



Report of Independent Auditors and  
Consolidated Financial Statements with  
Supplementary Information

## East Meets West

December 31, 2013 and 2012

**MOSS ADAMS** L.L.P.

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
East Meets West

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of East Meets West (“EMW” or “East Meets West”), which comprise the consolidated statements of financial position, as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

### ***Management’s Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of East Meets West as of December 31, 2013 and 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.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements of activities are presented as supplementary information, for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
May 28, 2014

**CONSOLIDATED FINANCIAL STATEMENTS**

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**EAST MEETS WEST**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,023,448	\$ 4,629,855
Grants receivable, net	5,900,137	5,475,304
Investments at fair value	1,997,954	9,217,686
Loans receivable, net	241,179	-
Advance to micro-lending partner	69,731	-
Other assets	100,944	71,434
Property and equipment, net	22,185	16,792
Total assets	<u>\$ 14,355,578</u>	<u>\$ 19,411,071</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,345,328	\$ 156,313
Accrued payroll and other benefits	268,776	298,925
Deferred revenue	1,561,862	1,014,361
Notes payable	38,889	50,000
Total liabilities	<u>3,214,855</u>	<u>1,519,599</u>
<b>NET ASSETS</b>		
Unrestricted	3,422,716	3,640,947
Temporarily restricted	7,718,007	14,250,525
Total net assets	<u>11,140,723</u>	<u>17,891,472</u>
Total liabilities and net assets	<u>\$ 14,355,578</u>	<u>\$ 19,411,071</u>

*See accompanying notes.*

**EAST MEETS WEST**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2013 and 2012**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Grants	\$ 2,658,382	\$ 1,671,271	\$ 4,329,653	\$ 1,602,763	\$ 1,960,973	\$ 3,563,736
Contributions	892,033	2,498,159	3,390,192	410,367	1,851,890	2,262,257
In-kind contributions	609,867	-	609,867	598,163	-	598,163
Fee-for-service	77,036	-	77,036	477	-	477
Investment income	26,788	-	26,788	41,522	-	41,522
Net assets released from restrictions	10,997,796	(10,997,796)	-	6,767,595	(6,767,595)	-
Total support and revenue	<u>15,261,902</u>	<u>(6,828,366)</u>	<u>8,433,536</u>	<u>9,420,887</u>	<u>(2,954,732)</u>	<u>6,466,155</u>
<b>EXPENSES</b>						
Program services						
Water, sanitation & hygiene	2,296,065	-	2,296,065	1,892,997	-	1,892,997
Global Health	2,168,320	-	2,168,320	2,313,849	-	2,313,849
Education	2,342,052	-	2,342,052	2,634,843	-	2,634,843
Subtotal	6,806,437	-	6,806,437	6,841,689	-	6,841,689
Large construction	7,091,245	-	7,091,245	2,808,865	-	2,808,865
Total program services	13,897,682	-	13,897,682	9,650,554	-	9,650,554
Support						
Management and general	1,171,037	-	1,171,037	660,761	-	660,761
Fundraising	695,969	-	695,969	571,084	-	571,084
Total support	1,867,006	-	1,867,006	1,231,845	-	1,231,845
Total expenses	15,764,688	-	15,764,688	10,882,399	-	10,882,399
Decrease in net assets from operating activities	(502,786)	(6,828,366)	(7,331,152)	(1,461,512)	(2,954,732)	(4,416,244)
<b>NONOPERATING REVENUES</b>						
Acquisition-inherent contribution	284,555	295,848	580,403	-	-	-
<b>CHANGE IN NET ASSETS</b>	<u>(218,231)</u>	<u>(6,532,518)</u>	<u>(6,750,749)</u>	<u>(1,461,512)</u>	<u>(2,954,732)</u>	<u>(4,416,244)</u>
<b>NET ASSETS</b> , at beginning of year	<u>3,640,947</u>	<u>14,250,525</u>	<u>17,891,472</u>	<u>5,102,459</u>	<u>17,205,257</u>	<u>22,307,716</u>
<b>NET ASSETS</b> , at end of year	<u>\$ 3,422,716</u>	<u>\$ 7,718,007</u>	<u>\$ 11,140,723</u>	<u>\$ 3,640,947</u>	<u>\$ 14,250,525</u>	<u>\$ 17,891,472</u>

