets with donor restrictions consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
<u>Subject to Expenditure for Specified Purposes:</u>		
Getting Wells	\$ 9,547	\$ 13,519
Nutrition for Education	5,022	-
Girls Access to Education (GATE)	2,164	2,164
Khemara Pre-School	1,565	-
Scholarships	1,255	1,255
Other programs	423	423
Lotus Pedals	-	6,525
Passerelles Numeriques Cambodia	-	9,895
Total Net Assets With Donor Restrictions	<u>\$ 19,976</u>	<u>\$ 33,781</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the year ended December 31, 2018:

<u>Purpose Restrictions Accomplished:</u>	
Catalyst	\$ 84,656
Girls Access to Education (GATE)	56,800
Blossom Bus	44,328
Rice 4 Education	25,000
Lotus Pedals	24,486
Getting Wells	14,300
Khemara Pre-School	11,635
CTC (Counseling and Reintegration)	10,915
Passerelles Numeriques Cambodia	9,895
Lotus Tutors	4,000
Total Net Assets Released From Restrictions	<u>\$ 286,015</u>