

LOTUS OUTREACH
FINANCIAL STATEMENTS
DECEMBER 31, 2019



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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leaf & Cole LLP

San Diego, California
July 9, 2020

LOTUS OUTREACH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	ASSETS	
	<u>2019</u>	<u>2018</u>
<u>Current Assets:</u> (Note 2)		
Cash and cash equivalents	\$ 281,642	\$ 246,252
Prepaid expenses	<u>1,625</u>	<u>505</u>
TOTAL ASSETS	<u>\$ 283,267</u>	<u>\$ 246,757</u>
 LIABILITIES AND NET ASSETS 		
<u>Current Liabilities:</u> (Note 2)		
Accounts payable and accrued expenses	\$ <u>21</u>	\$ <u>17,909</u>
Total Liabilities	<u>21</u>	<u>17,909</u>
<u>Net Assets:</u> (Notes 2 and 4)		
Without donor restrictions	208,233	208,872
With donor restrictions	<u>75,013</u>	<u>19,976</u>
Total Net Assets	<u>283,246</u>	<u>228,848</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 283,267</u>	<u>\$ 246,757</u>

The accompanying notes are integral part of the financial statements.

LOTUS OUTREACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>2019</u>	Total <u>2018</u>
<u>Revenue and Support:</u>				
Contributions and grants	\$ 202,370	\$ 325,833	\$ 528,203	\$ 411,056
Other income	5,202	-	5,202	297
In-kind donations	4,500	-	4,500	4,200
Investment income	2,122	-	2,122	171
Net assets released from restrictions	<u>270,796</u>	<u>(270,796)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>484,990</u>	<u>55,037</u>	<u>540,027</u>	<u>415,724</u>
<u>Expenses:</u>				
Program Services	<u>384,384</u>	<u>-</u>	<u>384,384</u>	<u>341,063</u>
Supporting Services:				
Fundraising	80,973	-	80,973	74,705
General and administrative	20,272	-	20,272	24,726
Total Supporting Services	<u>101,245</u>	<u>-</u>	<u>101,245</u>	<u>99,431</u>
Total Expenses	<u>485,629</u>	<u>-</u>	<u>485,629</u>	<u>440,494</u>
Change in Net Assets	(639)	55,037	54,398	(24,770)
Net Assets at Beginning of Year	<u>208,872</u>	<u>19,976</u>	<u>228,848</u>	<u>253,618</u>
NET ASSETS AT END OF YEAR	<u>\$ 208,233</u>	<u>\$ 75,013</u>	<u>\$ 283,246</u>	<u>\$ 228,848</u>

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

LOTUS OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	Program <u>Services</u>	<u>Supporting Services</u>		Total <u>2019</u>	Total <u>2018</u>
		<u>General and Administrative</u>	<u>Fundraising</u>		
Bad debts	\$ -	\$ -	\$ -	\$ -	\$ 4,585
Bank fees	2,099	57	4,760	6,916	5,220
Conferences, meetings and training	-	-	-	-	125
Contract labor	85,000	-	-	85,000	83,809
Grants and contracts	295,245	-	-	295,245	240,050
Insurance	-	1,398	-	1,398	1,472
Legal	-	225	-	225	-
Office expenses	428	321	894	1,643	2,959
Other expenses	-	1	23	24	1,861
Postage and shipping	-	5	197	202	691
Printing	-	-	1,401	1,401	301
Professional services	-	16,305	4,500	20,805	15,660
Promotion and sponsored events	-	1,046	21,865	22,911	17,935
Salaries and consultants	-	815	44,756	45,571	50,295
Travel	1,612	-	518	2,130	6,912
Website	-	99	2,059	2,158	8,619
TOTAL EXPENSES	\$ 384,384	\$ 20,272	\$ 80,973	\$ 485,629	\$ 440,494

The accompanying notes are integral part of the financial statements.