*See accompanying notes.*

**EAST MEETS WEST**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (6,750,749)	\$ (4,416,244)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	8,107	10,910
Change in discount on grants receivable	843	(7,453)
Change in allowance on loan receivable	7,460	-
Acquisition-inherent contribution	(580,403)	-
(Increase)/decrease in:		
Grants receivable	(425,236)	2,388,318
Other assets	(29,510)	(8,004)
Increase/(decrease) in:		
Accounts payable and accrued expenses	1,165,174	(157,943)
Accrued payroll and other benefits	(30,149)	49,798
Deferred revenue	547,501	1,014,361
Net cash used in operating activities	<u>(6,086,962)</u>	<u>(1,126,257)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of securities/investments	(1,997,954)	(19,909)
Proceeds from sales of securities/investments	9,217,686	-
Investment in loans receivable	(287,068)	-
Payment to micro-lending partner	38,429	-
Payment to local partners	(174,556)	-
Purchase of fixed assets	(13,500)	(16,076)
Cash acquired with merger with Blue Planet Network	603,804	-
Net cash provided by / (used in) investing activities	<u>7,386,841</u>	<u>(35,985)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	-	50,000
Repayment of notes payable	(11,111)	(100,000)
Proceeds from micro-fund provider	104,825	-
Cash flows provided by / (used in) financing activities	<u>93,714</u>	<u>(50,000)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,393,593	(1,212,242)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	4,629,855	5,842,097
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 6,023,448</u>	<u>\$ 4,629,855</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION</b>		
In-kind contributions	\$ 609,867	\$ 598,163
Donated securities	11,241	25,486
Assets and liabilities acquired in acquisition of Blue Planet Network		
Current assets	\$ 604,244	
Less current liabilities	(23,841)	
Net assets acquired	580,403	
Acquisition cost	-	
Contribution inherent in merger	<u>\$ 580,403</u>	

See accompanying notes.



**EAST MEETS WEST**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2013 and 2012**

	2013				2012			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
<b>EXPENSES</b>								
Construction and program expenses	\$ 9,705,554	\$ -	\$ -	\$ 9,705,554	\$ 5,757,406	\$ -	\$ -	\$ 5,757,406
Personnel costs	1,785,765	570,131	507,817	2,863,713	1,995,312	405,394	324,522	2,725,228
Professional fees	572,554	390,844	50,431	1,013,829	488,648	112,141	73,220	674,009
Grants to others	916,347	-	-	916,347	666,354	-	-	666,354
Travel and meetings	487,605	82,273	36,011	605,889	438,365	61,493	47,880	547,738
Office and other expenses	313,955	88,018	40,788	442,761	178,060	44,806	88,657	311,523
Occupancy	115,902	39,771	60,922	216,595	126,409	36,927	36,805	200,141
	<u>\$ 13,897,682</u>	<u>\$ 1,171,037</u>	<u>\$ 695,969</u>	<u>\$ 15,764,688</u>	<u>\$ 9,650,554</u>	<u>\$ 660,761</u>	<u>\$ 571,084</u>	<u>\$ 10,882,399</u>

*See accompanying notes.*

## **EAST MEETS WEST NOTES TO CONSOLIDATED TO FINANCIAL STATEMENTS**

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### **NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

**Organization and nature of activities** – The consolidated financial statements include the accounts of East Meets West Foundation and its wholly owned subsidiaries, Reach Vietnam and East Meets West Dental Center (collectively “EMW” or “East Meets West”). The accounts of these three organizations have been consolidated because they are under common management and control.

East Meets West Foundation and Reach Vietnam are both charitable, nonprofit organizations, with a successful working history in Vietnam, Laos and Cambodia. East Meets West Foundation and Reach Vietnam were incorporated in California in 1988 and 2001, respectively, to partner with the people of Southeast Asia to improve their health, education, and economic conditions in an effort to eradicate poverty and help them achieve self-sufficiency. East Meets West Dental Center (“EMW Dental Center”), is a for-profit, fee-for service entity incorporated in Vietnam in 2012 that commenced its business of providing dental services in Danang during December of 2012. East Meets West has offices in Oakland, California; Ho Chi Minh City, Hanoi, Ninh Binh, Quang Binh, Tien Giang and DaNang, Vietnam; Vientiane, Laos; Phnom Penh, Cambodia; Manila, Philippines; New Dehli, India; Dili, Timor-Leste; Yangon, Myanmar; and Accra, Ghana.

**Basis of consolidation** – The consolidated financial statements include all the accounts of East Meets West Foundation and its subsidiaries, Reach Vietnam and EMW Dental Center. All significant intercompany transactions and balances have been eliminated in consolidation.

#### **Description of program and supporting services:**

##### ***Program expenses*** –

- Water, sanitation, and hygiene programs help provide sustainable access to clean water and improved sanitation and hygiene in rural areas by 1) supporting household latrine construction and community hygiene education; and 2) building community and school water systems.
- Global health programs provide healthcare access to children in low-resource settings by 1) supplying durable neonatal equipment and training to hospitals through the Breath of Life Program; 2) providing dental treatment and oral health education through the Dental Program; and 3) promoting early identification and treatment of heart defects through Operation Healthy Heart.
- Education programs promote school completion and credentialing and include 1) the Scholarship Program to Enhance Literacy and Learning (SPELL); 2) SPELL Goes to College; 3) GPOBA Upper Secondary Education Enhancement; 4) Coach for College; 5) IT Education; 6) Early Childhood Education capacity building; and 7) the Village of Hope Disadvantaged Children’s Center.
- Large construction includes medical facilities, libraries, and academic buildings.

**Management and general expenses** – These include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of EMW.

**Fundraising expenses** – Fundraising expenses include the cost of all activities that constitute an appeal for financial support; that is, costs incurred to induce others to contribute money, securities, time, materials, or facilities to EMW.

**Basis of presentation** – The consolidated financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets pursuant to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Financial Statements of Not-for-Profit Organizations*.

**Basis of accounting** – The consolidated financial statements are prepared using the accrual basis of accounting.

**Interest in Reach Vietnam** – East Meets West Foundation and Reach Vietnam are considered interrelated organizations in that East Meets West Foundation has the ability to influence the operating and financial decisions of Reach Vietnam.

**Interest in East Meets West Dental Center** – East Meets West Foundation and East Meets West Dental Center are considered interrelated organizations in that East Meets West Foundation has the ability to influence the operating and financial decisions of East Meets West Dental Center.

**Cash and cash equivalents** – For purposes of the statement of cash flows, all highly liquid investments with an initial purchased maturity of three months or less are considered to be cash equivalents.

**Allowance for doubtful accounts** – EMW reviews grants receivable on a periodic basis and reserves against estimated uncollectible amounts as necessary. Management believes that all of its accounts are collectible; accordingly, no allowance for doubtful accounts was required at December 31, 2013 and 2012.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance when the collectability of principal and interest is unlikely. The amount in the allowance is based upon management's evaluation of risk characteristics under current economic conditions.

**Investments at fair value** – As of December 31, 2013 and 2012, EMW carried investments in certificates of deposit and in equities with readily determinable fair values. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities and represent the change in the fair value of investments from one year to another.

**Property and equipment, net** – Fixed assets with an estimated useful life in excess of one year are capitalized at cost; donated assets are capitalized at the fair value at date of receipt. Depreciation is computed using the straight-line method with estimated useful lives of three to five years. EMW capitalizes fixed asset purchases of amounts in excess of \$2,500.

**Compensated absences** – EMW accrues a liability for earned vacations to which employees are entitled depending on their length of service and other factors. The accompanying consolidated financial statements include accrued vacation benefits of \$96,574 and \$79,219 as included in accrued payroll and other benefits in the consolidated statements of financial position as of December 31, 2013 and 2012, respectively.

**Deferred revenue** – EMW recognizes revenue when expenses are incurred. Deferred revenue represents grant funds received in excess of expenses incurred. This deferred revenue will be recognized as revenue in future periods.

**Description of net assets –**

*Unrestricted net assets* – The portion of net assets that is neither temporarily nor permanently restricted by donor imposed restrictions.

*Temporarily restricted net assets* – Temporarily restricted net assets represent contributions whose use by EMW is limited by donor-imposed stipulations that can be fulfilled and removed by action of EMW pursuant to those stipulations or by the passage of time.

*Permanently restricted net assets* – The portion of net assets used by EMW that is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of EMW. There were no permanently restricted net assets as of December 31, 2013 and 2012.

**In-kind contributions** – Donated services are recognized when received if such services (a) create or enhance nonfinancial assets, (b) require specialized skills, and (c) are provided by individuals possessing those skills, and would typically need to be purchased if not donated. EMW received pro-bono professional services and supplies from volunteer doctors and dentists who support certain programs as well as various other professional services that were contributed. The established fair value of donated services received was based upon the number of hours contributed at appropriate billing rates, and has been recorded as an in-kind contribution and expense.