LOTUS OUTREACH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	<u>2019</u>	<u>2018</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 54,398	\$ (24,770)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) Decrease in:		
Contributions receivable	-	18,896
Prepaid expenses	(1,120)	1,120
Increase (Decrease) in:		
Accounts payable and accrued expenses	<u>(17,888)</u>	<u>(5,657)</u>
Net Cash Provided by (Used in) Operating Activities	<u>35,390</u>	<u>(10,411)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,390	(10,411)
Cash and Cash Equivalents at Beginning of Year	<u>246,252</u>	<u>256,663</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 281,642</u></u>	<u><u>\$ 246,252</u></u>

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

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

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 650 girls to secondary school and 40 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: they 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.

Rice 4 Education

Provides rice support to poor village families with girls in scholarship programs in Cambodia keeping the most vulnerable from dropping out of school.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

Note 1 - Organization: (Continued)

Buddha Smiles

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.

Skills Training for Employment (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 82 pump wells that serve more than 12,000 villagers of the drought prone regions of rural Cambodia as well as provided education to recipient communities regarding water sanitation and hygiene.

Counseling and Reintegration (CTC)

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.

Accredited Social Health Activists (ASHA)

A women and children's health care program providing nutrition and health care information in a 5 village work area in rural Rajasthan, India.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

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, 2019 and 2018.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

Note 2 - Significant Accounting Policies: (Continued)

Investment Income

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

	2019		2018
	<u>Without Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Interest income	\$ 2,122	\$ 2,122	\$ 171
Total Investment Income	\$ 2,122	\$ 2,122	\$ 171

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 accounting services are recorded at their fair value and totaled \$4,500 and \$4,200 for the years ended December 31, 2019 and 2018, respectively and have been included in revenue and expenses for the years ended December 31, 2019 and 2018.

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, 2019 and 2018, 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, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

Note 2 - Significant Accounting Policies: (Continued)

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. 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, 2019, 2018, 2017 and 2016 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, 2018

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, 2018, from which the summarized comparative information was derived.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

Note 2 - Significant Accounting Policies: (Continued)

Accounting Pronouncements Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended December 31, 2019.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 for the year ended December 31, 2019 had no effect on the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. There was no effect of adopting the new accounting principles on contributions in 2019.

Subsequent Events

In preparing these financial statements, the Lotus Outreach has evaluated events and transactions for potential recognition or disclosure through July 9, 2020, the date the financial statements were available to be issued and concluded that there were no events or transactions that needed to be disclosed, except as disclosed in Note 5.

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.

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

Note 3 - Liquidity and Availability: (Continued)

Financial assets available for general expenditure within one year are comprised of the following at December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ <u>281,642</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>281,642</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 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by Lotus Outreach, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at December 31:

	<u>2019</u>	<u>2018</u>
<u>Subject to Expenditure for Specified Purposes:</u>		
Girls Access to Education (GATE)	\$ 56,479	\$ 2,164
Getting Wells	10,380	9,547
Counseling and Reintegration (CTC)	6,321	-
Khemara Pre-School	1,385	1,565
Other programs	448	423
Nutrition for Education	-	5,022
Scholarships	-	1,255
Total Net Assets With Donor Restrictions	\$ <u><u>75,013</u></u>	\$ <u><u>19,976</u></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, 2019:

<u>Purpose Restrictions Accomplished:</u>	
Catalyst	\$ 64,715
Blossom Bus	42,570
Lotus Pedals	32,365
Girls Access to Education (GATE)	28,084
Rice 4 Education	25,000
Getting Wells	22,565
Khemara Pre-School	13,380
Passerelles Numeriques Cambodia	10,400
Nutrition for Education	10,044
ASHA	10,000
Lotus Tutors	6,188
Water in Schools	4,000
Other programs	1,485
Total Net Assets Released From Restrictions	\$ <u><u>270,796</u></u>

LOTUS OUTREACH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

Note 5 - Subsequent Event:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared states of emergency. It is anticipated that these impacts will continue for some time. The potential impacts to Lotus Outreach include disruptions or restrictions on our ability to provide services and reduction in contributions from donors. Changes to the operating environment may also be impacted. These changes may have an impact on operating costs. The future effects of these issues are unknown.