**Contributions** – Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence or nature of any donor restrictions. Restricted contributions, which are expended in the year received, are accounted for as unrestricted.

**Use of estimates** – The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates include depreciation and discounts on grants receivable. Accordingly, actual results could differ from those estimates.

## **EAST MEETS WEST**

### **NOTES TO CONSOLIDATED TO FINANCIAL STATEMENTS**

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**Functional allocation of expenses** – Expenses are charged to programs and supporting services on the basis of periodic time and expense studies as well as estimates made by EMW’s management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of EMW.

**Foreign currency transactions** – Receipts and disbursements in foreign currencies are converted into U.S. dollars at the exchange rates approximating those at the transaction dates. The cash balances denoted in foreign currencies are translated into U.S. currency at the exchange rate approximating the rate at the closing date. Foreign currency exchange losses were \$1,123 and \$5,162 in December 31, 2013 and 2012.

**Fair value measurements** – EMW determines the fair value of assets and liabilities consistent with a fair value framework that establishes a hierarchy for measuring fair value, and requires disclosures about the use of fair value measurements.

Fair value measurement reporting provides a consistent definition of fair value that focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement reporting also prioritizes the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In certain cases, inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. EMW’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

**Reclassifications** – Certain reclassifications have been made to the 2012 consolidated financial statements to conform to the current year presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets, as reflected in the 2012 consolidated financial statements.

#### **NOTE 2 – CONCENTRATIONS**

EMW maintains its cash balances at various banks and brokerage houses in the United States, and at VID Public Bank, Vietcom Bank, and ANZ Bank in Vietnam, Cambodia, and Laos. Cash held by VID Public Bank in Vietnam is fully secured by the Vietnam State Bank. As of December 31, 2013 and 2012, cash balances at Vietnam banks (primarily in U.S. dollar accounts) amounted to \$1,419,682 and \$189,208, respectively. At December 31, 2013 and 2012, EMW held \$62,742 and \$34,063, respectively, in foreign currency. The Federal Deposit Insurance Corporation (FDIC), insures account balances at U.S. banks up to \$250,000. Under the FDIC’s Transaction Account Guarantee Program (“TAGP”), all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under TAGP is in addition to and separate from the coverage available under the FDIC’s general deposit insurance rules. At December 31, 2013 and 2012, EMW had uninsured bank balances and certificates of deposit of \$5,075,808 and \$12,400,703, respectively.

EMW received \$674,250 or 8% and \$2,090,763 or 32% of its consolidated revenue from the Bill & Melinda Gates Foundation for the years ended December 31, 2013 and 2012, respectively.

EMW received \$2,475,436 or 29% of its consolidated revenue from the Australian Department of Foreign Affairs and Trade in the year ended December 31, 2013.

**EAST MEETS WEST**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 3 – GRANTS RECEIVABLE**

Grants receivable are as follows:

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 4,588,769	\$ 5,259,343
Receivable in one to five years	<u>1,315,500</u>	<u>219,250</u>
Total grants receivable	5,904,269	5,478,593
Less discount to net present value	<u>(4,132)</u>	<u>(3,289)</u>
Net grants receivable	<u>\$ 5,900,137</u>	<u>\$ 5,475,304</u>

The grants receivable in one to five years have been discounted using discount of 0.3% in 2013 and 1% in 2012.

**NOTE 4 – INVESTMENTS**

Investments are stated at fair value and consisted primarily of the following:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Certificate of deposit	\$ 1,997,954	\$ 1,997,954	\$ 9,217,686	\$ 9,217,686

Investment income was \$26,788 and \$41,522 in 2013 and 2012, respectively.

**NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table represents EMW's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 1,997,954	\$ -	\$ 1,997,954

The following table represents EMW's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 9,217,686	\$ -	\$ 9,217,686

**NOTE 6 – LOANS RECEIVABLE**

**Micro-lending program** – On May 4, 2012, EMW entered into a loan agreement with the Hai Duong Women's Union ("HDWU"), for 4 billion VND, equivalent to \$192,146. EMW provided funding to the HDWU who then loaned the funds to low income families for construction of new or improved sanitation facilities. The loan matures in 60 months with principal repaid in ten 400 million VND installments every 6 months including interest at 6% per annum beginning January 2013. Interest income amounted to \$9,862 and \$4,800 in 2013 and 2012, respectively, and is included in investment income on the consolidated statements of activities and changes in net assets. Accrued interest receivable was \$3,797 and \$4,800 for the years ended December 31, 2013 and 2012, respectively, and is included in other assets on the consolidated statements of financial position. As of December 31, 2013, the net loans receivable balance was \$241,179. In 2012, the loan was treated as an expense since repayment was uncertain and expensing was deemed to be the best estimate of economic outcome at that time.

**EAST MEETS WEST**  
**NOTES TO CONSOLIDATED TO FINANCIAL STATEMENTS**

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On September 15, 2013, EMW entered into a loan agreement with the Ninh Binh Women’s Union (“NBWU”), for 2 billion VND, equivalent to \$94,922 USD. EMW provided funding to the NBWU who then loaned the funds to low income families for construction of new or improved sanitation facilities. The loan matures in 60 months with principal to be paid in ten 200 million VND installments every 6 months beginning March 2014. The interest rate is 6% per annum paid every 6 months beginning March 2014. Interest income amounted to \$1,661 in 2013. Accrued interest receivable was \$1,661 for the year ended December 31, 2013 and is included in other assets on the consolidated statements of financial position.

	<u>2013</u>
Loan receivable - Hai Duong Women's Union	\$ 153,717
Loan receivable - Ninh Binh Women's Union	<u>94,922</u>
Total loans receivable	248,639
Less allowance for loan losses	<u>(7,460)</u>
Total loan receivable, net	<u>\$ 241,179</u>

**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 63,421	\$ 74,014
Less accumulated depreciation	<u>(41,236)</u>	<u>(57,222)</u>
Total property and equipment, net	<u>\$ 22,185</u>	<u>\$ 16,792</u>

Depreciation expense amounted to \$8,107 and \$10,910 in 2013 and 2012, respectively.

**NOTE 8 – LEASE COMMITMENTS**

EMW leases office space in Oakland, California, under an operating lease that expires in October 2017. EMW also leases office space in Vietnam, Cambodia, Laos, Myanmar, and the Philippines under various operating leases. The Vietnamese leases expire in July 2014 for the Quang Binh office, in October 2014 for the Ninh Binh office, in December 2014 for the Da Nang office, in August 2015 for the Tien Giang office, in February 2016 for the Ho Chi Minh City office, in October 2016 for the Hanoi office and in April 2022 for the Dental Center (in Da Nang). The Cambodia, Laos, Myanmar, and Philippines leases are either on a month-to-month basis or the term is one year. Presented below is a schedule of minimum future lease obligations as of December 31, 2013.

**Year-ending December 31.**

2014	\$ 152,949
2015	106,831
2016	94,872
2017	72,904
2018	8,716
Thereafter	<u>34,863</u>
Total	<u>\$ 471,135</u>

Rent expense amounted to \$201,139 in 2013 and \$164,428 in 2012.

**NOTE 9 – PENSION PLAN**

EMW has a defined contribution pension plan for all eligible U.S. based employees who have completed one month of service. Pension expense in 2012 and 2011 amounted to \$26,006 and \$24,607, respectively. Internationally, EMW complies with local laws in providing employer contributions for all employees via government-run retirement plans, where applicable.

**NOTE 10 – TAX STATUS**

EMW was incorporated under the laws of the State of California and granted tax exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and by the California Franchise Tax Board under Section 23701d of the Revenue and Taxation Code. Accordingly, no provision for income taxes has been included in these consolidated financial statements. With few exceptions, EMW is no longer subject to United States federal or state/local income tax examinations by tax authorities for fiscal years before 2009. EMW Dental Center is a for-profit entity subject to income taxation laws in Vietnam.

EMW assesses its accounting for uncertainties in income taxes recognized in its consolidated financial statements and prescribes a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in the tax returns. There was no material impact on EMW’s consolidated financial statements as a result of assessing these uncertainties.

**NOTE 11 – NOTES PAYABLE**

As of December 31, 2013 and 2012, EMW had outstanding notes payable of \$38,889 and \$50,000, respectively. Following describes the notes payable as of December 31, 2013:

**Social investment loan** – On September 16, 2011, EMW entered into a loan agreement with Calvert Social Investment Foundation, Inc. (“Calvert”), secured by a pledge on high quality liquid assets of EMW equal to the loan amount when the loan amount exceeds \$100,000. The loan allows EMW to borrow up to \$500,000 and bears interest at a rate of 5% per annum. The purpose of this loan is to encourage the flow of capital to disadvantaged communities in order to foster a more equitable and sustainable society via EMW, that works to improve the standard of living of low-income populations particularly in Vietnam and other countries in Asia. This includes the provision of basic services such as healthcare, clean water, sanitation, and primary education. On September 23, 2011, EMW executed a promissory note with Calvert and borrowed \$100,000 under this loan agreement with a maturity date of September 23, 2013. This note was paid in its entirety on September 28, 2012. The interest expense amounted to \$0 and \$3,723 in 2013 and 2012, respectively.

**Microfinance investment loan** – On May 26, 2012, EMW entered into a loan agreement with Money In Motion, LLC. The purpose of this loan was to support micro-investments for rural sanitation improvements in the Hai Duong Province of Vietnam. As part of this program, EMW provided funding to the Hai Duong Women’s Union who then loaned the funds to low income families for construction of new or improved sanitation facilities. The entire loan proceeds of \$50,000 were released soon after the loan agreement became effective. The term is sixty months with principal paid in nine equal installments commencing one year after release of funds by lender and every six months thereafter. Interest rate is 6% per annum. Accrued interest is due at every principal payment date. There is no prepayment penalty with sixty day notice to lender. The interest expense amounted to \$1,009 and \$500 in 2013 and 2012, respectively.

**NOTE 12 – KIVA AGREEMENT**

Kiva Microfunds (“Kiva”), a micro-fund provider, operates a web-based business that allows website users throughout the world (Kiva lenders) to connect with organizations that provide small loans to individuals or groups in developing countries called micro-finance institutions (MFI). EMW sought to increase the ability for their program beneficiaries to obtain loans from Kiva lenders to improve their living conditions. Kiva’s business model works with intermediaries that can contract directly with entities like the HDWU, therefore it was necessary for Kiva to enter into a contract with EMW dated August 22, 2013. In turn, EMW entered into an agreement with the HDWU for 4 billion VND (approximately \$200,000) so that the HDWU would lend funds to low income families for construction of new improved sanitation facilities. The Kiva arrangement was entered into in October 2013 with the first borrower profiles approved for funding by Kiva in November 2013. EMW was approved for a \$1,000,000 credit line. The entirety of this first \$200,000 tranche of Kiva lending was for latrine construction in HDWU. EMW earns 0.45 percent per month interest as a fee for its services in this process. EMW and the HDWU bear no risk for non-payment of principal. As of December 31, 2013, \$104,825 was approved by Kiva and transferred to EMW and then to HDWU. There were \$69,731 of borrower profiles approved by Kiva but not yet funded by Kiva in December 2013 so EMW prefunded that amount to the HDWU. That amount outstanding as of December 31, 2013 was \$69,731.

**EAST MEETS WEST**  
**NOTES TO CONSOLIDATED TO FINANCIAL STATEMENTS**

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**NOTE 13 - ACQUISITION**

On September 6, 2013, EMW completed the acquisition of Blue Planet Network, a California public benefit corporation. Blue Planet Network ("BPN"), merged into EMW with EMW continuing as the surviving entity. This brought together EMW's market-leading "pay for performance" water and sanitation programs and BPN's unique online collaboration and impact analysis platform. The merger should accelerate innovation across the water and sanitation sector, drive learning and visibility, and deliver improved clean water and sanitation solutions to more people around the globe. BPN's operations are predominantly supported by contributions and this is expected to continue. BPN had substantial temporarily restricted and unrestricted net assets at the acquisition date because of contributions received for its online collaboration platform, water projects, and general operations. There were no noncash contributions received or transferred in relation to the acquisition. The following table summarizes the estimated value of the assets acquired and liabilities assumed:

Cash	\$	603,804
Other current assets		440
Less: accounts payable		(22,626)
Less: other current liabilities		(1,215)
Inherent contribution	\$	<u>580,403</u>

Of the net assets acquired in the acquisition, \$295,848 was recorded as temporarily restricted net assets and \$284,555 was recorded as unrestricted net assets.

**NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS**

Support that is restricted by a grantor agency or a donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Temporarily restricted net assets were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Construction projects	\$ 2,622,939	\$ 10,562,320
Water, sanitation, and hygiene	3,943,238	2,270,517
Global health	649,546	1,008,955
Education	502,284	408,733
Total	<u>\$ 7,718,007</u>	<u>\$ 14,250,525</u>

Temporarily restricted net assets released from restrictions by incurring expenses were as follows:

	<u>2013</u>	<u>2012</u>
Construction projects	\$ 7,939,381	\$ 2,378,538
Water, sanitation, and hygiene	650,972	1,094,490
Global Health	1,196,829	1,788,707
Education	1,210,614	1,505,860
Total	<u>\$ 10,997,796</u>	<u>\$ 6,767,595</u>



**NOTE 15 - IN-KIND CONTRIBUTIONS**

Contributions of donated assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Donated goods and services received are as follows:

	<u>2013</u>	<u>2012</u>
Legal services	\$ 202,440	\$ 17,089
Water, sanitation, and hygiene services	138,517	128,662
Dental professional services	98,080	67,934
Program supplies	77,204	78,310
Dental equipment and supplies	54,426	65,877
Global health professional services	39,200	170,411
Other professional services	-	19,880
Advertising	-	50,000
	<u>\$ 609,867</u>	<u>\$ 598,163</u>

**NOTE 16 - FEE-FOR-SERVICE**

EMW recognized fee-for-service revenue from the EMW Dental Clinic and the Global Partnership on Output-Based Aid dissemination grant. For the years ended December 31, 2013 and 2012, fee-for-service revenue amounted to \$77,036 and \$477, respectively.

**NOTE 17 - ADVERTISING COSTS**

EMW expenses advertising production costs as they are incurred. Such expenses amounted to \$213 and \$3,448 for the years ended December 31, 2013 and 2012, respectively. In addition, EMW received \$50,000 of in-kind advertising revenue during 2012.

**NOTE 18 - COMMITMENTS AND CONTINGENCIES**

At December 31, 2013, there were no significant outstanding legal actions or claims against EMW. EMW maintains various forms of insurance that its management believes are adequate to reduce the exposure to these risks to an acceptable level.

**NOTE 19 - SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. EMW recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. EMW's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statements of financial position but arose after the consolidated statements of financial position date and before the consolidated financial statements were available to be issued.

EMW has evaluated subsequent events through May 28, 2014, which is the date the consolidated financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

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**EAST MEETS WEST**  
**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**  
**Years Ended December 31, 2013 and 2012**

	2013					2012				
	East Meets West Foundation	Reach Vietnam	East Meets West Dental Center	Eliminations	Total	East Meets West Foundation	Reach Vietnam	East Meets West Dental Center	Eliminations	Total
<b>ASSETS</b>										
Cash and cash equivalents	\$ 6,022,184	\$ 18	\$ 1,246	\$ -	\$ 6,023,448	\$ 4,629,266	\$ 258	\$ 331	\$ -	\$ 4,629,855
Due to/from East Meets West Foundation	3,580,814	-	-	(3,580,814)	-	3,503,988	-	-	(3,503,988)	-
Grants receivable, net	2,400,137	3,500,000	-	-	5,900,137	1,975,304	3,500,000	-	-	5,475,304
Investments at fair value	1,997,954	-	-	-	1,997,954	9,217,686	-	-	-	9,217,686
Loans receivable, net	241,179	-	-	-	241,179	-	-	-	-	-
Advance to micro-lending partner	69,731	-	-	-	69,731	-	-	-	-	-
Other assets	100,944	-	-	-	100,944	71,434	-	-	-	71,434
Property and equipment - net	22,185	-	-	-	22,185	16,792	-	-	-	16,792
Total assets	<u>\$ 14,435,128</u>	<u>\$ 3,500,018</u>	<u>\$ 1,246</u>	<u>\$ (3,580,814)</u>	<u>\$ 14,355,578</u>	<u>\$ 19,414,470</u>	<u>\$ 3,500,258</u>	<u>\$ 331</u>	<u>\$ (3,503,988)</u>	<u>\$ 19,411,071</u>
<b>LIABILITIES</b>										
Accounts payable and accrued expenses	\$ 1,345,328	\$ -	\$ -	\$ -	\$ 1,345,328	\$ 156,313	\$ -	\$ -	\$ -	\$ 156,313
Due to/from Reach Vietnam	-	3,500,000	-	(3,500,000)	-	-	3,500,000	-	(3,500,000)	-
Due to/from Dental Center	-	-	80,814	(80,814)	-	-	-	3,988	(3,988)	-
Accrued payroll and other benefits	268,776	-	-	-	268,776	298,925	-	-	-	298,925
Deferred revenue	1,561,862	-	-	-	1,561,862	1,014,361	-	-	-	1,014,361
Notes payable	38,889	-	-	-	38,889	50,000	-	-	-	50,000
Total liabilities	<u>3,214,855</u>	<u>3,500,000</u>	<u>80,814</u>	<u>(3,580,814)</u>	<u>3,214,855</u>	<u>1,519,599</u>	<u>3,500,000</u>	<u>3,988</u>	<u>(3,503,988)</u>	<u>1,519,599</u>
<b>NET ASSETS</b>										
Unrestricted	3,502,266	18	(79,568)	-	3,422,716	3,644,346	258	(3,657)	-	3,640,947
Temporarily restricted	7,718,007	-	-	-	7,718,007	14,250,525	-	-	-	14,250,525
Total net assets	<u>11,220,273</u>	<u>18</u>	<u>(79,568)</u>	<u>-</u>	<u>11,140,723</u>	<u>17,894,871</u>	<u>258</u>	<u>(3,657)</u>	<u>-</u>	<u>17,891,472</u>
Total liabilities and net assets	<u>\$ 14,435,128</u>	<u>\$ 3,500,018</u>	<u>\$ 1,246</u>	<u>\$ (3,580,814)</u>	<u>\$ 14,355,578</u>	<u>\$ 19,414,470</u>	<u>\$ 3,500,258</u>	<u>\$ 331</u>	<u>\$ (3,503,988)</u>	<u>\$ 19,411,071</u>

**EAST MEETS WEST**  
**CONSOLIDATING STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2013 and 2012**

	2013				2012				Total
	East Meets West Foundation	Reach Vietnam	East Meets West Dental Center	Elimination	East Meets West Foundation	Reach Vietnam	East Meets West Dental Center	Elimination	
<b>SUPPORT AND REVENUE</b>									
Grants	\$ 4,329,653	\$ -	\$ -	\$ -	\$ 3,563,736	\$ 25,500	\$ -	\$ (25,500)	\$ 3,563,736
Contributions	3,390,192	-	-	-	2,262,257	-	-	-	2,262,257
In-kind contributions	609,867	-	-	-	598,163	-	-	-	598,163
Fee-for-service	49,750	-	27,286	-	-	-	477	-	477
Investment income	26,701	-	87	-	41,522	-	-	-	41,522
Administrative fees	-	-	-	-	25,000	-	-	(25,000)	-
Total support and revenue	<u>8,406,163</u>	<u>-</u>	<u>27,373</u>	<u>-</u>	<u>6,490,678</u>	<u>25,500</u>	<u>477</u>	<u>(50,500)</u>	<u>6,466,155</u>
<b>EXPENSES</b>									
Construction and program expenses	9,661,173	-	44,381	-	5,755,166	-	2,240	-	5,757,406
Personnel costs	2,861,514	-	2,199	-	2,725,228	-	-	-	2,725,228
Professional fees	1,011,254	-	2,575	-	674,009	-	-	-	674,009
Grants to others	916,347	-	-	-	691,854	-	-	(25,500)	666,354
Travel and meetings	590,867	-	15,022	-	547,041	-	697	-	547,738
Office and other expenses	416,808	240	25,713	-	310,207	342	974	-	311,523
Occupancy	203,201	-	13,394	-	199,918	-	223	-	200,141
Administrative fees	-	-	-	-	-	25,000	-	(25,000)	-
Total expenses	<u>15,661,164</u>	<u>240</u>	<u>103,284</u>	<u>-</u>	<u>10,903,423</u>	<u>25,342</u>	<u>4,134</u>	<u>(50,500)</u>	<u>10,882,399</u>
Increase (decrease) in net assets from operating activities	(7,255,001)	(240)	(75,911)	-	(4,412,745)	158	(3,657)	-	(4,416,244)
<b>NONOPERATING REVENUE</b>									
Acquisition-inherent contribution	580,403	-	-	-	-	-	-	-	-
<b>CHANGE IN NET ASSETS</b>	<u>(6,674,598)</u>	<u>(240)</u>	<u>(75,911)</u>	<u>-</u>	<u>(4,412,745)</u>	<u>158</u>	<u>(3,657)</u>	<u>-</u>	<u>(4,416,244)</u>
<b>NET ASSETS, beginning of year</b>	<u>17,894,871</u>	<u>258</u>	<u>(3,657)</u>	<u>-</u>	<u>22,307,616</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>22,307,716</u>
<b>NET ASSETS, end of year</b>	<u>\$ 11,220,273</u>	<u>\$ 18</u>	<u>\$ (79,568)</u>	<u>\$ -</u>	<u>\$ 17,894,871</u>	<u>\$ 258</u>	<u>\$ (3,657)</u>	<u>\$ -</u>	<u>\$ 17,891,472</u>